

# **ZincX Resources Corp.**

Consolidated Financial Statements

For the Years Ended June 30, 2023 and 2022

Expressed in Canadian Dollars

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# ZincX Resources Corp.

<b>Index</b>	<b>Page</b>
Independent Auditors' Report	3-6
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statements of Loss and Comprehensive Loss	9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11-39

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
ZincX Resources Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of ZincX Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023, June 30, 2022 and July 1, 2021, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023, June 30 2022 and July 1, 2021, and its financial performance and its cash flows for the years ended June 30, 2023 and 2022 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since its inception and incurred a loss of \$564,665 during the year ended June 30, 2023, and as of that date, the Company's total deficit was \$94,854,140. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Emphasis of Matter – Change in Accounting Policy*

We draw attention to Note 18 to the consolidated financial statements, which explains that certain comparative information presented:

- for the year ended June 30, 2022 has been restated.
- as at July 1, 2021 has been derived from the consolidated financial statements for the year ended June 30, 2021 which have been restated (not presented herein).

Note 18 explains the change in accounting policy and related restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.



## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### **Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")**

As described in Note 10 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$24,358,009 as of June 30, 2023. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment on a regular basis.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Evaluating the Company's current, past, and planned exploration expenditures and ability to carry out future exploration activity.
- Obtaining confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

## ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

*Davidson & Company LLP*

Vancouver, Canada

Chartered Professional Accountants

October 27, 2023

# ZincX Resources Corp.

Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	June 30, 2023	June 30, 2022	July 1, 2021
			(Restated-Note 2 and 18)	(Restated-Note 2 and 18)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		\$ 1,255,020	\$ 804,822	\$ 3,066,527
Receivables	3	7,591	9,226	51,411
Prepaid expenses		34,033	61,488	35,200
		<b>1,296,644</b>	875,536	3,153,138
Other assets	4	332,500	332,500	332,500
Equipment	9	110,568	106,121	137,151
Right-of-use asset	6	-	-	35,545
Exploration and evaluation assets	10	24,358,009	24,358,009	24,358,009
		<b>\$ 26,097,721</b>	\$ 25,672,166	\$ 28,016,343
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trades payable and accrued liabilities	5	\$ 51,787	\$ 65,986	\$ 641,847
Lease liability	6	-	-	36,580
Due to related parties	14	1,403,105	1,398,686	1,400,839
		<b>1,454,892</b>	1,464,672	2,079,266
Government loan	8	38,057	38,057	34,450
		<b>1,492,949</b>	1,502,729	2,113,716
<b>EQUITY</b>				
Capital stock	11	103,333,303	103,333,303	103,329,407
Share subscription	11	1,000,000	-	-
Reserves	11	15,125,609	15,125,609	15,127,105
Deficit		(94,854,140)	(94,289,475)	(92,553,885)
		<b>24,604,772</b>	24,169,437	25,902,627
		<b>\$ 26,097,721</b>	\$ 25,672,166	\$ 28,016,343

## Nature and continuance of operations (Note 1)

## Subsequent events (Note 19)

The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors:

"Peeyush Varshney"

Peeyush Varshney, Director

"John Thomas"

John Thomas, Director

**ZincX Resources Corp.**

Consolidated Statement of Changes in Equity  
(Expressed in Canadian Dollars)

<b>Share Capital</b>								
	Note	Number of common shares	Common Shares Amount	Share Subscription	Reserves (Note 13)	Deficit	Total equity	
<b>Balance, June 30, 2021</b> (Restated-Note 2 and 18)		<b>177,876,141</b>	<b>\$ 103,329,407</b>	-	<b>\$ 15,127,105</b>	<b>\$ (92,553,885)</b>	<b>\$ 25,902,627</b>	
Exercise of share options	11	20,000	3,896	-	(1,496)	-	2,400	
Net loss for the year		-	-	-	-	(1,735,590)	(1,735,590)	
<b>Balance, June 30, 2022</b> (Restated-Note 2 and 18)		<b>177,896,141</b>	<b>103,333,303</b>	-	<b>15,125,609</b>	<b>(94,289,475)</b>	<b>24,169,437</b>	
Share subscription received	11	-	-	1,000,000	-	-	1,000,000	
Net loss for the year		-	-	-	-	(564,665)	(564,665)	
<b>Balance, June 30, 2023</b>		<b>177,896,141</b>	<b>\$ 103,333,303</b>	<b>\$ 1,000,000</b>	<b>\$ 15,125,609</b>	<b>\$ (94,854,140)</b>	<b>\$ 24,604,772</b>	

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

**ZincX Resources Corp.**

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Notes	2023	2022
			(Restated- Note 2 and 18)
<b>EXPENSES</b>			
Administration	14	\$ 60,000	\$ 60,000
Consulting (recovery)	14	4,700	(472)
Depreciation of office equipment	9	2,218	1,580
Depreciation of the right-of-use asset	6	-	35,545
Exploration expenses	10,14	100,577	871,600
Flow-through taxes	8	-	197
Interest Expense	6,8	-	4,527
Management fees	14	15,000	180,000
Marketing and public relations		26,218	18,180
Office and miscellaneous	14	61,758	60,082
Professional fees		45,225	43,830
Regulatory and transfer agent fees		36,214	30,212
Rent		71,210	61,275
Repairs and maintenance		25,663	-
Travel and promotion		14,285	20,206
Wages and benefits		263,982	361,791
		(727,050)	(1,748,553)
Interest income		33,671	12,963
Other income	9	128,714	-
		162,385	12,963
<b>Loss and comprehensive loss for the year</b>		<b>\$ (564,665)</b>	<b>\$ (1,735,590)</b>
<b>Loss per share</b>			
<b>- basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>			
<b>- basic and diluted</b>		<b>177,896,141</b>	<b>177,889,949</b>

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

# ZincX Resources Corp.

## Consolidated Statements of Cash Flows

For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

	Notes	2023	2022
		(Restated-Note 2 and 18)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year		\$ (564,665)	\$ (1,735,590)
Items not affecting cash:			
Depreciation of office equipment	9	32,700	36,680
Depreciation of the right-of-use asset	6	-	35,545
Interest on lease liability	6	-	920
Accrued interest on government loan	8	-	3,607
Other income	9	(34,121)	
Changes in non-cash working capital items:			
Receivables		1,635	42,185
Prepaid expenses		27,455	(26,288)
Trades payable and accrued liabilities		(14,199)	(576,149)
Due to related parties		4,419	(1,865)
Net cash used in operating activities		(546,776)	(2,220,955)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Equipment	9	(3,026)	(5,650)
Net cash used in investing activities		(3,026)	(5,650)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued on exercise of options		-	2,400
Share subscription received in advance	11	1,000,000	-
Lease payments	6	-	(37,500)
Net cash provided by (used in) financing activities		1,000,000	(35,100)
<b>Change in cash during the year</b>		450,198	(2,261,705)
<b>Cash, beginning of year</b>		804,822	3,066,527
<b>Cash, end of year</b>		\$ 1,255,020	\$ 804,822
<b>Cash paid for interest</b>		\$ -	\$ -
<b>Cash paid for taxes</b>		\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 13)

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

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

ZincX Resources Corp. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol ZNX. The Company's shares also trade on the OTCQB market, a U.S. trading platform that is operated by the OTC Markets Group in New York, under the ticker symbol "ZNCXF" and on the Frankfurt Exchange under the symbol "M9R".

The Company's head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 2501, 550 Burrard Street, Vancouver, BC, V6C 2B5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to commence profitable operations in the future. During the year ended June 30, 2023, the Company incurred a loss of \$564,665 (2022 - \$1,735,590). As at June 30, 2023, the Company has accumulated deficit of \$94,854,140 (2022 - \$94,289,475).

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. At June 30, 2023, the Company has a working capital deficiency of \$158,248 (June 30, 2022 – working capital deficiency of \$589,136). Management may require to seek additional sources of financing in the form of equity or debt financing in the future to maintain its operations and its exploration activities for the fiscal year. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements were authorized for issue on October 27, 2023 by the directors of the Company.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### ***Statement of compliance***

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

### ***Basis of preparation***

These consolidated financial statements of the Company have been prepared on an accrual basis except for certain cash flow information, and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

### ***Principles of consolidation***

These consolidated financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. ("Ecstall"), a company incorporated under the laws of the Province of British Columbia.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

### ***Significant accounting judgements, estimates and assumptions***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Significant accounting judgements, estimates and assumptions (cont'd)*

#### *Critical judgments*

The preparation of consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

#### *Key Sources of Estimation Uncertainty*

Significant estimates made by management affecting these consolidated financial statements include:

##### *Share-based compensation*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them.

##### *Financial instruments*

The fair values of financial instruments are estimated based upon market and third-party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

##### *Deferred tax assets and liabilities*

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Useful life of equipment*

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

### *Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

### *Provision for environmental rehabilitation*

The Company assesses its provision for restoration, rehabilitation and environmental obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

### *Financial instruments*

#### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Financial instruments (cont'd)*

#### (i) Classification (cont'd)

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

#### (ii) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

##### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (loss) ("OCI"). On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss

##### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Financial instruments (cont'd)*

#### (iv) De-recognition

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

##### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

The Company has made the following designations of its financial instruments:

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#### **Financial assets**

Cash	FVTPL
Receivables	Amortized cost
Other assets	Amortized cost

#### **Financial liabilities**

Trade payables and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Government loan	Amortized cost

### *Equipment*

Equipment is recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use. Depreciation of equipment is calculated over the estimated useful lives as follows:

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Camp equipment and fixtures	25%	declining balance method
Camp structures and upgrades	25%	declining balance method
Computers	55%	declining balance method
Office equipment and furniture	20%	declining balance method
License	55%	declining balance method

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

### ***Equipment (cont'd)***

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. The cost of replacing part of an item within equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

### ***Exploration and evaluation assets***

Upon acquiring the legal right to explore a mineral property (exploration and evaluation assets), all direct costs related to the acquisition of a mineral property are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and the decision to proceed with development are recognized in profit or loss as incurred, net of recoveries.

Development expenditures incurred to increase or to extend the life of existing production and incurred subsequent to the development decision, are capitalized and amortized on the unit-of-production method using estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to profit or loss during the period that such a determination is made.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis.

### ***Exploration and evaluation assets -change in accounting policy***

During fiscal 2023, the Company changed its accounting policy with respect to exploration and evaluation expenditures. In prior years the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets.

The Company has elected to change this accounting policy to now charge to operations exploration expenditures as incurred, effective with the presentation of these financial statements, on a retrospective basis. (Note 18).

### ***METC recoverable***

Mining exploration tax credits ("METC") from the Government of British Columbia for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration costs of the respective resource property. The Company records METC recoverable when its METC applications for a refund are approved by authorities as collection is reasonably assured.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Impairment of long lived assets*

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### *Flow-through shares*

Canadian tax legislation permits a company to issue securities referred to as flow-through ("FT") shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. The Company accounts for FT shares whereby the premium, if any, paid for the FT share in excess of the market value of the shares without a FT feature at the time of issue is initially recorded to FT premium liability and then included in profit or loss, as a FT premium, at the same time the qualifying expenditures are made.

### *Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

### ***Provision (cont'd)***

Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. The Company has no significant provisions for the periods presented.

### ***Capital stock***

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on the value of goods or services received, unless that value cannot be determined, then based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

### ***Share-based compensation***

The Company operates an employee share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

### ***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 year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor 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 reporting date.

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.

### ***Loss per share***

Loss per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### ***Comprehensive loss***

Comprehensive loss consists of loss and other comprehensive loss and represents the change in equity which results from transactions and events from sources other than the Company's shareholders.

### ***Joint arrangements***

The Company holds interest in a joint arrangement with Teck Resources Ltd. ("Teck") and its partner Korea Zinc Co., Ltd. ("Korea Zinc") (Note 10), which is to be involved in mineral exploration of the Pie, Yuen and Cirque East properties. No separate entity was created upon entering the JV agreement. All decisions regarding exploration of the property will be made by a management committee consisting of two appointees by each of the Company and Teck. Teck will be acting as an operator. The Company classifies this joint arrangement as a joint operation.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Joint arrangement (cont'd)*

A joint operation implies that the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In relation to its interest in a joint operation the Company recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, and expenses, including its share of any expenses incurred jointly.

### *Recent accounting pronouncements*

Accounting standards and 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.

## 3. RECEIVABLES

	June 30, 2023	June 30, 2022
Government Sales Tax credits	\$ 5,617	\$ 8,693
Accrued interest (Note 4)	1,974	533
	<b>\$ 7,591</b>	<b>\$ 9,226</b>

The Company anticipates full recovery of its receivables and, therefore, no impairment has been recorded against these amounts.

## 4. OTHER ASSETS

Other assets comprise of reclamation bonds totaling \$332,500 (June 30, 2022 – \$332,500) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties (Note 10). The reclamation bonds are deposited in GICs through a financial institution and earn an average annual variable interest rate of approximately prime minus 2.90% with a minimum of 0.25% and reinvested on an annual basis immediately at maturity. Interest accrued on the GICs is included in receivables (Note 3).

## 5. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2023	June 30, 2022
Exploration payables	\$ 3,140	\$ 15,978
Other trade payables	8,343	10,008
Accrued liabilities	40,304	40,000
	<b>\$ 51,787</b>	<b>\$ 65,986</b>

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On December 1, 2010, the Company entered into a sublease agreement with a company for its corporate office located in Vancouver, B.C. for a period of 10 years, expiring November 30, 2020, amended effective April 1, 2015, for a monthly rent of \$7,500 plus applicable taxes. On December 1, 2020, the Company entered into a new sublease agreement with the same company for its corporate office for a year, expiring November 30, 2021, for a monthly rent of \$7,500 plus applicable taxes. The Company continued a rental arrangement on a month to month basis subsequent to the expiration of the sublease.

Effective July 1, 2019, the Company adopted IFRS 16 and recognized a lease liability of \$118,422 and a corresponding right-of-use asset in relation to its office lease. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. On December 1, 2020, \$85,309 in lease liability and right-of-use asset were recognized in relation to its new office sublease agreement.

The following table presents the right-of-use asset for the Company:

Right-of-use asset, June 30, 2021	\$	35,545
Depreciation		(35,545)
Right-of-use asset, June 30, 2022 and 2023	\$	-

Depreciation is recognized on a straight line basis over the remaining lease term.

During the year ended June 30, 2023, the Company also recognized interest expense of \$nil (2022 - \$920) on lease liability according to IFRS 16 requirements. Cash payments related to the office lease were \$nil (2022 - \$37,500).

The reconciliation of lease liability is presented in the table below:

Lease liability, June 30, 2021	\$	36,580
Interest expense		920
Lease payments		(37,500)
Lease liability, June 30, 2022 and 2023	\$	-

During the year ended June 30, 2023, the costs related to the short-term offsite storage leases of \$8,710 (2022 - \$8,775) and office rent of \$62,500 (2022 - \$52,500) were expensed.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## 7. FLOW-THROUGH PREMIUM LIABILITY

When the Company uses the “look-back” rule to renounce exploration expenditures to investors before the Company actually incurs them, the Company is liable for the flow-through Part XII.6 tax (“FT Tax”). The FT Tax related to the 2019 flow-through renunciations is payable on or before February 28, 2022. The reconciliations of the accrued and recovered 2019 FT Tax for the years ended June 30, 2023 and June 30, 2022 are as follows:

	June 30, 2023	June 30, 2022
Balance, beginning of year	\$ -	\$ 197
FT Tax paid	- (197)	
Balance, end of year	\$ -	-

## 8. CEBA LOAN

On April 30, 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan which is an interest-free loan to cover operating costs. The CEBA loan was launched by the government of Canada to support businesses by providing financing for their expenses that cannot be avoided or deferred, and assisting businesses for successful relaunch when the economy recovers from COVID-19. Repaying the balance of the loan on or before December 31, 2023, as extended from December 31, 2022 by the Government of Canada, will result in a loan forgiveness of \$10,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. In fiscal 2020, the Company estimated the initial carrying value of the CEBA Loan at \$30,671, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$9,329 was accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss. On December 31, 2022, the terms of the loan was extended for repayment on or before December 31, 2023. The Company revalued the initial carrying value of the CEBA loan at \$27,764, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. As a result, the loan ending balance as at June 30, 2022 was changed to \$34,450 and an adjustment of \$3,607 was made accordingly.

	June 30, 2023	June 30, 2022
Balance, beginning of year	\$ 38,057	\$ 34,450
Adjustments	(3,607)	-
Finance expense	3,607	3,607
Balance, end of year	\$ 38,057	\$ 38,057

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 9. EQUIPMENT

	Computers	Office equipment and furniture	License <sup>(1)</sup>	Camp equipment and fixtures <sup>(1)</sup>	Camp structures and upgrades <sup>(1)</sup>	Total
<b>Cost:</b>						
At June 30, 2021	\$ 15,025	\$ 21,748	\$ 40,017	\$ 414,374	\$ 654,554	\$ 1,145,718
Acquisition	1,881	—	1,123	2,646	—	5,650
At June 30, 2022	16,906	21,748	41,140	417,020	654,554	1,151,368
Acquisition	—	—	1,188	1,838	34,121	37,147
At June 30, 2023	\$ 16,906	\$ 21,748	\$ 42,328	\$ 418,858	\$ 688,675	\$ 1,188,515
<b>Accumulated depreciation:</b>						
At June 30, 2021	\$ 14,639	\$ 17,497	\$ 38,185	\$ 339,921	\$ 598,325	\$ 1,008,567
Depreciation	730	850	1,317	19,726	14,057	36,680
At June 30, 2022	15,369	18,347	39,502	359,647	612,382	1,045,247
Depreciation	1,537	681	1,787	14,420	14,275	32,700
At June 30, 2023	\$ 16,906	\$ 19,028	\$ 41,299	\$ 374,067	\$ 626,657	\$ 1,077,947
<b>Net book value:</b>						
At June 30, 2022	\$ 1,537	\$ 3,401	\$ 1,638	\$ 57,373	\$ 42,172	\$ 106,121
At June 30, 2023	\$ —	\$ 2,720	\$ 1,039	\$ 44,791	\$ 62,018	\$ 110,568

- (1) License, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities. Depreciation for these items of \$30,482 for the year ended June 30, 2023 (2022 - \$35,100) has been expensed to exploration expenditures (Note 10). Depreciation of the remaining items of \$2,218 (2022 - \$1,580) has been expensed to operations.
- (2) During the year ended June 30, 2023, the Company had other income of \$128,714 (2022- \$nil) for the use of Akie camp facilities and services of which \$34,121 (2022- \$nil) was capitalized.

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **10. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its claims are in good standing.

### **Akie Property, British Columbia**

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

### **Kechika Regional project, British Columbia**

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall, except as described below. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

In September 2013, the Company entered into an option agreement (the "Agreement") with Teck Resources Limited ("Teck") pursuant to which Teck could acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project, on or before September 30, 2019.

In December 2017, Teck and Korea Zinc completed the requirements of the First Option to earn a 51% interest in the Property and in January 2018, Teck and Korea Zinc informed the Company that they would not be proceeding with the Second Option to earn an additional 19% interest in the Property. According to the terms of the Agreement, the parties will continue exploration of the Property under a Joint Venture arrangement on the 49%-51% basis, with Teck acting as the operator.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 10. EXPLORATION AND EVALUATION ASSETS (cont'd)

Exploration and evaluation assets costs are set out below:

	Akie Property	Kechika Regional	Total
<b>Acquisition Costs:</b>			
<b>Balance, June 30, 2022 and 2023</b>	\$ 24,165,241	\$ 192,768	\$ 24,358,009

The table below is a summary of exploration expenditures recognized in profit or loss for the years ended June 30, 2023 and 2022:

	Akie Property	Kechika Regional	Total
<b>Cumulative exploration expenditures</b>			
<b>Total balance, June 30, 2021</b>	\$ 47,909,157	\$ 4,368,025	\$ 52,277,182
Camp equipment, depreciation (Note 9)	35,100	–	35,100
Drilling	497,127	–	497,127
Geology	133,037	–	133,037
Geophysics	103,461	63,345	166,806
Community consultations	235	–	235
Assessment reporting	1,500	–	1,500
Metallurgy	11,193	–	11,193
Environmental studies and permit compliance	26,602	–	26,602
Total exploration expenditures for the year ended June 30, 2022	808,255	63,345	871,600
<b>Total balance, June 30, 2022</b>	48,717,412	4,431,370	53,148,782
Camp equipment, depreciation (Note 9)	30,482	–	30,482
Drilling	9,401	–	9,401
Geology	93,320	–	93,320
Environmental studies and permit compliance	16,406	–	16,406
METC recoverable	(49,032)	–	(49,032)
Total exploration expenditures for the year ended June 30, 2023	100,577	–	100,577
<b>Total balance, June 30, 2023</b>	\$ 48,817,989	\$ 4,431,370	\$ 53,249,359

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **10. EXPLORATION AND EVALUATION ASSETS (cont'd)**

The Company applies for the 20% British Columbia METC and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred. During the year ended June 30, 2023, the Company claimed and received BC METC of \$49,032 (June 30, 2022- \$nil) and \$437 in accumulated interest for its fiscal 2021 exploration expenditures above renounced under its flow-through commitments.

## **11. CAPITAL STOCK AND RESERVES**

### **(a) Authorized**

Unlimited common shares without par value

### **(b) Issued and outstanding**

There were no transactions affecting share capital during the year ended June 30, 2023.

During the year ended June 30, 2022, 20,000 common shares were issued pursuant to the exercise of 20,000 (Note 11(d)) stock options at a price of \$0.12 per share for total proceeds of \$2,400. In addition, a reallocation of \$1,496 (Note 11(f)) from reserves to capital stock was recorded on the exercise of these options.

### **(c) Share subscription received in advance**

During the year ended June 30, 2023, the Company received share subscription of \$1,000,000 (2022- \$Nil) in advance in connection with the completion of a subsequent non-brokered private placement of 10,000,000 common shares at a price of \$0.10 per share (Note 19).

### **(d) Share options**

The Company adopted a 20% fixed share option plan whereby the Company had reserved 33,774,275 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any 3 months period. Share options granted to directors, officers and employees of the Company vest immediately.

There were no stock options granted nor share-based compensation recorded during the years ended June 30, 2023 and 2022.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 11. CAPITAL STOCK AND RESERVES (cont'd)

### (d) Share options (cont'd)

Share option transactions are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2021	8,419,900	\$ 0.18
Exercised (Note 11(b))	(20,000)	0.12
Expired	(55,000)	0.40
Outstanding, June 30, 2022	8,344,900	0.18
Expired	(50,000)	0.12
Outstanding, June 30, 2023	8,294,900	\$ 0.18

Share options outstanding and exercisable at June 30, 2023 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
40,000	\$ 0.39	December 27, 2023	0.49	40,000
104,900	\$ 0.12	December 27, 2023	0.49	104,900
3,680,000	\$ 0.23	April 10, 2025	1.78	3,680,000
60,000	\$ 0.33	July 3, 2026	3.01	60,000
700,000	\$ 0.12	July 3, 2026	3.01	700,000
110,000	\$ 0.40	September 13, 2026	3.21	110,000
395,000	\$ 0.12	September 13, 2026	3.21	395,000
80,000	\$ 0.30	February 9, 2028	4.62	80,000
650,000	\$ 0.12	February 9, 2028	4.62	650,000
2,475,000	\$ 0.12	February 6, 2030	6.61	2,475,000
8,294,900	\$ 0.18		3.65	8,294,900

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 11. CAPITAL STOCK AND RESERVES (cont'd)

### (e) Warrants

Share purchase warrants transactions are summarized as follows:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining Life of Warrants (Years)</b>
Balance, June 30, 2021 and				
2022	3,750,000	\$ 0.40	April 9, 2023	0.78
Expired	(3,750,000)	0.40	April 9, 2023	-
Balance, June 30, 2023	-	\$ -	-	-

### (f) Reserves

	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2021	\$ 10,665,949	\$ 2,204,276	\$ 2,256,880	\$ 15,127,105
Exercise of options (Note 11(b))	(1,496)	-	-	(1,496)
Balance, June 30, 2022 and 2023	\$ 10,664,453	\$ 2,204,276	\$ 2,256,880	\$ 15,125,609

## 12. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2023	2022
Net loss before income taxes	\$ (564,665)	\$ (1,735,590)
Expected income tax recovery at statutory tax rates	\$ (152,000)	\$ (469,000)
Non-deductible expenditures	-	-
Change in statutory rates and other	(19,000)	60,000
Impact of flow through shares	-	211,000
Share issue costs	-	(13,000)
Change in unrecognized deductible temporary differences	171,000	193,000
Adjustment to prior years provision versus statutory returns	-	18,000
Total deferred tax expense (recovery)	\$ -	\$ -

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## 12. INCOME TAXES (cont'd)

The significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities)	2023	2022
Exploration and evaluation assets	\$ 6,118,000	\$ 6,104,000
Share issue costs	6,000	13,000
Non-capital losses	7,543,000	7,388,000
Property and equipment	324,000	315,000
Allowable capital losses	218,000	218,000
Investment tax credits	517,000	517,000
Total deferred income tax liabilities	\$ 14,726,000	\$ 14,555,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary differences	2023	Expiry date		Expiry date	
		range	2022	range	2040
Exploration and evaluation assets	\$ 22,658,000	No expiry date	\$22,607,000	No expiry date	
Share issue costs	\$ 21,000	No expiry date	\$ 47,000	No expiry date	
Non-capital losses	\$ 27,936,000	2026 to 2043	\$27,361,000	2026 to 2042	
Property and equipment	\$ 1,200,000	No expiry date	\$ 1,167,000	No expiry date	
Allowable capital losses	\$ 808,000	No expiry date	\$ 808,000	No expiry date	
Investment tax credits	\$ 708,000	2020 to 2040	\$ 708,000	2020 to 2040	

Tax attributes are subject to review and potential adjustment by tax authorities.

## 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended June 30, 2023 and 2022 included:

- an allocation of \$nil (June 30, 2022 - \$1,496) from reserves to capital stock upon the exercise of stock options (Note 11(b)).

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## 14. RELATED PARTY TRANSACTIONS

Key management personnel includes persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise of the directors of the Company, executive and non-executive, and Vice President of Exploration.

The remuneration of the key management personnel during the years ended June 30, 2023 and 2022 were as follows:

June 30,	2023	2022
Consulting fees (ii)	\$ -	\$ 6,000
Exploration and evaluation expenditures (geological consulting) (iii)	95,020	120,960
Management fees (i)	15,000	180,000
Administrative fees (i)	60,000	60,000
Other employment benefits (iv)	25,785	28,083
<b>Total</b>	<b>\$ 195,805</b>	<b>\$ 395,043</b>

Transactions with key management and other related party transactions:

- (i) Pursuant to a management and administrative services agreement amended effective July 1, 2011 and May 1, 2014 with Varshney Capital Corp. ("VCC"), a company with two common directors, the Company agreed to pay monthly management and administrative fees of \$29,500 and \$5,000, respectively. Effective March 1, 2020, the management fees were reduced to \$15,000 per month. Effective August 1, 2022, VCC provided a six-month relief on management fees of \$15,000 per month expiring January 31, 2023. During the year ended June 30, 2023, VCC agreed to extend the relief on management fees of \$15,000 per month on a month to month basis.  
During the year ended June 30, 2023, the Company paid \$15,000 (2022 – \$180,000) for management fees and \$60,000 (2022 – \$60,000) for administrative fees to VCC;
- (ii) the Company paid \$nil (2022 - \$6,000) for consulting fees to a company controlled by a director and as at June 30, 2023, the Company owed \$nil (June 30, 2022 - \$2,000);
- (iii) the Company paid or accrued exploration and evaluation costs of \$95,020 (2022 - \$120,960) for geological consulting fees to a company owned by VP of Exploration of the Company, of which \$90,320 (2022 - \$117,432) was expensed as exploration and evaluation costs and \$4,700 (2022 - \$3,528) was expensed as consulting fees;
- (iv) other employment benefits included life insurance and health benefits for the CEO and health benefits for the CFO of the Company;
- (v) the Company owed \$nil (June 30, 2022- \$490) in office expense reimbursement to VCC;
- (vi) the Company owed \$4,419 (June 30, 2022 - \$1,497) to the CEO of the Company for exploration and office expenses paid on behalf of the Company. This amount was included in trade payables and accrued liabilities; and
- (vii) the Company received an advance of \$1,398,686 in fiscal year 2020 from a significant shareholder, Tongling Non-Ferrous Metals ("Tongling"), to fund a drill program on the Akie Property, which remains payable as at June 30, 2023 and 2022.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## 15. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity.

The Company's operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations.

There is no certainty with respect to the Company's ability to raise capital. Management may require to seek additional sources of financing in the form of equity or debt financing in the future. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy with respect to capital risk management remained unchanged during the year ended June 30, 2023. The Company is not subject to any externally imposed capital requirements.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at June 30, 2023 were as follows:

	<i>Fair Value through Profit or Loss</i>		<i>Amortized Cost</i>
<b>Financial assets</b>			
Cash	\$ 1,255,020		\$ —
Receivables		—	7,591
Other assets		—	332,500
<b>Financial liabilities</b>			
Trade payables and accrued liabilities		—	51,787
Due to related parties		—	1,403,105
Government Loan		—	38,057
	\$ 1,255,020		\$ 1,833,040

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

### **Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash, are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, other assets, trade payables and accrued liabilities, and due to related parties approximate their fair value because of the short-term nature of these instruments.

### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of \$1,255,020 (June 30, 2022 - \$804,822). This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes and interest accrued on GIC investments.

### ***Liquidity Risk***

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at June 30, 2023, the Company was holding cash of \$1,255,020 (June 30, 2022 - \$804,822) to settle its current liabilities of \$1,454,892 (June 30, 2022 - \$1,464,672). Management may require to seek additional sources of financing in the form of equity or debt financing in the future.

### ***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. These fluctuations may be significant and the Company, has exposure to these risks.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### a. 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 the market interest rates. The Company is not exposed to significant interest rate risk.

### b. Currency Risk

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

### 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 certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 17. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of resource properties in Canada. All of the Company's assets are located in Canada.

## 18. CHANGE IN ACCOUNTING POLICY

The Company has adopted a new accounting policy with respect to exploration and evaluation assets and expenditures. In prior years the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets.

The Company has elected to change this accounting policy to now charge to profit or loss exploration expenditures as incurred, effective with the presentation of these consolidated financial statements, on a retrospective basis.

The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the year ended June 30, 2023, the comparative information for the year ended June 30, 2022, and the preparation of an opening statement of financial position on July 1, 2021.

In preparing its opening statement of financial position, the Company has adjusted amounts reported previously in the financial statements. An explanation of how the transition from the amounts previously reported has affected the Company's financial position, financial performance, and cash flows is set out below.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 18. CHANGE IN ACCOUNTING POLICY (cont'd)

STATEMENT OF FINANCIAL POSITION – as at July 1, 2021

	Notes	As previously reported July 1, 2021	Effect of policy change	Restated under new policy July 1, 2021
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		\$ 3,066,527	\$ -	\$ 3,066,527
Receivables		51,411	-	51,411
Prepaid expenses		35,200	-	35,200
		3,153,138	-	3,153,138
Other assets		332,500	-	332,500
Equipment		137,151	-	137,151
Right-of-use asset		35,545	-	35,545
Exploration and evaluation assets	18a	76,635,191	(52,277,182)	24,358,009
		\$ 80,293,525	\$ (52,277,182)	\$ 28,016,343
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trades payable and accrued liabilities		\$ 641,847	\$ -	\$ 641,847
Lease liability		36,580	-	36,580
Due to related parties		1,400,839	-	1,400,839
		2,079,266	-	2,079,266
Government loan		34,450	-	34,450
Deferred income tax liability	18a	1,799,000	(1,799,000)	-
		3,912,716	(1,799,000)	2,113,716
<b>EQUITY</b>				
Capital stock		103,329,407	-	103,329,407
Reserves		15,127,105	-	15,127,105
Deficit	18a	(42,075,703)	(50,478,182)	(92,553,885)
		76,380,809	(50,478,182)	25,902,627
		\$ 80,293,525	\$ (52,277,182)	\$ 28,016,343

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 18. CHANGE IN ACCOUNTING POLICY (cont'd)

STATEMENT OF FINANCIAL POSITION – as at June 30, 2022

	Notes	As previously reported June 30, 2022	Effect of policy change	Restated under new policy June 30, 2022
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		\$ 804,822	\$ -	\$ 804,822
Receivables		9,226	-	9,226
Prepaid expenses		61,488	-	61,488
		875,536	-	875,536
Other assets		332,500	-	332,500
Equipment		106,121	-	106,121
Exploration and evaluation assets	18b	77,506,791	(53,148,782)	24,358,009
		\$ 78,820,948	\$ (53,148,782)	\$ 25,672,166
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trades payable and accrued liabilities		\$ 65,986	\$ -	\$ 65,986
Due to related parties		1,398,686	-	1,398,686
		1,464,672	-	1,464,672
Government loan		38,057	-	38,057
Deferred income tax liability	18b	1,779,000	(1,779,000)	-
		3,281,729	(1,779,000)	1,502,729
<b>EQUITY</b>				
Capital stock		103,333,303	-	103,333,303
Reserves		15,125,609	-	15,125,609
Deficit	18b	(42,919,693)	(51,369,782)	(94,289,475)
		75,539,219	(51,369,782)	24,169,437
		\$ 78,820,948	\$ (53,148,782)	\$ 25,672,166

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
 For the years ended June 30, 2023 and 2022  
 (Expressed in Canadian Dollars)

## 18. CHANGE IN ACCOUNTING POLICY (cont'd)

### STATEMENT OF LOSS AND COMPREHENSIVE LOSS – year ended June 30, 2022

	Notes	As previously reported June 30, 2022	Effect of policy change	Restated under new policy June 30, 2022
Administration		\$ 60,000	\$ -	\$ 60,000
Consulting (recovery)		(472)	-	(472)
Depreciation of office equipment		1,580	-	1,580
Depreciation of the right-of-use asset		35,545	-	35,545
Exploration expenses	18c	-	871,600	871,600
Flow-through taxes		197	-	197
Interest Expense		4,527	-	4,527
Management fees		180,000	-	180,000
Marketing and public relations		18,180	-	18,180
Office and miscellaneous		60,082	-	60,082
Professional fees		43,830	-	43,830
Regulatory and transfer agent fees		30,212	-	30,212
Rent		61,275	-	61,275
Travel and promotion		20,206	-	20,206
Wages and benefits		361,791	-	361,791
		(876,953)	(871,600)	(1,748,553)
Interest income		12,963	-	12,963
		12,963	-	12,963
<b>Loss before income taxes</b>		(863,990)	(871,600)	(1,735,590)
Deferred income tax recovery	18c	20,000	(20,000)	-
<b>Loss and comprehensive loss for the year</b>		\$ (843,990)	\$ (891,600)	\$ (1,735,590)
<b>Loss per share</b>				
<b>- basic and diluted</b>		\$ (0.00)		\$ (0.01)
<b>Weighted average number of shares outstanding</b>				
<b>- basic and diluted</b>		177,889,949		177,889,949

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **18. CHANGE IN ACCOUNTING POLICY (cont'd)**

An explanation of how the transition from the amounts previously reported has affected the Company's financial position and financial performance is set out below.

### **(a) Statements of Financial Position – as at July 1, 2021**

- (i) Exploration and evaluation assets decreased by \$52,277,182 representing net exploration expenditures previously capitalized, which have been charged to deficit. The remaining balance of \$24,358,009 represents the costs incurred to acquire the exploration and evaluation asset.
- (ii) Derecognized the deferred income tax liability of \$1,799,000, as a result of the change in exploration accounting policy described above.

### **(b) Statements of Financial Position – as at June 30, 2022**

- (i) Exploration and evaluation assets decreased by \$53,148,782 representing net exploration expenditures previously capitalized, which have been charged to deficit. The remaining balance of \$24,358,009 represents the costs incurred to acquire the exploration and evaluation asset.
- (ii) Derecognized the deferred income tax liability of \$1,779,000, as a result of the change in exploration accounting policy described above.

### **(c) Statements of Loss and Comprehensive Loss – year ended June 30, 2022**

- (i) Exploration expenses increased to \$871,600 based on net exploration for fiscal 2022, with a reclassification entry from exploration and evaluation assets.
- (ii) Deferred income taxes recovery decreased by \$20,000 with an offsetting entry to deficit.

The change in the accounting policy had no effect on the Company's statement of changes in shareholders' equity, other than the changes to deficit, as already shown and described above. Accordingly, no separate statement of changes in shareholders' equity is shown.

The changes to the statement of cash flow for the year ended June 30, 2022 are summarized as follows:

- (a) Net cash used in operating activities increased to \$2,220,954 based on allocation of net exploration expenditures from investing activities of \$1,397,664 being reallocated.
- (b) Net cash used in investing decreased by a corresponding amount as described above in note (a).

# **ZINCX RESOURCES CORP.**

Notes to Consolidated Financial Statements  
For the years ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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## **19. SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2023, the Company:

- completed a non-brokered private placement by issuing 10,000,000 common shares at a price of \$0.10 per share for gross proceed of \$1,000,000 which was included in share subscription received in advance as at June 30, 2023 (Note 11).
- granted 4,180,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.10 expiring September 29, 2033.
- entered into a property option agreement to sell its interest in and to the Kechika North Project for a cash payment of \$3,000,000 to be made within two years from August 10, 2023.