CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

SIX MONTHS ENDED JUNE 30, 2017

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements for InZinc Mining Ltd. for the six months ended June 30, 2017 have been prepared by and are the responsibility of the Company’s management.

The auditor of InZinc Mining Ltd. has not performed a review of the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian funds)

	June 30, 2017	December 31, 2016
ASSETS		
Current		
Cash *(Note 4)*	**$ 301,597**	$ 482,729
Receivables (*Note 5*)	**5,331**	35,294
Prepaids	**13,765**	13,870
Marketable securities (*Note 6*)	**1,520**	1,874
	322,213	533,767
Reclamation deposit (*Note 7*)	**123,092**	127,360
Exploration and evaluation assets (*Note 7*)	**5,814,189**	5,669,667
	$ 6,259,494	$ 6,330,794
LIABILITIES		
Current		
Accounts payable and accrued liabilities (*Note 8)*	**$ 43,886**	$ 49,427
	43,886	49,427
SHAREHOLDERS' EQUITY		
Share capital *(Note 9)*	**14,171,941**	14,033,941
Reserves - share-based	**516,389**	374,353
Reserves - accumulated other comprehensive loss	**(769)**	(415)
Deficit	**(8,471,953)**	(8,126,512)
	6,215,608	6,281,367
	$ 6,259,494	$ 6,330,794

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

"Wayne Hubert" *"K.M. Curtis"*

Wayne Hubert, Director K.M. Curtis, Director

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian funds)

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
EXPENSES				
	$	$	**$**	$
Communication and investor relations	**6,968**	3,295	**35,521**	6,869
Filing and regulatory	**7,622**	7,157	**13,653**	13,408
Foreign exchange loss	**5,589**	3,939	**6,770**	19,340
Management fees *(Note 10)*	**-**	16,227	**-**	37,227
Office and miscellaneous	**18,449**	14,381	**44,295**	22,158
Professional fees *(Note 10)*	**25,454**	7,293	**38,365**	12,456
Rent *(Note 10)*	**2,250**	6,000	**4,500**	12,000
Share-based compensation *(Notes 9 and 10)*	**161,400**	106,168	**182,036**	106,168
Travel	**2,376**	-	**21,427**	-
	(230,108)	(164,460)	**(346,567)**	(229,626)
Interest income	**481**	946	**1,126**	2,013
Loss for the period	**(229,627)**	(163,513)	**(345,441)**	(227,613)
Unrealized gain (loss) on marketable securities	**(188)**	272	**(354)**	272
Loss and comprehensive loss for the period	**(229,815)**	(163,241)	**(345,795)**	(227,341)
Basic and diluted loss per common share	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average shares outstanding	**73,355,419**	72,205,419	**72,763,111**	72,205,419

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian funds)

	Shares Issued	Share Capital	Reserves – Share-based	Reserves - Accumulated Other Comprehensive Loss	Deficit	Total
Balance December 31, 2015	72,205,419	$ 13,928,534	$ 229,240	$ (1,332)	$ (7,631,155)	$ 6,525,287
Share-based compensation	-	-	106,168	-	-	106,168
Unrealized gain on marketable securities	-	-	-	272	-	272
Loss for the period	-	-	-	-	(227,613)	(227,613)
Balance June 30, 2016	**72,205,419**	**$ 13,928,534**	**$ 335,410**	**$ (1,060)**	**$ (7,858,768)**	**$ 6,404,116**
Balance December 31, 2016	**72,655,419**	**$ 14,033,941**	**$ 374,353**	**$ (415)**	**$ (8,126,512)**	**$ 6,281,367**
Shares issued for exploration and evaluation assets	200,000	48,000	-	-	-	48,000
Options exercised	500,000	90,000	(40,000)	-	-	50,000
Share-based compensation	-	-	182,036	-	-	182,036
Unrealized loss on marketable securities	-	-	-	(354)	-	(354)
Loss for the period	-	-	-	-	(345,441)	(345,441)
Balance June 30, 2017	**73,355,419**	**$ 14,171,941**	**$ 516,389**	**$ (769)**	**$ (8,471,953)**	**$ 6,215,608**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian funds)

	For the six months ended	
	June 30, 2017	June 30, 2016
OPERATING ACTIVITIES		
Loss for the period	**$ (345,441)**	$ (227,613)
Items not involving cash:		
Share-based compensation	**182,036**	106,168
Unrealized foreign exchange loss on reclamation deposit	**4,268**	7,882
Change in operating assets and liabilities:		
Decrease (increase) in receivables	**29,963**	(5,187)
Decrease (increase) in prepaids	**105**	9,215
Decrease in accounts payable and accrued liabilities	**(27,394)**	(18,016)
Cash used in operating activities	**(156,463)**	(127,550)
FINANCING ACTIVITY		
Proceeds from option exercise	**50,000**	-
Cash provided by financing activity	**50,000**	-
INVESTING ACTIVITY		
Exploration and evaluation assets	**(74,669)**	(6,930)
Cash used in investing activity	**(74,669)**	(6,930)
Decrease in cash during the period	**(181,132)**	(134,480)
Cash, beginning of period	**482,729**	784,188
Cash, end of period	**$ 301,597**	$ 649,708

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

InZinc Mining Ltd. (the "Company") was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June 2002. The Company's head office is at 912 - 1112 West Pender Street, P.O. Box 48268, Station Bentall Centre, Vancouver, BC, V7X 1A2. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol IZN.V.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. 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 develop profitable operations. The condensed interim 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. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee ("IFRIC"s). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on August 28, 2017.

2. BASIS OF PRESENTATION (continued)

Basis of presentation

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

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiary.

Basis of consolidation

These condensed interim consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, N.P.R. (US) Inc., a Nevada corporation, the principal activity of which is exploration in the United States. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation.

Significant estimates

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical estimates exercised in apply accounting policies that have the most significant effects on the amounts recognized in the condensed interim consolidated financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

<u>Valuation of share-based compensation</u>

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

2. BASIS OF PRESENTATION (continued)

Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Significant judgement

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to the Company's significant accounting policies from those disclosed in the consolidated financial statements for the year ended December 31, 2016.

New and amended IFRS pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective and have not been applied in preparing these condensed interim consolidated financial statements.

a. IFRS 9, "Financial Instruments", replaces the guidance in IAS 39, "Financial Instruments: Recognition and Measurement", and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 9.

b. IFRS 15, "Revenue from Contracts with Customers", establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 15.

None of the remaining standards and amendments to standards and interpretations are expected to have a significant effect on the condensed interim consolidated financial statements of the Company.

(Unaudited - Expressed in Canadian funds)

4. CASH

Cash is comprised of cash in Canadian and US financial institutions:

	June 30, 2017	December 31, 2016
Cash in US financial institutions	$ 868	$ 461
Cash in Canadian financial institutions	300,729	482,268
Total cash	$ 301,597	$ 482,729

5. RECEIVABLES

Trade and other receivables were comprised of the following:

	June 30, 2017	December 31, 2016
GST receivable	$ -	$ 35,294
Other receivables	5,331	-
	$ 5,331	$ 35,294

6. MARKETABLE SECURITIES

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value. As at June 30, 2017 the fair market value of the securities held was $1,520 (December 31, 2016 - $1,874).

7. EXPLORATION AND EVALUATION ASSETS

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

West Desert Property

The Company holds a 100% interest in various mining claims and a mineral lease referred to as the West Desert Property, located in Utah, USA.

Indy Property

On October 18, 2016, the Company entered into an option agreement with Pac Shield Resources Inc. ("PSR"), a private British Columbia company, to acquire a one hundred percent (100%) interest in and to certain mineral claims located in the central British Columbia referred to as the Indy Property ("Indy").

(Unaudited - Expressed in Canadian funds)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Indy Property (continued)

To acquire Indy, the Company must make cash payments totaling $305,000, issue a total of 2,100,000 common shares, and complete work commitments of $2,600,000, as follows:

	Acquisition in cash	Acquisition in shares	Work commitments
March 24, 2017 (completed)	$ -	200,000	$ -
April 4, 2017 (completed)	30,000	-	-
January 29, 2018	25,000	200,000	75,000
January 29, 2019	25,000	300,000	200,000
January 29, 2020	25,000	400,000	325,000
January 29, 2021	75,000	500,000	750,000
January 29, 2022	125,000	500,000	1,250,000
	$ 305,000	2,100,000	$ 2,600,000

In addition, a $500,000 cash payment and the issuance of 500,000 shares of the Company will be made to PSR if the Company files a technical report establishing a 500,000,000 pound zinc resource on the property. A further $500,000 cash payment will be made to PSR should the Company file a technical report establishing a 750,000,000 pound zinc resource on the property.

The property is subject to a 1.0% net smelter returns royalty (“NSR”) held by PSR (the “PSR NSR”) and a 1.5% NSR held by Kerry Curtis, a director, Chairman of the Board and the interim Chief Executive Officer of the Company, and a director and the controlling shareholder of PSR. On exercise of the option and prior to completion of a feasibility study on the property, the Company has the right to purchase the PSR NSR for $1,500,000.

The following table represents expenditures incurred on the exploration and evaluation assets during the six months ended June 30, 2017:

	West Desert	Indy	Total
Acquisition costs			
Balance, December 31, 2016	$ 394,127	$ -	$ 394,127
Additions during the period:			
Option payments	-	30,000	30,000
Shares issued	-	48,000	48,000
Staking	-	1,280	1,280
	-	79,280	79,280
Balance, June 30, 2017	394,127	79,280	473,407
Deferred exploration costs			
Balance, December 31, 2016	5,275,540	-	5,275,540
Additions during the period:			
Field costs	1,189	45,354	46,543
Geological, geochemical, geophysical	-	9,981	9,981
Property holding costs, taxes and fees	5,638	3,080	8,718
	6,827	58,415	65,242
Balance, June 30, 2017	5,282,367	58,415	5,340,782
Total, June 30, 2017	$ 5,676,494	$ 137,695	$ 5,814,189

(Unaudited - Expressed in Canadian funds)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Reclamation deposit

The Company has reclamation bonds of $123,092 (December 31, 2016 - $127,360) to cover potential disturbances on the West Desert property.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	June 30, 2017	December 31, 2016
Trade payables	$ 39,123	$ 43,055
Accrued liabilities	-	-
Due to related parties	4,763	6,372
Total	$ 43,886	$ 49,427

9. SHARE CAPITAL AND RESERVES

Common shares

The Company has authorized share capital of unlimited common shares without par value.

During the six months ended June 30, 2017, the Company issued:
i. 200,000 common shares, valued at $48,000, pursuant to the Indy option agreement; and
ii. 500,000 common shares, for proceeds of $50,000, pursuant to the exercise of stock options.

Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the six months ended June 30, 2017, the Company granted 1,500,000 incentive stock options to directors, officers, and a consultant; the options vested on grant. During the six months ended June 30, 2017, the Company expensed $182,036 (2016 - $106,168), which was recorded in share-based compensation.

The weighted average fair value of stock options granted during the six months ended June 30, 2017 was $0.097 (2016 - $0.074) per option.

(Unaudited - Expressed in Canadian funds)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the six months ended	
	June 30, 2017	**June 30, 2016**
Risk free interest rate	0.75%	0.72%
Expected life (years)	3	5
Expected volatility	124%	120%
Dividend yield	-	-

Option transactions are summarized as follows:

	Number of Options	**Exercise Price ($)**
Balance - December 31, 2015	2,650,000	0.100[(1)]
Granted during the period	3,150,000	0.093[(1)]
Exercised during the period	(450,000)	0.100
Balance - December 31, 2016	5,350,000	0.096[(1)]
Granted during the period	1,500,000	0.135[(1)]
Exercised during the period	(500,000)	0.100
Balance - June 30, 2017	6,350,000	0.105[(1)]
Exercisable	6,350,000	0.105[(1)]

[(1)] weighted average

Options outstanding as at June 30, 2017 are as follows:

Number of Options	**Exercise Price ($)**	**Expiry Date**	**Contractual life remaining (years)**
1,700,000	0.10	November 2, 2017	0.34
1,500,000	0.135	May 31, 2020	2.92
2,650,000	0.09	May 31, 2021	3.92
500,000	0.11	June 21, 2021	3.98
6,350,000			2.73[(1)]

[(1)] weighted average

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	**Exercise Price ($)**
Balance - December 31, 2015	4,866,819	0.30[(1)]
Expired during the period	(353,119)	0.30[(1)]
Balance - December 31, 2016 and June 30, 2017	4,513,700	0.30[(1)]

[(1)] weighted average

(Unaudited - Expressed in Canadian funds)

9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Warrants outstanding as at June 30, 2017 are as follows:

Number of Warrants	Exercise Price ($)	Expiry Date	Contractual life remaining (years)
1,666,700	0.30	August 29, 2017	0.16
2,847,000	0.30	September 30, 2017	0.25
4,513,700			0.22(1)

(1) weighted average

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six months ended June 30, 2017:

Summary of key management personnel compensation

	For the six months ended	
	June 30, 2017	June 30, 2016
Short-term benefits paid or accrued:		
Management fees	$ -	$ 37,227
Office and miscellaneous	15,000	-
Professional fees	17,000	9,000
Share-based compensation	53,019	64,102
	$ 85,019	$ 110,329

Summary of transactions with other related parties

The following amounts were incurred with respect to the Company's non-executive directors:

	For the six months ended	
	June 30, 2017	June 30, 2016
Share-based compensation	$ 94,434	$ 51,215

Included in rent is $4,500 (June 30, 2016 - $Nil) paid or accrued to a company related by the CFO and $Nil (June 30, 2016 - $12,000) paid or accrued at cost to a company related by a common ex-director.

Included in accounts payable and accrued liabilities are amounts owing to related parties of $4,763 (December 31, 2016 - $6,372).

(Unaudited - Expressed in Canadian funds)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the six months ended June 30, 2017, the Company's significant non-cash transactions consisted of:

i. shares issued for acquisition of exploration and evaluation assets of $48,000;
ii. change in fair market value of marketable securities of $354;
iii. allocation of reserves on exercise of options of $40,000; and
iv. exploration and evaluation assets recorded in accounts payable and accrued liabilities of $21,853.

There were no significant non-cash transactions for the six months ended June 30, 2016.

12. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and are all located as follows:

	United States	Canada	Total
December 31, 2016			
Exploration and evaluation assets	$ 5,669,667	$ -	$ 5,669,667
June 30, 2017			
Exploration and evaluation assets	$ 5,676,494	$ 137,695	$ 5,814,189

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposit, and accounts payable and accrued liabilities approximates their carrying values.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2017, the Company held an interest bearing demand deposit with a face value $200,920. A change in interest rates of 1% will change income by $2,009 per annum.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

Price risk

The Company has limited exposure 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.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. 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 defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 is not subject to externally imposed capital restrictions.