Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.)

Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

Zinc8 Energy Solutions

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company and all information contained in the report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim financial statements and related financial reporting matters.

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

Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.)
Condensed Interim Statements of Financial Position
As at
(Unaudited - expressed in Canadian Dollars)

	Note	September 30, 2019	December 31, 2018
		$	$
Assets			
Current Assets			
Cash		57,658	37,502
Prepaid and deposits		591,493	16,382
Amounts receivable		117	5,159
		649,268	59,043
Non-Current Assets			
Equipment	**6**	181,446	210,938
Intangible assets	**5**	4,950,134	4,950,134
		5,131,580	5,161,072
Total Assets		5,780,848	5,220,115
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		553,718	133,391
Advances payable	**8**	74,000	115,000
		627,718	248,391
Promissory Note	**8**	5,022,766	4,104,558
Total Liabilities		5,650,484	4,352,949
Shareholders' Equity			
Share capital	**7**	13,883,009	11,500,001
Contributed surplus	**7**	975,902	-
Deficit		(14,728,547)	(10,632,835)
		130,364	867,166
Total Liabilities and Shareholders' Equity		5,780,848	5,220,115

Nature of operations (Note 1)

Approved and authorized by the Board on November 28, 2019

"Ron MacDonald"	Director	*"Michael Reimann"*	Director
Ron MacDonald		Michael Reimann	

Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.)
Condensed Interim Statements of Income (loss) and Comprehensive Income (loss)
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

		Three Months ended September 30,		Nine Months Ended September 30,	
	Note	**2019**	**2018**	**2019**	**2018**
		$	**$**	**$**	**$**
Expenses					
Amortization	**6**	9,770	5,490	29,492	6,284
General and administrative		32,785	30,980	91,461	77,323
Interest		159,877	97,805	442,075	97,805
Filing and listing fees		103,121	-	117,603	-
Management fees		43,000	-	121,000	-
Marketing		107,253	40,312	474,427	77,111
Payroll	**8**	58,690	78,018	169,890	211,681
Professional fees		9,091	12,496	85,346	143,258
Research and development		463,420	515,426	1,462,068	1,072,508
Rent		50,527	51,197	142,445	153,590
Share-based compensation		944,107	-	944,107	-
Travel		9,073	-	15,798	-
		1,990,714	831,724	4,095,712	1,839,560
Net and Comprehensive income (loss) for the period		**(1,990,714)**	**(831,724)**	**(4,095,712)**	**(1,839,560)**
Basic and diluted loss per share		(0.05)	(0.03)	(0.13)	(0.06)
Weighted average shares outstanding		40,601,793	30,000,000	30,610,500	30,000,000

Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.)
Condensed Interim Statements of changes in Equity
For the Nine Months Ended September 30, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Earnings (Deficit)	Total
	#	$	$	$	$
Balance, December 31, 2017	**30,000,000**	**11,500,001**	**-**	**(8,037,291)**	**3,462,710**
Net loss for the period	-	-	-	(1,839,560)	(1,839,560)
Balance, September 30, 2018	**30,000,000**	**11,500,001**	**-**	**(9,876,851)**	**1,623,150**
Loss for the period	-	-	-	(755,984)	(755,984)
Balance, December 31, 2018	**30,000,000**	**11,500,001**	**-**	**(10,632,835)**	**867,166**
Shares issued pursuant to	-	-	-	-	-
Private placement	16,353,329	2,505,000	-	-	2,505,000
Cash issue costs	-	(90,198)	-	-	(90,198)
Finders shares	770,200	-	-	-	-
Broker warrants	-	(31,795)	31,795	-	-
Share-based compensation	-	-	944,107	-	944,107
Net loss for the period	-	-	-	(4,095,712)	(4,095,712)
Balance, September 30, 2019	**47,123,529**	**13,883,007**	**975,902**	**(14,728,547)**	**130,364**

Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.)
Condensed Interim Statements of Cash flows
For the Nine Months Ended September 30, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

	2019	2018
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(4,095,712)	(1,839,560)
Items not affecting cash:		
Amortization	29,492	6,284
Accrued interest	430,670	97,805
Share-based compensation	944,107	-
Changes in non-cash working capital items:		
Prepaid expense	(575,111)	10,186
Amounts receivable	5,042	2,184
Accounts payable and accrued liabilities	420,328	96,232
Net cash used in operating activities	(2,841,184)	(1,626,869)
Investing activity		
Purchase of equipment	-	(227,372)
Net cash from investing activity	-	(227,372)
Financing activities		
Proceeds from Private placement	2,505,000	-
Share issue costs	(90,198)	-
Advances payable	(41,000)	-
Loan repayment	(251,499)	-
Loan received	739,038	1,901,744
Net cash from financing activity	2,861,340	1,901,744
Change in cash for the period	20,153	47,503
Cash, beginning of period	37,502	2,289
Cash, end of period	57,658	49,792
Supplemental information	**$**	**$**
Interest paid	-	-
Taxes paid	-	-

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Zinc8 Energy Solutions (Formerly, MGX Renewables Inc.) ("Zinc8" or the "Company") was incorporated on December 8, 2011 in Canada under the legislation of the Province of British Columbia. Zinc8's head office is located at Unit 1 – 8765 Ash Street, Vancouver, BC, V6P 6T3, Canada. Zinc8 is a development-stage company and in the process of developing zinc-air batteries. The Company's shares trade on the Canadian Stock Exchange ("CSE") under the symbol "MGXR" (Note 7).

At the date of the condensed interim financial statements, the Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investment in its technology and assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at September 30, 2019, the Company had an accumulated deficit of $14,728,547 (December 31, 2018 - $10,632,835) and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flow or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing and loans from a shareholder of the Company to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2018 except as outlined in Note 3.

3. CHANGES IN ACCOUNTING STANDARDS

The following standards were adopted during the period.

IFRS 16 Leases

IFRS 16 will replace IAS 17 Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard became effective on January 1, 2019. As the Company does not currently have any leases, the adoption of this standard did not have an impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 financial statements and the reported revenues and expenses during the year. 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.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations 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.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances

5. INTELLECTUAL PROPERTY

On March 6, 2015, the Company entered into a technology development agreement with 8230137 Canada Inc. ("8230137 Canada") whereby 8230137 Canada agreed to provide funding not exceeding $6,000,000 for the development of intellectual property comprising the zinc regenerative fuel cell systems and zinc fuel cells (the "Zinc Technology"). The Company recognized funding of $448,682 (2016 - $1,480,177) received from 8230137 Canada on statement of loss during the year ended December 31, 2017.

On January 1, 2016 the Company entered into a technology purchase agreement with 8230137 Canada to purchase the Zinc Technology for $11,500,000. In exchange, the Company issued 13,500,000 common shares in the capital of the Company. The Company incurred a transaction cost of $3,500 related to an acquisition of intellectual property.

During the year ended December 31, 2017 the Company recorded an impairment charge of $6,553,366 on the Zinc Technology.

(Unaudited - expressed in Canadian Dollars)

6. EQUIPMENT

	Lab Equipment $	Equipment $	Software $	Total $
Cost:				
Balance, September 30, 2019 and December 31, 2018	**204,691**	**2,373**	**20,309**	**227,373**
Accumulated Depreciation:				
Balance, December 31, 2018	**11,132**	**396**	**4,907**	**16,435**
Amortization	21,445	431	7,616	29,492
Balance, September 30, 2019	**32,576**	**827**	**12,523**	**45,926**
Net Book Value:				
December 31, 2018	**193,559**	**1,977**	**15,402**	**210,938**
September 30, 2019	**172,114**	**1,546**	**7,786**	**181,446**

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

On December 19, 2017 there was a change of control event whereby MGX Minerals Inc. (“MGX”) acquired all of the outstanding common shares of the Company in exchange for common shares of MGX and cash considerations. On April 3, 2018, MGX announced it would pursue a reorganization, pursuant to which it would spin-out its interests in the Company, resulting in the Company becoming listed as a separate company on the Canadian Securities Exchange (“CSE”) (the “Transaction”).

On June 11, 2019 Zinc8 completed a private placement of 8,020,000 Units at a price of $0.25 per Unit for gross proceeds of $2,005,000. Each Unit was comprised of one common share of Zinc8 and one-half share purchase warrant with each whole warrant exercisable at a price of $0.35 until November 30, 2020. The Company fair valued the warrants using the residual method and allocated 100% of the value to the common shares.

In connection with the private placement the Company issued 770,200 finders shares and 347,500 broker warrants and incurred $90,198 of cash issue costs. Upon completion of the financing MGX’s interest in Zinc8 was reduced from 100% to 77%. The Company fair valued the broker warrants at $31,795 using the Black-Scholes option pricing model using the following assumption: Volatility 100%; risk-free rate – 1.9%, forfeiture – nil; dividend rate – nil.

On June 26, 2019 the Transaction was completed and MGX completed a distribution of 11,991,761 common shares of Zinc8 as a return of capital reducing MGX’s interest in Zinc8 from 77% to 46.4%. The common shares were distributed pursuant to a spin-out by MGX and MGX did not receive any proceeds from the distribution.

On September 11, 2019 the Company completed a private placement of 8,333,329 Units at $0.06 per Unit for gross proceeds of $500,000. Each Unit was comprised of one common share of the Company and one share purchase warrant. The warrants expire on September 11, 2021 and are exercisable at $0.08 per warrant for the first year and $0.10 per warrant thereafter. The Company fair valued the warrants using the residual method, allocating 100% of the value to the common shares.

(Unaudited - expressed in Canadian Dollars)

b) Options

The Company has adopted a Stock Option Plan, which is a rolling stock option plan under which options may be granted equal in number to 10% of the issued and outstanding capital of the company at the time of grant of the stock option. No single participant may be granted options to purchase a number of Company shares equaling more than 5% of the issued shares of the Company in any 12-month period. The Board may determine the term of the options, but the term shall in no event be greater than five years from the date of issuance. Terms of vesting of the options, eligibility of directors, officers, employees, management company employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors.

On September 13, 2019 the Company granted 4,688,000 stock options to directors, officers, employees and consultants of the Company. Each option is exercisable at $0.21 per share for a period of five years. The Company fair valued the options granted during the year at $944,107 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 1.90%; expected dividend - nil; expected life – 5 years; expected volatility – 114%. The options expire on September 13, 2024.

As at September 30, 2019 the Company had 4,688,000 options outstanding. The options expire on September 13, 2024 and have an exercise price of $0.21.

c) Warrants

The balance of warrants outstanding as at September 30, 2019 and December 31, 2018 and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2018	**-**	**-**	**-**
Issued	12,690,829	0.17	-
Balance, September 30, 2019	**12,690,829**	**0.17**	**1.68**

As at September 30, 2019 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
November 30, 2020	4,357,500	0.35
September 11, 2021	8,333,329	0.08
	12,690,829	

(Unaudited - expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

Compensation paid to key management during the three and Nine Months ended September 30, 2019 and 2018 was as follows:

	Three months ended September 30,		Nine Months ended September 30,	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Management fees	43,000	-	121,000	-
Payroll expense	33,000	60,736	99,000	182,207
Share-based compensation	493,293	-	493,293	-
	569,293	**60,736**	**713,293**	**182,207**

Key management includes the CFO, CEO, VP of Engineering and the Board of Directors. All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2018 the Company received $2,376,744 (2017 - $nil) in loans from MGX. On June 30, 2018 the Company entered into a promissory note agreement with MGX in the amount of $2,952,222 (the "Promissory Note"). The Promissory Note replaced the existing loans payable that were owing to MGX. The Promissory Note bears interest at 12%, is unsecured and due on December 31, 2020. Additional loans received from MGX subsequent to the Promissory Note have the same terms as the Promissory Note.

	$
Balance, December 31, 2017	**-**
Initial promissory note	2,952,222
Additions	941,744
Interest	210,592
Balance, December 31, 2018	**4,104,558**
Additions	739,038
Repayments	(251,499)
Interest	430,670
Balance, September 30, 2019	**5,022,767**

During the year ended December 31, 2018 the Company received $115,000 in advances payable, the amounts were unsecured and due on demand. During the nine months ended September 30, 2019 the Company repaid $41,000 of advances payable.

9. FINANCIAL INSTRUMENTS

(a) Fair values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data,

such as discounted cash flow methodologies based on internal cash flow forecasts.
As at September 30, 2019, the fair values of financial instruments measured on a recurring basis include cash, determined based on level one inputs and consisting of quoted prices in active markets for identical assets. The fair values of other financial instruments, which include accounts payable and accrued liabilities, loan payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at September 30, 2019, the Company had working capital of $21,550.

(c) Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(d) Interest rate risk
Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

(e) Foreign currency exchange rate risk
The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Company's capital is composed of shareholder's equity in the statement of financial position.

The Company is not subject to externally imposed capital requirements. In managing capital structure, the Company manages its capital through regular reports to the Board of Directors and management review of monthly and quarterly financial information. There were no changes to the Company's management of capital during the period.