Zinc8 Energy Solutions Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Zinc8 Energy Solutions Inc.

Opinion

We have audited the consolidated financial statements of Zinc8 Energy Solutions Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

Comparative Information

The consolidated financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2021.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of $ 16,272,343 and, as at December 31, 2021, the Company had an accumulated deficit of $ 34,095,870. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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.

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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.

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

"D&H Group LLP"

Vancouver, B.C.
April 29, 2022

Chartered Professional Accountants

Zinc8 Energy Solutions Inc. (Formerly, MGX Renewables Inc.)
Consolidated Statements of Financial Position
As at
(Expressed in Canadian Dollars)

	Note	December 31, 2021	December 31, 2020
		$	$
Assets			
Current Assets			
Cash		10,203,442	1,576,581
Restricted cash	**16**	90,000	-
Prepaid and deposits		584,440	97,824
Amounts receivable		72,274	46,485
		10,950,156	1,720,890
Non-Current Assets			
Equipment	**5**	1,940,252	510,589
Intangible assets	**4**	-	4,950,134
		1,940,252	5,460,723
Total Assets		12,890,408	7,181,613
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**7**	750,552	1,253,641
Loans payable	**13**	-	60,000
Lease liability – short term		289,784	78,785
		1,040,336	1,392,426
Lease liability – long term	**9**	786,031	61,000
Total Liabilities		1,826,367	1,453,426
Shareholders' Equity (deficiency)			
Share capital	**6**	38,093,484	21,437,511
Subscriptions received in advance		-	15,500
Contributed surplus	**6**	7,066,427	2,098,703
Deficit		(34,095,870)	(17,823,527)
		11,064,041	5,728,187
Total Liabilities and Shareholders' Equity		12,890,408	7,181,613

Nature of operations (Note 1)
Contingencies (Note 12)
Subsequent events (Note 17)

Approved and authorized by the Board on April 29, 2022

"Ron MacDonald"	Director	*"Charn Deol"*	Director
Ron MacDonald		Charn Deol	

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

Zinc8 Energy Solutions Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Note	2021	2020
		$	$
Expenses			
Amortization	5	465,607	104,404
General and administrative		371,321	246,382
Interest (recovery)	9	(16,526)	163,808
Filing and listing fees		65,483	136,671
Management fees	7	646,212	427,060
Marketing	7	566,438	944,005
Payroll	7	339,992	203,798
Professional fees		297,446	285,243
Research and development		4,855,115	2,717,795
Rent	7	140,844	141,957
Share-based compensation	6, 7	4,211,461	978,356
Travel		23,988	36,123
		11,967,381	6,385,602
Loss before other items		(11,967,381)	(6,385,602)
Other items:			
Interest income		100,651	-
Impairment of intangible asset	4	(4,950,134)	-
Gain on debt settlement	12	199,004	3,736,152
Grant revenue		310,548	1,109,632
Disposal of asset		9,000	-
Severance	7,12	25,969	(504,004)
		(4,304,962)	4,341,780
Net and Comprehensive loss for the year		**(16,272,343)**	**(2,043,822)**
Basic and diluted loss per share		(0.11)	(0.03)
Weighted average shares outstanding		145,217,965	80,418,849

Zinc8 Energy Solutions Inc.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Subscriptions received in advance	Deficit	Total
	#	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2019	**47,123,529**	**13,906,838**	**975,902**	**-**	**(15,779,705)**	**(896,965)**
Shares issued pursuant to:						
Private Placement	36,629,513	4,466,746	-	-	-	4,466,746
Subscriptions received in advance	-	(21,000)	-	15,500	-	(5,500)
Share Issue costs	-	(223,053)	-	-	-	(223,053)
Brokers warrants	-	(175,050)	175,050	-	-	-
Settlement	800,000	244,000	176,881	-	-	420,881
Options exercised	442,263	181,942	(89,066)	-	-	92,875
Warrants exercised	20,227,262	3,057,088	(118,420)	-	-	2,938,668
Share-based compensation	-	-	978,356	-	-	978,356
Net income for the year	-	-	-	-	(2,043,822)	(2,043,822)
Balance, December 31, 2020	**105,222,567**	**21,437,511**	**2,098,703**	**15,500**	**(17,823,527)**	**5,728,187**
Shares issued pursuant to:						
Private Placement	28,750,000	15,525,000	-	-	-	15,525,000
Brokers warrants	-	(889,594)	889,594	-	-	-
Share Issue costs	-	(1,063,406)	-	-	-	(1,063,406)
Debt settlement	116,279	60,465	-	-	-	60,465
Warrants exercised	17,667,564	2,824,824	(35,405)	(15,500)	-	2,773,919
Options exercised	462,219	198,684	(97,926)	-	-	100,758
Share-based compensation	-	-	4,211,461	-	-	4,211,461
Net loss for the year	-	-	-	-	(16,272,343)	(16,272,343)
Balance, December 31, 2021	**152,218,629**	**38,093,484**	**7,066,427**	**-**	**(34,095,870)**	**11,064,041**

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

Zinc8 Energy Solutions Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	(16,272,343)	(2,043,822)
Items not affecting cash:		
Amortization	465,607	104,404
Accrued interest	-	131,045
Debt settlement	(199,004)	(3,736,152)
Impairment of intangible asset	4,950,134	-
Share-based compensation	4,211,461	978,356
Severance	-	420,881
Changes in non-cash working capital items:		
Prepaid expense	(486,616)	221,623
Amounts receivable	(25,789)	20,111
Accounts payable and accrued liabilities	(243,618)	170,684
Net cash used in operating activities	(7,600,168)	(3,732,870)
Investing activities		
Purchase of equipment	(665,888)	(278,223)
Change in restricted cash	(90,000)	-
Net cash used in investing activities	(755,888)	(278,223)
Financing activities		
Proceeds from private placement	15,525,000	4,445,746
Share issue costs	(1,063,406)	(223,053)
Subscriptions received in advance	-	15,500
Advances payable	-	(173,671)
Loan repayment	(60,000)	(1,500,000)
Lease payments	(293,352)	(94,890)
Option exercise	100,758	92,875
Warrant exercise	2,773,917	2,938,668
Net cash from financing activities	16,982,917	5,501,175
Change in cash for the year	8,626,861	1,490,082
Cash, beginning of year	1,576,581	86,499
Cash, end of year	10,203,442	1,576,581

Supplemental information	**$**	**$**
Interest received	100,941	-
Taxes paid	-	-

Supplemental cash flow information (Note 15)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Zinc8 Energy Solutions Inc. (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").

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate and move its business activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of CCOVID-19 on business operations cannot be reasonable estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

At the date of the 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 consolidated 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 December 31, 2021, the Company had a net loss of $ 16,272,343 (2020 - $2,043,822) an accumulated deficit of $34,095,870 (December 31, 2020 - $17,823,527) 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 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 consolidated 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

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the 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 Measurement and Functional and Presentation Currency

These consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies.

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its consolidated financial statements. These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, incorporated in the USA, Zinc8 Energy Solutions (USA) Inc. (2020 - %nil). Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

Revenue Recognition
Grants in support of research activities are recognized as the related expenses are recognized, once there is reasonable assurance that the grant will be received and that the Company will comply with the grant conditions. When grants relate to an expense item, it is recognized as a reduction of the corresponding expense on the statement of comprehensive income (loss). Where grant relates to an asset, it is deducted from the cost of the related asset.

Income taxes
Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the 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. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.
A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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. 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 the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). As at December 31, 2021 and 2020, the Company has not yet classified any financial assets at FVTOCI.

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. Amounts receivable, accounts payable and accrued liabilities, loans payable and lease liability are classified as amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net (loss) income. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income. 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 the statements of net (loss) income in the period in which they arise. Cash and restricted cash is classified as FVTPL.

(iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset 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 at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

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. Gains and losses on derecognition are generally recognized in the statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net (loss) income.

Cash

Cash consists of cash and cashable guaranteed investment certifications or those with terms to maturity not exceeding 90 days at date of acquisition.

Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment charges. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values and amortization for intangible assets with finite useful lives are reviewed at least annually.

Indefinite life intangible assets are measured at cost less any impairment charges. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

Equipment

Equipment is stated at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the following rate on a straight-line over its useful lives basis.

Lab	5 years
Computer hardware	3 years
Furniture and Equipment	5 years
Computer software	2 years
Leasehold improvement	lease terms
Right of use	lease terms

Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

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

Loss per share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

Research and development
Research costs are expensed as incurred to the statement of comprehensive loss. Development costs are expensed as incurred unless capitalization criteria under IFRS are met for deferral and amortization. No development costs have been capitalized to date.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share-based compensation
The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Leases
The Company recognizes a right-of-use asset and a lease liability for its leases. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company’s incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

3. 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.

Critical Judgements
The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

a) 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.

b) 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

c) Contingencies and settlement provisions

The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

d) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts and also at each reporting period. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible asset. External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its asset. Internal sources of information the Company considers include the manner in which intangible asset are being used or are expected to be used and indications of economic performance of the assets.

Estimation Uncertainty

The following is the key assumption concerning the future and other key sources of estimation uncertainty that has a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Leases

The application of IFRS 16 requires the Company to make judgments about the valuation of right-of-use assets and lease liabilities. These include assessing lease agreements to determine the contract term and interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the Company's borrowing rate, observed in the period when the lease agreement commences or is modified.

b) Valuation of share-based payments

(Expressed in Canadian Dollars)

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

c) Useful lives of assets

Depreciation expense is allocated based on assumed useful life of the depreciable asset. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

4. INTANGIBLE ASSETS

Intangible assets consist of acquired patents and other intellectual property comprising the zinc-air regenerative fuel cell systems and zinc fuel cells (the "Zinc Technology") purchased from a third party on January 1, 2016. The development of the Zinc Technology was in process and no amortization has been recorded as at December 31, 2020.

At December 31, 2021, the intangible assets were tested for impairment. The Company was unable to reliably estimate the recoverable amount of the Company's intangible assets using either the fair value less costs of disposal or value in use. As a result, the Company determined that a full impairment of the intangible assets was required and, accordingly, recorded an impairment loss of $4,950,134 during the year ended December 31, 2021.

5. EQUIPMENT

	Lab Equipment $	Equipment $	Right of use asset $	Leasehold improvements $	Software $	Total $
Cost:						
Balance, December 31, 2020	**392,440**	**35,043**	**165,093**	**31,878**	**46,235**	**670,689**
Additions	204,183	126,229	1,229,383	302,588	32,887	1,895,270
Balance, December 31, 2021	**596,623**	**161,272**	**1,394,476**	**334,466**	**79,122**	**2,565,959**
Accumulated Depreciation:						
Balance, December 31, 2020	**80,587**	**6,099**	**41,950**	**7,927**	**23,537**	**160,100**
Amortization	84,234	32,719	279,232	52,507	16,915	456,607
Balance, December 31, 2021	**164,821**	**38,818**	**321,182**	**60,434**	**40,452**	**625,707**
Net Book Value:						
December 31, 2020	**311,853**	**28,944**	**123,143**	**23,951**	**22,698**	**510,589**
December 31, 2021	**431,802**	**122,454**	**1,073,294**	**274,032**	**38,670**	**1,940,252**

6. SHARE CAPITAL

a) Authorized

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

On February 24, 2021, the Company closed a private placement offering of 28,750,000 common shares at a price of $0.54 per share for gross proceeds of $15,525,000. The Company incurred cash issue costs of $1,063,406 and issued 1,725,000 compensation warrants with each compensation warrant exercisable at a price of $0.54 per warrant until February 24, 2023. The Company fair valued the warrants at $889,594 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 0.23%; expected dividend - nil; expected life – 2 years; expected volatility – 138%.

On June 7, 2021, the Company issued 116,279 common shares as part of a debt settlement agreement, the shares were fair valued at $60,465. (Note 12).

During the year ended December 31, 2021, 17,667,564 warrants were exercised for gross proceeds of $2,773,917. The Company transferred $35,405 from contributed surplus to share capital related to the exercise of warrants.

During the year ended December 31, 2021, 462,219 options were exercised for gross proceeds of $100,758. The Company transferred $97,926 from contributed surplus to share capital related to the exercise of the options.

During the year ended December 31, 2020, the Company completed the following share issuances:

On September 4, 2020, the Company closed a non-brokered private placement issuing 8,750,000 units at $0.16 per unit for gross proceeds of $1,400,000. Each unit consist of one common share of the Company and one non-transferrable share purchase warrant. Each warrant has a two-year life and an exercise price of $0.30. The Company paid cash finders fees of $37,560 and issued 234,750 finders warrants. The Company fair valued the finders warrants at $46,581 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 1.27%; expected dividend - nil; expected life – 2 years; expected volatility – 172%.

On May 5, 2020, the Company issued 800,000 units, each consisting of one common share and one non-transferrable share purchase warrant, to Jared Lazerson as severance. The shares were fair valued at $244,000 and the warrants were fair valued at $176,881 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 1.90%; expected dividend - nil; expected life – 2 years; expected volatility – 173%.

On February 11, 2020, the Company closed a non-brokered private placement issuing 27,879,513 units at $0.11 per unit for gross proceeds of $3,066,746. Each unit consists of one common share and one non-transferrable share purchase warrant. The warrants have a two-year life and an exercise price of $0.155 during the year first year and $0.40 for the balance of the term. The Company paid $186,893 in finders fees and issued 632,887 finders warrants. The Company fair valued the finders warrants at $128,469 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 1.90%; expected dividend - nil; expected life – 2 years; expected volatility – 145%.

(Expressed in Canadian Dollars)

During the year ended December 31, 2020, 20,227,262 warrants were exercised for gross proceeds of $2,938,668. The Company transferred $118,420 from contributed surplus to share capital related to the exercise of warrants.

During the year ended December 31, 2020, 442,263 options were exercised for gross proceeds of $92,875. The Company transferred $89,066 from contributed surplus to share capital related to the exercise of the options.

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.

During the year ended December 31, 2021, the Company recorded $3,730,302 (2020 - $944,107) in share-based compensation expense pursuant to the vesting of previously granted options and additional grants during the period. During the year ended December 31, 2021, the Company granted 7,275,000 options, exercisable at $0.62 per option, to directors, consultants and employees of the Company. The options expire on April 5, 2026 and vested immediately. The Company fair valued the options at $3,710,462 using the Black-Scholes option pricing model using the following assumptions: risk free rate – 0.94%; volatility – 145%, expected forfeiture – nil; expected dividends – nil; expected life – 5 years.

The balance of options outstanding as at December 31, 2021 and 2020 and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2019	**4,688,000**	**0.21**	**4.45**
Granted	2,987,951	0.31	
Forfeited	(612,365)	0.21	
Exercised	(442,263)	0.21	
Balance, December 31, 2020	**6,621,323**	**0.26**	**3.84**
Granted	7,275,000	0.62	-
Exercised	(462,219)	0.22	-
Expired	(721,674)	0.27	
Balance, December 31, 2021	**12,712,430**	**0.46**	**3.65**

(Expressed in Canadian Dollars)

As at December 31, 2021 the following options were outstanding:

Expiry Date	Exercise Price $	Options #
September 12, 2024	0.21	2,898,523
February 18, 2025	0.32	2,418,907
July 28, 2023	0.20	200,000
April 5, 2026	0.62	7,195,000
		12,712,430

During the year ended December 31, 2021, the Company approved a Restricted Stock Unit (RSU) Plan under which RSU's may be granted equal in number up to 10% of the issued and outstanding common shares of the Company to directors, employees and consultants in lieu of cash compensation for services rendered. No RSU units were issued during the fiscal year ended December 31, 2021, but some directors have chosen to accept directors' compensation in RSU units commencing in 2022.

c) Warrants

The balance of warrants outstanding as at December 31, 2021 and 2020 and the changes for the years then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2019	**12,690,829**	**0.17**	**1.43**
Issued	38,297,150	0.20	
Exercised	(20,227,262)	0.15	
Expired	(3,856,300)	0.35	
Balance, December 31, 2020	**26,904,417**	**0.21**	**1.27**
Issued	1,725,000	0.54	
Exercised	(17,667,564)	0.16	
Expired	(58,333)	0.12	
Balance, December 31, 2021	**10,903,520**	**0.35**	**0.71**

As at December 31, 2021 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
February 10, 2022	308,332	0.40
May 5, 2022	800,000	0.50
September 4, 2022	8,070,188	0.30
February 24, 2023	1,725,000	0.54
	10,903,520	

(Expressed in Canadian Dollars)

7. RELATED PARTY DISCLOSURES

Key management includes the CFO, CEO, VP of Engineering and the Board of Directors. Compensation paid to key management for the years ended December 31, 2021 and 2020 was as follows:

	2021 **$**	**2020** **$**
Management fees	594,000	379,500
Payroll expense	245,333	139,500
Share-based compensation	2,562,218	491,031
	3,401,551	**1,029,031**

As at December 31, 2021, the Company had pre-payment of $nil (2020 - $22,600) and had $nil included in accounts payable and accrued liabilities (2020 - $100,000) owing to a company controlled by the CEO of the Company.

A company related by common directors charged marketing fees of $50,000 (2020 - $136,450) and rent of $12,000 (2020 - $7,000) during the year ended December 31, 2021. The Company had a deposit of $nil (2020 - $50,000) and owed $nil included in accounts payable and accrued liabilities (2020 - $52,500) to the same company as at December 31, 2021.

As at December 31, 2021, the Company had $nil (2020 - $26,000) owing to other related parties included in accounts payable and accrued liabilities.

The Company paid/accrued a total of $Nil (2020 - $504,004) of severance expense to former directors and officers during the year ended December 31, 2021. A previous accrual of $25,969 was reversed during the year. See Note 12.

During the year, the Company granted 4,447,000 options (2020 – 1,420,761) to directors and officers of the Company.

On June 30, 2018, the Company entered into a promissory note agreement with MGX Minerals Inc. (“MGX”), a former parent company prior to a spin-out, (the “Promissory Note”). The Promissory Note bore interest at 12%, was unsecured and due on December 31, 2020. Additional loans received from MGX subsequent to the Promissory Note had the same terms as the Promissory Note.

	$
Balance, December 31, 2019	**5,174,688**
Interest	61,464
Gain on debt settlement	(3,736,152)
Repayment	(1,500,000)
Balance, December 31, 2020	**-**

On March 6, 2020, the Company settled the amount of $5,236,152 owing on the Promissory Note to MGX for $1,500,000. The full cash payments of $1,500,000 were made to MGX and the Company recorded a gain on debt settlement of $3,736,152 during the year-ended December 31, 2020.

Upon completion of the settlement, Jared Lazerson resigned from his position as a director of the Company. Mr. Lazerson agreed to a severance agreement with the Company whereby the Company issued 800,000 units with each unit consisting of one common share and one share purchase warrant. Each warrant is exercisable for 2 years at a price of $0.50 per warrant and the units were issued on May 5, 2020. The units were fair valued at $420,881 and recorded as a severance expense. The Company fair valued 800,000 common shares at $244,000 using a market closing price of $0.305. And the Company also fair valued 800,000 warrants at $176,881 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 1.90%; expected dividend - nil; expected life – 2 years; expected volatility – 173%.

(Expressed in Canadian Dollars)

8. INCOME TAX

A reconciliation between the Company's income tax provision, computed at statutory rates, to the reported income tax provision is as follows:

	2021 **$**	**2020** **$**
	27%	27%
Expected tax expense (recovery)	(4,393,500)	(551,832)
Share issuance costs	(133,400)	(83,814)
Items not deductible for tax purposes	2,061,600	302,228
Income tax benefit not recognized	2,465,300	333,417
Income tax recovery	-	-

The significant components of the Company's net deferred tax assets and liabilities as at December 31, 2021 and 2020 are as follows:

	2021 **$**	**2020** **$**
Deferred Tax Assets (liabilities)		
Equipment	(52,800)	31,595
Tax losses	4,613,800	2,508,271
Share issuance costs	499,200	55,006
Unrecognized deferred tax assets	(5,060,200)	(2,594,872)
Deferred Tax Assets	-	-

As at December 31, 2021 the Company had estimated non-capital loss for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates are as follow:

2038	337,806
2039	4,146,900
2040	4,594,828
2041	8,008,443
	17,087,977

As at December 31, 2021, deferred tax assets have not been recognized because it is not probable that future taxable income will be available against which the Company can utilize the benefits from the deductible temporary differences and unused tax losses.

(Expressed in Canadian Dollars)

9. LEASE LIABILITIES

During the year ended December 31, 2020, the Company entered into leases for an office space and certain pieces of office equipment. The office lease was entered into on June 1, 2020 and has a two-year term with monthly lease payments of $12,441. The Company also entered into leases for an office copier and office chairs with the lease terms commencing on April 1, 2020, and July 1, 2020, respectively. The copier has a 60-month term with monthly payment of $107 while the office chair lease has a 24 month term with monthly payment of $1,142.

During the year ended December 31, 2021, the Company entered into additional leases for office equipment, the leases range from 24 to 60 months with monthly payments between $138 and $15,900 per month. During the year ended December 31, 2021, the Company recalculated certain outstanding leases and recorded a credit to previously incurred lease interest expense of $58,246.

The Company recognized its right-of-use assets and lease liabilities for these leases based on the present value of future minimum lease payments. The present value of minimum lease payments for the copier and office chairs were calculated using the interest rate implicit in the leases and the present value of minimum lease payments lease payments for office lease and lab equipment were calculated using the incremental borrowing rate of 8%.

During the year ended December 31, 2021, the Company recognized an interest recovery on lease liabilities of $17,742 as a result of changes to inputs in the lease calculations (2020 – expense o $69,595).

The Company's future minimum lease payments as at December 31, 2021 and 2020 are as follows:

	December 31, 2021 $	**December 31, 2020 $**
Less than 1 year	360,832	164,284
1 to 5 years	894,971	73,554
5+ Years	-	-
Total minimum lease payments	1,255,803	237,868
Less: imputed interest	(179,988)	(98,083)
Total lease obligation	1,075,815	139,785
Current portion of lease obligations	(289,784)	(78,785)
Non-current portion of lease obligations	786,031	61,000

Lease obligations	$
At January 1, 2020	-
Additions	165,093
Payments	(25,308)
At December 31, 2020	**139,785**
Additions	1,229,382
Payments	(293,352)
At December 31, 2021	**1,075,815**

10. 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 December 31, 2021, the fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying value due to the short-term maturity of these instruments. Lease liabilities are measured at amortized costs using effective interest rate. Cash and restricted cash is carried at level 1 fair value measurement.

(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 December 31, 2021, the Company had working capital of $9,909,820.

(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.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, loan payable, lease liabilities, and the components of shareholders’ equity. 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 manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

12. CONTINGENCIES

On September 5, 2019, Market One Media Group Inc. (“Market One”) filed a claim against the Company for unpaid invoices of $208,950 relating to a media advertising and promotion services agreement. The Company’s position is that it has not received any of the services discussed in the contract. Market One has been attempting to schedule a summary trial hearing but has not been able to obtain a date yet. On June 7, 2021, the Company entered into a debt settlement agreement with Market One whereby the Company made a cash payment of $30,000 and issued 116,279 common shares of the Company to settle the outstanding debt of $208,950. The shares were fair valued at $60,465 and the Company recorded a gain on debt settlement of $118,485.

On January 10, 2020, Dig Media filed a claim against the Company for unpaid invoices of $60,900 plus interest of $20,367 relating to media and promotion services. It is the Company’s position that it has not received any of the services. The arbitration proceeding is on hold to allow the parties to settle this matter. If not successful, the case will be referred to a mediator/arbitrator. During the year ended December 31, 2021, the Company settled the amounts outstanding with Dig Media for cash consideration of $30,450 and recorded a gain on debt settlement of $50,817.

On February 25, 2021, Miller Thomson LLP filed a claim against the Company for unpaid invoices relating to legal services in the amount of $69,718 plus interest of $9,984 for a total claim of $79,702. During the year ended December 31, 2021, the Company settled the amount owing for $50,000 and recorded a gain on debt settlement of $29,702.

On March 25, 2021, Michael Reimann, a former director of the Company, filed a claim against the Company for breach of contract and sought payment of $25,969. The claim was withdrawn subsequent to year-end.

13. LOANS PAYABLE

During the year ended December 31, 2021, the Company repaid $60,000 in loans payable and as at December 31, 2021, the Company had $nil (2020 - $60,000) in loans payable. The amounts owing were unsecured, due on demand and non-interest bearing.

14. COOPERATION AGREEMENT

The Company entered into a Cooperation agreement (the “Agreement”) dated December 24, 2019 with The Power Authority of the State of New York (the “Authority”) for the installation of a 100kW/1MWh Zinc-Air Battery Energy Storage System in New York State.

Under the Agreement with the Authority, the Authority agreed to collaborate with the Company and contribute to a research and development project through its participation in aspects of design and fabrication of a zinc air energy storage system, then demonstration of the system and the Company agreed to collaborate with the Authority to pursue the research and development project.

The Authority agreed to contribute the following monetary contributions to the Company for the research and development of the Product:

- First Contribution - $835,000 USD (CAD$ 1,109,632 received in 2020), to be paid within 30 days following the Effective Date of this Agreement.

- Second Contribution - $0 USD, to be paid after 6 months following the Effective Date of this Agreement, after receipt and approval of the first interim fiscal report for the first 6-month period, but not before actual qualified expenses and the Company’s project expenses have equaled or exceeded the minimum required expenditures.

Minimum Required Qualified Expenses: $355,000 USD
Minimum Required the Company’s Project Expenses: $0

- Third Contribution - $0 USD, to be paid after 12 months following the Effective Date of this Agreement, after receipt and approval of the second interim fiscal report for the second 6-month period, but not before actual qualified expenses and the Company’s project expenses have equaled or exceeded the minimum required expenditures.

Minimum Required Qualified Expenses: $835,000 USD
Minimum Required the Company’s Project Expenses: 80% of $2,950,000 USD

- Fourth Contribution - $160,000 USD, to be paid after 18 months following the Effective Date of this Agreement, after receipt and approval of the third interim fiscal report for the third 6-month period, but not before actual qualified expenses and the Company’s project expenses have equaled or exceeded the minimum required expenditures.

Minimum Required Qualified Expenses: $995,000 USD
Minimum Required the Company’s Project Expenses: 80% of $4,100,000 USD

- Fifth Contribution - $380,000 USD, to be paid after 24 months following the Effective Date of this Agreement, after receipt and approval of the fourth interim fiscal report for the fourth 6-month period, but not before actual qualified expenses and the Company’s project expenses have been equaled or exceeded the minimum required expenditures, whichever is later.

Minimum Required Qualified Expenses: $1,375,000 USD Minimum
Required the Company’s Project Expenses: 80% of $5,400,000 USD

- Sixth Contribution $20,000 USD, to be paid after 30 months following the Effective Date of this Agreement, after receipt and approval of the fifth interim fiscal report for the fifth 6-month period, or after actual qualified expenses and the Company's project expenditures have been equaled or exceeded the required expenditure, whichever is later.

Minimum Required Qualified Expenses: $1,395,000 USD
Minimum Required the Company's Project Expenses: 80% of $6,450,000 USD

- Final Contribution – After receipt and approval of the final fiscal report, a final contribution of $155,000 will be paid for actual qualified expenses and the Company's project expenditures have equaled or exceeded the required expenditures.

Minimum Required Qualified Expenses: $1,550,000 USD
Minimum Required the Company's Project Expenses: 80% of $6,450,000 USD

The term of this Agreement (the "Term") shall begin on the Effective Date and shall be valid for an initial period of 10 years as of the Effective Date, with automatic renewals of one (1) year periods each unless either Party provides written notification to the other. The Authority, within its sole discretion and for any reason, may terminate this Agreement at any time upon 30 days' notice to the Company. Upon such termination, the Parties will conduct a final payment schedule, which will include any and all final payments due to each side.

In May 2020, the Company and the Authority reached a mutual agreement to delay the timeline of the project due to COVID-19 restrictions. A revised project timeline is pending further information. As such, the Company did not receive the Fourth and Fifth Contributions.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2021, and 2020, the following non-cash activities were conducted by the Company:

(a) The initial recognition of a lease obligation of $1,229,382 (2020 - $165,093), and the related asset addition.

(b) Warrants issued in payment of agent's fees of $889,594 (2020 - $175,050).

(c) Shares and warrants issued in payment of severance of $Nil (2020 - $420,881).

(d) Shares issued to settle debts of $60,465 (2020 - $Nil).

16. CREDIT FACILITY

The Company has a line of credit, acquired at the request of the office premises lessor, that bears interest at the lender's prime rate of interest plus 3.48% per annum and is secured by $70,000 term deposit. The Company may borrow up to $ 70,000 under this credit facility. The Company did not draw on the credit facility during the year ended December 31, 2021. The Company also has $20,000 restricted as security for a credit card.

17. SUBSEQUENT EVENTS

Subsequent to year-end, the Company had the following transactions:

(a) Granted 1,000,000 stock options to a newly appointed director. The options have an exercise price of $0.22 and are exercisable for 10 years.

(b) 308,332 of share purchase warrants expired unexercised.