Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

Zinc8 Energy Solutions Inc.

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements and related financial reporting matters.

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

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

	Note	March 31, 2022	December 31, 2021
		$	$
Assets			
Current Assets			
Cash		7,659,915	10,203,442
Restricted cash	11	90,000	90,000
Prepaid and deposits		764,681	584,440
Amounts receivable		82,177	72,274
		8,596,773	10,950,156
Non-Current Assets			
Equipment	4	1,910,009	1,940,252
		1,910,009	1,940,252
Total Assets		10,506,782	12,890,408
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		827,257	750,552
Lease liability – short term	7	254,131	289,784
		1,081,388	1,040,336
Lease liability – long term	7	727,946	786,031
Total Liabilities		1,809,334	1,826,367
Shareholders' Equity (deficiency)			
Share capital	5	38,093,484	38,093,484
Contributed surplus	5	7,066,427	7,066,427
Deficit		(36,462,463)	(34,095,870)
		8,697,448	11,064,041
Total Liabilities and Shareholders' Equity		10,506,782	12,890,408

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

Approved and authorized by the Board on May 27, 2022

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

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

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three Months Ended March 31, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

	Note	2022	2021
		$	$
Expenses			
Amortization	4	179,200	47,574
General and administrative		163,116	68,867
Interest		16,236	26,821
Filing and listing fees		31,654	83,041
Management fees	6	182,398	137,158
Marketing	6	145,954	258,110
Payroll	6	103,385	66,941
Professional fees		32,977	43,256
Research and development		1,375,712	1,084,793
Rent	6	46,774	31,551
Share-based compensation		-	8,544
Travel		10,035	3,987
		2,287,441	1,860,643
Loss before other items		(2,287,441)	(1,860,643)
Other items:			
Interest income		20,468	-
Grant revenue		34,751	-
Disposal of asset		(134,371)	9,000
		(79,152)	9,000
Net and Comprehensive loss for the period		**(2,366,593)**	**(1,851,643)**
Basic and diluted loss per share		(0.02)	(0.01)
Weighted average shares outstanding		152,218,629	127,466,872

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Subscriptions received in advance	Deficit	Total
	#	$	$	$	$	$
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	14,635,406	889,594	-	-	15,525,000
Share Issue costs	-	(1,014,230)	-	-	-	(1,014,230)
Warrants exercised	15,390,690	2,537,383	(35,030)	(15,500)	-	2,486,853
Options exercised	400,983	173,493	(85,594)	-	-	87,899
Share-based compensation	-	-	8,544	-	-	8,544
Net loss for the period	-	-	-	-	(1,851,643)	(1,851,643)
Balance, March 31, 2021	**149,764,240**	**37,769,563**	**2,876,217**	**-**	**(19,675,170)**	**20,970,610**
Shares issued pursuant to:						
Share Issue costs	-	(49,176)	-	-	-	(49,176)
Debt settlement	116,279	60,465	-	-	-	60,465
Warrants exercised	2,276,874	287,441	(375)	-	-	287,066
Options exercised	61,236	25,191	(12,332)	-	-	12,859
Share-based compensation	-	-	4,202,917	-	-	4,202,917
Net loss for the period	-	-	-	-	(14,420,700)	(14,420,700)
Balance, December 31, 2021	**152,218,629**	**38,093,484**	**7,066,427**	**-**	**(34,095,870)**	**11,064,041**
Net loss for the period	**-**	**-**	**-**	**-**	(2,366,593)	(2,366,593)
Balance, March 31, 2022	**152,218,629**	**38,093,484**	**7,066,427**	**-**	**(36,462,463)**	**8,697,448**

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

	2022	2021
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(2,366,593)	(1,851,643)
Items not affecting cash:		
Amortization	179,200	47,574
Disposal of asset	122,889	-
Share-based compensation	-	8,544
Changes in non-cash working capital items:		
Prepaid expense	(180,241)	(75,558)
Amounts receivable	(9,903)	(26,129)
Accounts payable and accrued liabilities	76,704	(9,180)
Net cash used in operating activities	(2,177,944)	(1,906,392)
Investing activity		
Purchase of equipment	(271,845)	(62,899)
Net cash used in investing activity	(271,845)	(62,899)
Financing activities		
Proceeds from private placement	-	15,525,000
Share issue costs	-	(1,014,230)
Loan repayment	-	(60,000)
Lease payments	(93,738)	(14,659)
Option exercise	-	87,899
Warrant exercise	-	2,486,853
Net cash from financing activities	(93,738)	17,010,863
Change in cash for the period	(2,543,527)	15,041,572
Cash, beginning of period	10,203,442	1,576,581
Cash, end of period	7,659,915	16,618,153
Supplemental information	**$**	**$**
Interest received	20,468	-
Taxes paid	-	-

The accompanying notes are an integral part of these condensed interim 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 Covid-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 condensed interim 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 March 31, 2022, the Company had a net loss of $2,366,593 (2021 - $1,851,643) an accumulated deficit of $36,462,463 (December 31, 2021 - $34,095,870) 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 condensed interim 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

These condensed interim consolidated 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 presentation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have bene 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 they ear ended December 31, 2021.

(Unaudited - expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There have been no changes to the critical accounting estimates and judgements. Refer to the Company's annual consolidated financial statements and notes for the year ended December 31, 2021.

4. EQUIPMENT

	Lab Equipment $	Equipment $	Right of use asset $	Leasehold improvements $	Software $	Total $
Cost:						
Balance, December 31, 2021	**596,623**	**161,272**	**1,394,476**	**334,466**	**79,122**	**2,565,959**
Additions	139,962	66,185	-	65,698	-	271,845
Disposal	(125,392)	-	-	-	-	(125,392)
Balance, March 31, 2022	**611,193**	**227,457**	**1,394,476**	**400,164**	**79,122**	**2,712,412**
Accumulated Depreciation:						
Balance, December 31, 2021	**164,821**	**38,818**	**321,182**	**60,434**	**40,452**	**625,707**
Amortization	37,195	13,605	97,290	23,758	7,352	179,200
Disposal	(2,504)	-	-	-	-	(2,504)
Balance, March 31, 2022	**199,512**	**52,423**	**418,472**	**84,192**	**47,804**	**802,403**
Net Book Value:						
December 31, 2021	**431,802**	**122,454**	**1,073,294**	**274,032**	**38,670**	**1,940,252**
March 31, 2022	**411,681**	**175,034**	**976,004**	**315,972**	**31,318**	**1,910,009**

5. SHARE CAPITAL

a) Authorized

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

There were no financings during the period ended March 31, 2022.

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 $1,014,230 and issue 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%.

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.

(Unaudited - expressed in Canadian Dollars)

The balance of options outstanding as at March 31, 2022 and December 31, 2021 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, 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 and March 31, 2022	**12,712,430**	**0.46**	**3.41**

As at March 31, 2022 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 maybe granted equal in number upto 10% of the issued and outstanding common shares of the Company to directors, employees and consultants in lieu of cash compensation for services rendered. As at March 31, 2022 no RSU's have been issued.

(Unaudited - expressed in Canadian Dollars)

c) Warrants

The balance of warrants outstanding as at March 31, 2022 and December 31, 2021 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, 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**
Expired	(308,332)	0.155	-
Balance, March 31, 2022	**10,595,188**	**0.35**	**0.48**

As at March 31, 2022 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
May 5, 2022	800,000	0.50
September 4, 2022	8,070,188	0.30
February 24, 2023	1,725,000	0.54
	10,595,188	

6. RELATED PARTY DISCLOSURES

Key management includes the CFO, CEO, VP of Engineering and the Board of Directors. Compensation paid to key management for the three months ended March 31, 2022 and 2021 was as follows:

	2022 $	2021 $
Management fees	173,500	128,500
Payroll expense	112,500	55,000
	286,000	**184,500**

A company related by common directors charged marketing fees of $nil (2021 - $25,000) and rent of $3,000 (2021 - $3,000) during the three months ended March 31, 2022.

As at March 31, 2022, the Company had $nil (2021 - $nil) owing to other related parties included in accounts payable and accrued liabilities.

(Unaudited - expressed in Canadian Dollars)

7. LEASE LIABILITIES

The Company has 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%.

The Company's future minimum lease payments as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022 $	**December 31, 2021 $**
Less than 1 year	320,082	360,832
1 to 5 years	804,223	894,971
5+ Years	-	-
Total minimum lease payments	1,124,305	1,255,803
Less: imputed interest	(142,228)	(179,988)
Total lease obligation	982,077	1,075,815
Current portion of lease obligations	(254,131)	(289,784)
Non-current portion of lease obligations	727,946	786,031

Lease obligations	$
At December 31, 2020	**139,785**
Additions	1,229,382
Payments	(293,352)
At December 31, 2021	**1,075,815**
Payments	(93,738)
At March 31, 2022	**982,077**

8. 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 March 31, 2022, 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 March 31, 2022, the Company had working capital of $7,515,385.

(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.

9. 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 three months ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

10. 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.

11. 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 three months ended March 31, 2022. The Company also has $20,000 restricted as security for a credit card.

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, 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) 800,000 of share purchase warrants expired unexercised.

(c) The Company granted an aggregate of 6,150,00 RSUs to certain directors, officers and employees. The RSUs will vest a 25% every three months commencing on the grant date.