Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 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 June 30, 2022 and December 2021
(Unaudited - expressed in Canadian Dollars)

	Note	June 30, 2022	December 31, 2021
		$	$
Assets			
Current Assets			
Cash		5,547,164	10,203,442
Restricted cash	**11**	90,000	90,000
Prepaid and deposits		293,071	584,440
Amounts receivable		54,206	72,274
		5,984,441	10,950,156
Non-Current Assets			
Equipment	**4**	2,741,021	1,940,252
		2,741,021	1,940,252
Total Assets		8,725,462	12,890,408
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		1,041,129	750,552
Lease liability – short term	**7**	398,930	289,784
		1,440,059	1,040,336
DSU Liability	**5**	88,653	-
Lease liability – long term	**7**	837,543	786,031
Total Liabilities		2,366,255	1,826,367
Shareholders' Equity (deficiency)			
Share capital	**5**	38,323,859	38,093,484
Contributed surplus	**5**	7,447,254	7,066,427
Deficit		(39,411,906)	(34,095,870)
		6,359,207	11,064,041
Total Liabilities and Shareholders' Equity		8,725,462	12,890,408

Nature of operations (Note 1)

Approved and authorized by the Board on August 26, 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 and Six Months Ended June 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2022**	**2021**	**2022**	**2021**
		$	**$**	**$**	**$**
Expenses					
Amortization	**4**	215,691	55,351	394,891	102,925
General and administrative		115,768	97,535	278,884	166,402
Interest		16,987	24,233	33,223	51,054
Filing and listing fees		6,916	14,772	38,570	97,813
Management fees	**6**	393,212	176,255	575,610	313,413
Marketing	**6**	163,899	74,075	309,853	332,185
Payroll	**6**	96,811	67,677	200,196	134,618
Professional fees		149,083	73,563	182,060	116,819
Research and development		1,207,719	1,284,082	2,583,431	2,368,875
Rent	**6**	41,522	25,962	88,296	57,513
Share-based compensation	**5,6**	611,202	3,719,100	611,202	3,727,644
Travel		10,343	986	20,378	4,973
		3,029,153	5,613,591	5,316,594	7,474,234
Loss before other items		(3,029,152)	(5,613,591)	(5,316,593)	(7,474,234)
Other items:					
Interest income		17,871	40,767	38,339	40,767
Gain on debt settlement		-	169,301	-	169,301
Grant revenue		52,491	290,000	87,242	290,000
Fair value of DSU		9,347	-	9,347	-
Disposal of asset		-	-	(134,371)	9,000
		79,709	500,068	557	509,068
Net and Comprehensive loss for the period		**(2,949,443)**	**(5,113,523)**	**(5,316,036)**	**(6,965,166)**
Basic and diluted loss per share		(0.02)	(0.04)	(0.03)	(0.05)
Weighted average shares outstanding		152,684,975	149,820,779	152,453,090	138,878,750

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

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Six Months Ended June 30, 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)
Debt settlement	116,279	60,465	-	-	-	60,465
Warrants exercised	15,417,565	2,545,819	(35,402)	(15,500)	-	2,494,917
Options exercised	428,199	184,689	(91,075)	-	-	93,614
Share-based compensation	-	-	3,727,644	-	-	3,727,644
Net loss for the period	-	-	-	-	(6,965,166)	(6,965,166)
Balance, June 30, 2021	**149,934,610**	**37,849,660**	**6,589,464**	**-**	**(24,788,693)**	**19,650,431**
Shares issued pursuant to:						
Share Issue costs	-	(49,176)	-	-	-	(49,176)
Warrants exercised	2,249,999	279,005	(3)	-	-	279,002
Options exercised	34,020	13,995	(6,881)	-	-	7,114
Share-based compensation	-	-	483,847	-	-	483,847
Net loss for the period	-	-	-	-	(9,307,177)	(9,307,177)
Balance, December 31, 2021	**152,218,629**	**38,093,484**	**7,066,427**	**-**	**(34,095,870)**	**11,064,041**
Shares issued pursuant to:						
RSU Exercise	1,212,500	230,375	(230,375)	-	-	-
Share-based compensation	-	-	611,202	-	-	611,202
Net loss for the period	-	-	-	-	(5,316,036)	(5,316,036)
Balance, June 30, 2022	**153,431,129**	**38,323,859**	**7,447,254**	**-**	**(39,411,906)**	**6,359,207**

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

	2022	2021
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(5,316,036)	(6,965,166)
Items not affecting cash:		
Amortization	394,891	102,925
Disposal of asset	122,889	-
Gain on debt settlement	-	(169,301)
Share-based compensation	611,202	3,727,644
DSU Directors fees	98,000	-
Gain on fair value of DSU	(9,347)	-
Changes in non-cash working capital items:		
Prepaid expense	291,369	(66,152)
Amounts receivable	18,068	(37,071)
Accounts payable and accrued liabilities	290,576	341,374
Net cash used in operating activities	(3,498,388)	(3,065,747)
Investing activity		
Purchase of equipment	(967,588)	(777,756)
Net cash used in investing activity	(967,588)	(777,756)
Financing activities		
Proceeds from private placement	-	15,525,000
Share issue costs	-	(1,014,230)
Loan repayment	-	(60,000)
Lease payments	(190,302)	(35,118)
Option exercise	-	93,614
Warrant exercise	-	2,494,917
Net cash from financing activities	(190,302)	17,004,183
Change in cash for the period	(4,656,278)	13,160,680
Cash, beginning of period	10,203,442	1,576,581
Cash, end of period	5,547,164	14,737,261
Supplemental information	$	$
Interest received	38,339	-
Taxes paid	-	-

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 June 30, 2022, the Company had a net loss of $5,316,036 (2021 - $6,965,166) an accumulated deficit of $39,411,906 (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	716,466	70,040	350,961	94,395	86,686	1,318,548
Disposal	(125,392)	-	-	-	-	(125,392)
Balance, June 30, 2022	**1,187,697**	**231,312**	**1,745,437**	**428,861**	**165,808**	**3,759,115**
Accumulated Depreciation:						
Balance, December 31, 2021	**164,821**	**38,818**	**321,182**	**60,434**	**40,452**	**625,707**
Amortization	103,008	27,635	197,741	48,192	18,315	394,891
Disposal	(2,504)	-	-	-	-	(2,504)
Balance, June 30, 2022	**265,325**	**66,453**	**518,923**	**108,626**	**58,767**	**1,018,094**
Net Book Value:						
December 31, 2021	**431,802**	**122,454**	**1,073,294**	**274,032**	**38,670**	**1,940,252**
June 30, 2022	**922,372**	**164,859**	**1,226,514**	**320,235**	**107,041**	**2,741,021**

5. SHARE CAPITAL

a) Authorized

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

During the six months ended June 30, 2022, the Company issued 1,212,500 common shares related to the exercise of restricted share units.

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 June 30, 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	**12,712,430**	**0.46**	**3.41**
Granted	1,000,000	0.22	9.77
Balance, June 30, 2022	**13,712,430**	**0.45**	**3.64**

On April 5, 2022, the Company granted 1,000,000 options to a director of the Company, the options vest immediately and expire on April 5, 2032. The Company fair valued the options at $211,181 using the Black-Scholes option pricing model using the following assumptions: Risk free rate – 2.54%; expected volatility – 126%; forfeiture rate – nil; dividend rate – nil; expected life – 10 years.

As at June 30, 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
April 5, 2032	0.22	1,000,000
		13,712,430

(Unaudited - expressed in Canadian Dollars)

c) Warrants

The balance of warrants outstanding as at June 30, 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	(1,108,332)	0.40	-
Balance, June 30, 2022	**9,795,188**	**0.34**	**0.26**

As at June 30, 2022 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
September 4, 2022	8,070,188	0.30
February 24, 2023	1,725,000	0.54
	9,795,188	

d) Restricted Share Units ("RSU")

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.

On May 27, 2022, the Company granted 6,510,000 RSU's to directors of the Company. The RSU's vest 25% on the grant date, 25% on August 27, 2022, 25% on November 27, 2022 and 25% on February 27, 2023. The RSU's were fair valued at $1,168,500 and during the six months ended June 30, 2022 the Company recorded $400,084 in share-based compensation expense related to the RSU's.

(Unaudited - expressed in Canadian Dollars)

The balance of RSU's outstanding as at June 30, 2022 and December 31, 2021 and the changes for the periods then ended is as follows:

	Number of RSU #
Balance, December 31, 2021	**-**
Granted	6,150,000
Exercised	(1,212,500)
Balance, June 30, 2022	**4,937,500**
Unvested	(4,612,500)
Exercisable at June 30, 2022	**325,000**

e) Deferred Share Units ("DSU")

During the six months ended June 30, 2022, the Company adopted a DSU plan as an alternative form of compensation for directors and officers of the Company. Each DSU is comprised of one notional common share that entitles the participant, on termination of services, to receive, at the discretion of the Company, common shares of the Company up to the number of DSUs held or the cash equivalent. In the event the Company decides to settle all or a portion of the DSUs outstanding in cash, the total DSUs owing will be multiplied by the fair market value of one common share of the Company. The fair market value will be determined as the VWAP of the Company's common shares on the valuation date.

As the DSU can be settled in cash or shares, at the discretion of the Company, the value associated with each DSU grant is recorded as a liability and fair valued at each reporting period.

During the six months ended June 30, 2022, the Company granted 436,715 DSU's, all fully vested with a deemed value of $98,000 to directors of the Company. As at June 30, 2022, 436,715 DSU's are outstanding and the fair market value of the DSU's was $0.203 per DSU. As at June 30, 2022, the Company had recorded a total of $88,653 in DSU liabilities.

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 and six months ended June 30, 2022 and 2021 was as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2022 $	**2021 $**	**2022 $**	**2021 $**
Management fees	389,532	148,500	563,032	277,000
Payroll expense	112,500	97,500	225,000	152,500
Share-based compensation	611,202	2,268,099	611,202	2,268,099
	1,113,234	**2,514,099**	**1,399,234**	**2,697,599**

A company related by common directors charged marketing fees of $nil (2021 - $25,000) and rent of $6,000 (2021 - $6,000) during the six months ended June 30, 2022.

(Unaudited - expressed in Canadian Dollars)

As at June 30, 2022, the Company had $158,735 (2021 - $nil) owing to other related parties included in accounts payable and accrued liabilities.

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 during the six months ended June 30, 2022 the Company renewed the lease for an additional two year term, expiring May 31, 2024, with monthly payments of $15,873. 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 June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022 $	**December 31, 2021 $**
Less than 1 year	481,297	360,832
1 to 5 years	908,739	894,971
5+ Years	-	-
Total minimum lease payments	1,390,036	1,255,803
Less: imputed interest	(153,563)	(179,988)
Total lease obligation	1,236,473	1,075,815
Current portion of lease obligations	(398,930)	(289,784)
Non-current portion of lease obligations	837,543	786,031

Lease obligations	$
At December 31, 2020	**139,785**
Additions	1,229,382
Payments	(293,352)
At December 31, 2021	**1,075,815**
Additions	350,960
Payments	(190,302)
At June 30, 2022	**1,236,473**

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 June 30, 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 June 30, 2022, the Company had working capital of $4,544,382.

(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 June 30, 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 June 30, 2022. The Company also has $20,000 restricted as security for a credit card.

12. CONTINGENCIES

On June 10, 2022, OCI Inc. ("OCI") filed a claim against the Company for unpaid invoices of $361,000 relating to a strategic advisory services agreement. The Company's position is that it did not receive any of the services mentioned in the advisory agreement. As at June 30, 2022 the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.