Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2023 and 2022

(Unaudited - expressed in Canadian Dollars)

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

	Note	**June 30, 2023**	**December 31, 2022**
		$	**$**
Assets			
Current Assets			
Cash		1,012,885	5,552,248
Restricted cash	**13**	100,000	90,000
Prepaid and deposits		130,282	145,755
Amounts receivable		157,983	114,094
		1,401,150	5,902,097
Non-Current Assets			
Equipment	**4**	2,003,262	2,409,584
Total Assets		3,404,412	8,311,681
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**6**	878,765	847,528
Lease liability – short term	**7**	426,005	420,078
Deferred share unit liability	**5**	191,675	198,575
		1,496,445	1,466,181
Lease liability – long term	**7**	427,307	634,734
Total Liabilities		1,923,752	2,100,915
Shareholders' Equity			
Share capital	**5**	44,679,254	43,900,112
Contributed surplus	**5**	8,232,036	8,343,857
Deficit		(51,430,630)	(46,033,203)
		1,480,660	6,210,766
Total Liabilities and Shareholders' Equity		3,404,412	8,311,681

Nature of operations and continuance of business (Note 1)
Contingency (Note 14)
Subsequent events (Note 15)

Approved and authorized by the Board on August 29, 2023

"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, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

		Three months ended June 30,		**Six months ended June 30,**	
	Note	**2023**	**2022**	**2023**	**2022**
		$	**$**	**$**	**$**
Expenses					
Amortization	**4**	240,562	215,691	478,302	394,891
General and administrative		133,071	115,767	251,806	278,883
Interest		15,415	16,987	32,411	33,223
Filing and listing fees		41,454	6,916	77,491	38,570
Management and consulting fees	**5,6**	173,716	393,212	370,500	575,610
Marketing		134,444	163,899	429,907	309,853
Payroll	**6**	128,495	96,811	258,797	200,196
Professional fees		207,536	149,083	274,738	182,060
Research and development	**11**	1,180,001	1,155,228	2,630,023	2,496,189
Rent	**6**	49,311	41,522	106,299	88,296
Share-based compensation	**5,6**	215,342	611,202	667,320	611,202
Travel		6,203	10,343	24,159	20,378
		2,525,550	2,976,661	5,601,753	5,229,351
Loss before other items		(2,525,550)	(2,976,661)	(5,601,753)	(5,229,351)
Other items:					
Interest income		9,343	17,871	50,426	38,339
Fair value of deferred share units	**5**	93,478	9,347	153,900	9,347
Disposal of asset		-	-	-	(134,371)
		102,821	27,218	204,326	(86,685)
Net and Comprehensive loss for the period		**(2,422,729)**	**(2,949,443)**	**(5,397,427)**	**(5,316,036)**
Basic and diluted loss per share		(0.01)	(0.02)	(0.03)	(0.03)
Weighted average shares outstanding		181,054,737	152,684,975	180,053,764	152,453,090

(Unaudited - expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Deficit	Total
	#	$	$	$	$
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**
Shares issued pursuant to:					
Private Placement	14,123,500	2,824,700	-	-	2,824,700
Share Issue costs	-	(7,880)	1,140	-	(6,740)
Warrants exercised	6,062,688	1,853,816	(35,011)	-	1,818,805
Options exercised	136,081	55,982	(27,405)	-	28,577
RSU Exercise	3,837,500	788,375	(788,375)	-	-
DSU Exercise	322,419	61,260	-	-	61,260
Share-based compensation	-	-	1,746,254	-	1,746,254
Net loss for the period	-	-	-	(6,621,297)	(6,621,297)
Balance, December 31, 2022	**177,913,317**	**43,900,112**	**8,343,857**	**(46,033,203)**	**6,210,766**
Share-based compensation	-	-	667,321	-	667,321
RSU Exercised	3,493,334	779,142	(779,142)	-	-
Net loss for the period	-	-	-	(5,397,427)	(5,397,427)
Balance, June 30, 2023	**181,406,651**	**44,679,254**	**8,232,036**	**(51,430,630)**	**1,480,660**

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Three and Six Months Ended June 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

	2023	2022
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(5,397,427)	(5,316,036)
Items not affecting cash:		
Amortization	478,302	394,891
Disposal of asset	-	122,889
Share-based compensation	667,320	611,202
Deferred share unit management fees	147,000	98,000
Gain on fair value of deferred share units	(153,900)	(9,347)
Changes in non-cash working capital items:		
Prepaid expense	15,473	291,369
Amounts receivable	(43,889)	18,068
Accounts payable and accrued liabilities	31,238	290,576
Net cash used in operating activities	(4,255,883)	(3,498,388)
Investing activity		
Purchase of equipment	(71,980)	(967,588)
Net cash used in investing activity	(71,980)	(967,588)
Financing activities		
Lease payments	(201,500)	(190,302)
Net cash from financing activities	(201,500)	(190,302)
Change in cash for the period	(4,529,363)	(4,656,278)
Cash, beginning of period	5,552,248	10,203,442
Cash, end of period	1,022,885	5,547,164
Supplemental information		
Interest received	50,426	38,339
Taxes paid	-	-

See Note 12.

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”).

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. For the six months ended June 30, 2023, the Company had a net loss of $5,397,427 (2022 - $5,316,036) and at June 30, 2023 had an accumulated deficit of $51,430,630 (December 31, 2022 - $46,033,203) and expects to incur further losses in the development of its business, and did not have sufficient working capital to meet its anticipated expenditures for the next 12 months, 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 and there is no assurance of either being achieved. Management is considering its options to obtain 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 the 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, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2022.

(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, 2022.

4. EQUIPMENT

	Lab Equipment $	Equipment $	Right of use asset $	Leasehold improvements $	Software $	Total $
Cost:						
Balance, December 31, 2022	**1,258,902**	**252,930**	**1,760,701**	**461,320**	**165,809**	**3,899,662**
Additions	63,848	1,873	-	6,259	-	71,980
Balance, June 30, 2023	**1,322,750**	**254,803**	**1,760,701**	**467,579**	**165,809**	**3,971,642**
Accumulated Depreciation:						
Balance, December 31, 2022	**403,325**	**105,103**	**733,238**	**156,499**	**91,913**	**1,490,078**
Amortization	145,428	36,468	218,131	48,959	29,316	478,302
Balance, June 30, 2023	**548,753**	**141,571**	**951,369**	**205,458**	**121,229**	**1,968,380**
Net Book Value:						
December 31, 2022	**855,577**	**147,827**	**1,027,463**	**304,821**	**73,896**	**2,409,584**
June 30, 2023	**773,997**	**113,232**	**809,332**	**262,121**	**44,580**	**2,003,262**

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, 2023:

- The Company issued 3,493,334 common shares pursuant to the exercise of RSUs and transferred $779,142 of contributed surplus to share capital.

During the six months ended June 30, 2022:

- The Company issued 1,212,500 common shares pursuant to the exercise of RSUs and transferred $230,375 of contributed surplus to share capital.

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, and consultants

(Unaudited - expressed in Canadian Dollars)

to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors.
The balance of options outstanding as at June 30, 2023 and December 31, 2022 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, 2021	**12,712,430**	**0.46**	**3.41**
Granted	1,000,000	0.22	-
Exercised	(136,081)	0.21	-
Expired	(1,449,534)	0.52	-
Balance, December 31, 2022	**12,126,815**	**0.44**	**3.18**
Expired	(51,000)	0.62	**-**
Balance, June 30, 2023	**12,075,815**	**0.44**	**2.68**

During the six months ended June 30, 2022, the Company granted 1,000,000 options to a director of the Company, the options vested immediately and expire on April 5, 2032. The company fair valued the options at $211,118 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.

During the six months ended June 30, 2023, the Company recorded share based compensation expense related to stock options of $nil (2022 - $611,202).

As at June 30, 2023 the following options were outstanding:

Expiry Date	Exercise Price $	Options #
September 12, 2024	0.21	2,571,930
February 18, 2025	0.32	2,188,885
July 28, 2023	0.20	200,000
April 5, 2026	0.62	6,115,000
April 5, 2032	0.22	1,000,000
		12,126,815

(Unaudited - expressed in Canadian Dollars)

c) Warrants

The balance of warrants outstanding as at June 30, 2023 and December 31, 2022 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, 2021	**10,903,520**	**0.35**	**0.71**
Issued	14,145,200	0.30	
Exercised	(6,062,688)	0.30	-
Expired	(3,115,832)	0.34	-
Balance, December 31, 2022	**15,870,200**	**0.33**	**1.78**
Expired	(1,725,000)	0.54	-
Balance, June 30, 2023	**14,145,200**	**0.30**	**1.43**

As at June 30, 2023 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
December 22, 2024	14,145,200	0.30
	14,145,200	

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 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.

On May 27, 2022, the Company granted 6,150,000 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.

On August 16, 2022, the Company granted an additional 850,000 RSU's to a director 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 $161,500.

On October 5, 2022, the Company granted an additional 6,600,000 RSU's to employees of the Company. The RSU's have staggered vesting conditions and fully vest by June 2025. The RSU's were fair valued at $1,650,000.

During the year ended December 31, 2022, the Company recorded $2,146,338 in share-based compensation expense related to the vesting of RSU's.

(Unaudited - expressed in Canadian Dollars)

During the year ended December 31, 2022, 5,050,000 RSU's were exercised and the Company transferred $1,018,750 from contributed surplus to share capital pursuant to the exercise.

During the six months ended June 30, 2023, the Company granted 800,000 RSU's to certain employees of the Company. The RSU were fair valued at $152,000 and vest over 2.5 years. The Company also granted 147,058 RSU's to a consultant of the Company, the RSU's were fair valued at $21,323 and vest over 1 year. During the six months ended June 30, 2023, the Company recorded share-based compensation expense of $667,320 (2022 - $nil) related to the vesting of RSU's.

The balance of RSU's outstanding as at June 30, 2023 and December 31, 2022 and the changes for the periods then ended is as follows:

	Number of RSU #
Balance, December 31, 2021	**-**
Granted	13,600,000
Exercised	(5,050,000)
Forfeited	(425,000)
Balance, December 31, 2022	**8,125,000**
Granted	947,058
Exercised	(3,493,334)
Balance, June 30, 2023	**7,197,890**
Unvested	(3,247,307)
Exercisable at June 30, 2023	**2,331,417**

e) Deferred Share Units ("DSU")

During the year ended December 31, 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, 2023, the Company granted 1,379,335 DSU's, all fully vested with a value of $147,000 (2022 - $98,000) to directors of the Company. As at June 30, 2023, 2,382,239 DSU's are outstanding and the fair market value of the DSU's was $0.0805 per DSU. As at June 30, 2023, the Company had recorded a total of $191,675 (2022 - $198,575) in DSU liabilities and a gain on DSU valuation of $153,900 (2022 - $9,347).

(Unaudited - expressed in Canadian Dollars)

6. RELATED PARTY DISCLOSURES

Key management includes the CTO, CFO, CEO, VP of Engineering, VP Business Development & Partnerships, and the Board of Directors. Compensation paid to key management for the three and six months ended June 30, 2023 and 2022 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Management fees	172,500	389,532	366,000	563,032
Payroll expense	114,751	112,500	229,502	225,000
Share-based compensation	65,396	611,202	281,399	611,202
	352,647	**1,113,234**	**876,901**	**1,399,234**

A company related by common directors charged rent of $5,000 (2022 - $6,000) during the six months ended June 30, 2023.

As at June 30, 2023, the Company had $nil (2022 - $1,130) owing to related party included in accounts payable and accrued liabilities.

As of June 30, 2023, the Company has provided a loan of $105,371 to one of its key management members, which is recorded as part of the accounts receivable.

7. LEASE LIABILITY

The Company has entered into leases for an office space and certain pieces of office equipment.

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, 2023 and December 31 2022 are as follows:

	June 30, 2023	**December 31, 2022**
	$	**$**
Less than 1 year	465,863	489,498
1 to 5 years	447,499	692,594
5+ Years	-	-
Total minimum lease payments	913,362	1,182,092
Less: imputed interest	(60,050)	(127,281)
Total lease obligation	853,312	1,054,812
Current portion of lease obligations	(426,005)	(420,078)
Non-current portion of lease obligations	427,307	634,734

During the six months ended June 30,2023, the company recognized an interest expense on lease liability of $39,358.10 (2022 - $42,538.29).

(Unaudited - expressed in Canadian Dollars)

Lease obligations	$
At December 31, 2021	**1,075,815**
Additions	366,225
Payments	(387,228)
At December 31, 2022	**1,054,812**
Payments	(201,500)
At June 30, 2023	**853,312**

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, 2023, the fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, and deferred share unit liability 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, restricted cash and deferred share unit liability 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, 2023 the Company had a working capital deficit of $95,295.

(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, 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 period ended June 30, 2023. 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 Agreement is valid for an initial period of 10 years with automatic renewals of one 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. As such, the Company did not receive any payments after the First Contribution. A revised project timeline is pending further information.

(Unaudited - expressed in Canadian Dollars)

The Authority agreed to contribute the monetary contributions to the Company at the following dates but not before actual qualified expenses and the Company's project expenses have equaled or exceeded the minimum required expenditures as follows:

1) First Contribution - $835,000 USD to be received by January 26, 2020 (CAD$ 1,109,632 received in 2020).

2) Second Contribution - $0, USD to be received after June 27, 2020 and after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $355,000 USD
   (ii) Minimum Required the Company's Project Expenses: $0

3) Third Contribution - $0, USD to be received after December 27, 2020 and after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $835,000 USD
   (ii) Minimum Required the Company's Project Expenses: 80% of $2,950,000 USD

4) Fourth Contribution - $160,000 USD, to be paid after June 27, 2021 and after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $995,000 USD
   (ii) Minimum Required the Company's Project Expenses: 80% of $4,100,000 USD

5) Fifth Contribution - $380,000 USD, to be paid after December 27, 2021 and after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $1,375,000 USD
   (ii) Required the Company's Project Expenses: 80% of $5,400,000 USD

6) Sixth Contribution - $20,000 USD, to be paid after June 27, 2022 and after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $1,395,000 USD
   (ii) Minimum Required the Company's Project Expenses: 80% of $6,450,000 USD

7) Final Contribution – $155,000 will be paid after meeting the following expenditure requirements:
   (i) Minimum Required Qualified Expenses: $1,550,000 USD
   (ii) Minimum Required the Company's Project Expenses: 80% of $6,450,000 USD

11. GOVERNMENT ASSISTANCE

The Company receives funding for its research and development activities through various programs. During the six months ended June 30, 2023 and 2022, the following amounts were received:

	2023 **$**	**2022** **$**
(a) NRC-IRAP Funding	311,282	72,242
(b) Innovation Asset Collective	70,486	15,000
(c) Other	-	108,144
Total received	**381,768**	**195,385**
Less: credit against research and development expense	(381,768)	(195,385)
	-	**-**

(a) During the year ended December 31, 2022, the Company entered into contribution agreements with the National Research Council of Canada's Industrial Research Assistance Program ("NRC-

IRAP") which provides the Company with contributions of up to $655,000 for specific research and development projects undertaken during the year. Under the terms of the agreements, NRC-IRAP will reimburse the Company for 80% of salaries paid to Company employees involved in the project. During the six months ended June 30, 2023, the Company received $311,282 (2022 – $72,242) in connection with the NRC-IRAP grants. NRC-IRAP reserves the right to claim back all or part of the grant plus interest from the Company under certain circumstances. No repayment has been requested for and no contingent liability has been accrued as of June 30, 2023.

(b) During the year ended December 31, 2022 the Company has been approved for a grant to fund the Company's IP by Innovation Asset Collective (IAC a governmental non-profit organization). During the six months ended June 30,2023, the Company received $70,486 (2022 - $15,000).

(c) During the year ended December 31, 2021, the Company signed a contribution agreement with a non-government organization to receive US$200,000 over the course of a specific project. During the six months ended June 30, 2023, the Company received $nil (2022 - $108,144 (USD - $85,000) in connection with the grant. As of June 30, 2023, the Company had received the full USD $200,000.

12. SUPPLEMENTAL CASH FLOW

During the six months ended June 30, 2023 and 2022, the following non-cash activities were conducted by the Company:

(a) DSU's issued as compensation to directors and officers valued at $147,000 (2022 - $Nil).

13. 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 six months ended June 30, 2023. The Company also has $30,000 restricted as security for a credit card.

14. CONTINGENCY

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, 2023 the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.

15. SUBSEQUENT EVENTS

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

(a) In accordance with the conditions outlined in the Initial Deployment Agreement, as detailed in the Company's press release dated March 11, 2020, the company granted 126,615 common shares to Digital Energy Corp., as a reward for their involvement in the project and successful attainment of specific milestones.
(b) Issued 100,000 common shares on exercise of RSUs