Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited - expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated 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	September 30, 2023	December 31, 2022
		$	$
Assets			
Current Assets			
Cash		27,615	5,552,248
Restricted cash	**13**	90,000	90,000
Prepaid and deposits		85,159	145,755
Amounts receivable		99,428	114,094
		302,202	5,902,097
Non-Current Assets			
Equipment	**4**	1,765,481	2,409,584
Total Assets		2,067,683	8,311,681
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**6**	1,470,399	847,528
Lease liability – short term	**7**	54,750	420,078
Deferred share unit liability	**5**	393,311	198,575
		1,918,460	1,466,181
Lease liability – long term	**7**	360,021	634,734
Total Liabilities		2,278,481	2,100,915
Shareholders' Equity			
Share capital	**5**	44,768,958	43,900,112
Contributed surplus	**5**	7,840,978	8,343,857
Deficit		(52,820,734)	(46,033,203)
		(210,798)	6,210,766
Total Liabilities and Shareholders' Equity		2,067,683	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 November 29, 2023

"Dave Hodge" Director — *"Simon Fan"* Director
Dave Hodge — Simon Fan

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 Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

		Three months ended September 30,		**Nine months ended September 30,**	
	Note	**2023**	**2022**	**2023**	**2022**
		$	**$**	**$**	**$**
Expenses					
Amortization	**4**	232,774	233,171	711,076	628,062
General and administrative		94,726	92,239	346,532	371,123
Interest		13,544	19,988	45,955	53,211
Filing and listing fees		8,132	19,746	85,623	58,316
Management and consulting fees	**5,6**	99,084	201,232	469,584	776,842
Marketing		95,731	274,527	525,638	584,380
Payroll	**6**	122,141	92,326	380,938	292,522
Professional fees		230,708	169,892	505,446	351,952
Research and development	**11**	925,759	1,243,896	3,555,782	3,740,085
Rent	**6**	48,072	35,852	154,371	124,148
Share-based compensation	**5,6**	(372,057)	640,122	295,263	1,251,324
Travel		6,973	-	31,132	20,378
		1,505,587	3,022,991	7,107,340	8,252,343
Loss before other items		(1,505,587)	(3,022,991)	(7,107,340)	(8,252,343)
Other items:					
Interest income		-	25,412	50,426	63,751
Fair value of deferred share units	**5**	115,483	(8,560)	269,383	787
Disposal of asset		-	(5,350)	-	(139,721)
		115,483	11,502	319,809	(75,183)
Net and Comprehensive loss for the period		**(1,390,104)**	**(3,011,489)**	**(6,787,531)**	**(8,327,526)**
Basic and diluted loss per share		(0.08)	(0.19)	(0.38)	(0.54)
Weighted average shares outstanding		18,190,171	15,606,096	18,067,651	15,366,893

Zinc8 Energy Solutions Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

	Common shares[1]	Share Capital	Contributed Surplus	Deficit	Total
	#	$	$	$	$
Balance, December 31, 2021	**15,221,863**	**38,093,484**	**7,066,427**	**(34,095,870)**	**11,064,041**
Shares issued pursuant to:					
Warrants exercised	606,268	1,853,817	(35,010)	-	1,818,807
Options exercised	13,608	55,982	(27,405)	-	28,577
RSU Exercise	285,000	541,500	(541,500)	-	-
Share-based compensation	-	-	1,251,324	-	1,251,324
Net loss for the period	-	-	-	(8,327,526)	(8,327,526)
Balance, September 30, 2022	**16,126,739**	**40,544,783**	**7,713,836**	**(42,423,396)**	**5,835,223**
Balance, December 31, 2022	**17,791,331**	**43,900,112**	**8,343,857**	**(46,033,203)**	**6,210,766**
DSU exercised	108,985	59,942	-	-	59,942
Payment in shares	12,662	10,762	-	-	10,762
Share-based compensation	-	-	295,263	-	295,263
RSU Exercised	359,333	798,142	(798,142)	-	-
Net loss for the period	-	-	-	(6,787,531)	(6,787,531)
Balance, September 30, 2023	**18,272,311**	**44,768,958**	**7,840,978**	**(52,820,734)**	**(210,798)**

[1]On November 15, 2023, the Company consolidated its common shares on a 10:1 basis, all historical share information has been adjusted to reflect the consolidation.

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

	2023	2022
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(6,787,531)	(8,327,526)
Items not affecting cash:		
Amortization	711,076	628,062
Disposal of asset	-	139,721
Shares in lieu of fees	10,762	-
Share-based compensation	295,263	1,251,324
Deferred share unit management fees	185,500	203,000
Gain on fair value of deferred share units	(269,383)	(787)
Changes in non-cash working capital items:		
Prepaid expense	60,596	393,505
Amounts receivable	14,666	33,286
Accounts payable and accrued liabilities	622,871	169,166
Net cash used in operating activities	(5,156,180)	(5,510,249)
Investing activity		
Purchase of equipment	(79,221)	(1,068,797)
Net cash used in investing activity	(79,221)	(1,068,797)
Financing activities		
Lease payments	(289,232)	(287,433)
Option exercise	-	28,577
Warrant exercise	-	1,818,806
Net cash from financing activities	(289,232)	(1,559,950)
Change in cash for the period	(5,524,633)	(5,019,096)
Cash, beginning of period	5,552,248	10,203,442
Cash, end of period	27,615	5,184,346
Supplemental information		
Interest received	50,426	63,751
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 nine months ended September 30, 2023, the Company had a net loss of $6,787,531 (2022 - $8,327,526) and at September 30, 2023 had an accumulated deficit of $52,820,734 (December 31, 2022 - $46,033,203) and expects to incur further losses in the development of its business, and does 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	-	13,500	-	79,221
Lease modification	-	-	(12,248)	-	-	(12,248)
Balance, September 30, 2023	**1,322,750**	**254,803**	**1,748,453**	**474,820**	**165,809**	**3,966,635**
Accumulated Depreciation:						
Balance, December 31, 2022	**403,325**	**105,103**	**733,238**	**156,499**	**91,913**	**1,490,078**
Amortization	214,083	52,362	327,196	73,935	43,500	711,076
Balance, September 30, 2023	**617,408**	**157,465**	**1,060,434**	**23,0434**	**135,413**	**2,201,154**
Net Book Value:						
December 31, 2022	**855,577**	**147,827**	**1,027,463**	**304,821**	**73,896**	**2,409,584**
September 30, 2023	**705,342**	**97,338**	**688,019**	**244,386**	**30,396**	**1,765,481**

5. SHARE CAPITAL

a) Authorized

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

On November 15, 2023, the Company consolidated its common shares on a 10:1 basis, all historical share information has been adjusted to reflect the consolidation.

During the nine months ended September 30, 2023:

- The Company issued 359,333 common shares pursuant to the exercise of RSUs and transferred $798,142 of contributed surplus to share capital.
- The Company issued 108,985 common shares to settle outstanding DSUs, the shares were valued at $59,942.
- The Company issued 12,662 common shares pursuant to an initial deployment agreement. The shares were valued at $10,762.

During the nine months ended September 30, 2022:

- 285,000 common shares related to the exercise of restricted share units.

(Unaudited - expressed in Canadian Dollars)

- 606,268 common shares related to the exercise of warrants for gross proceeds of $1,818,806 and the Company transferred $35,010 from contributed surplus to share capital.
- 13,608 common shares related to the exercise of stock options for gross proceeds of $28,577.

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 up 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 of Directors 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 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 September 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	**1,271,243**	**4.60**	**3.41**
Granted	100,000	2.20	-
Exercised	(13,608)	2.10	-
Expired	(144,953)	5.20	-
Balance, December 31, 2022	**1,212,682**	**4.40**	**3.18**
Expired	(143,731)	2.65	**-**
Balance, September 30, 2023	**1,068,951**	**4.62**	**1.92**

During the nine months ended September 30, 2022, the Company granted 100,000 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 nine months ended September 30, 2023, the Company recorded share-based compensation expense related to stock options of $295,263 (2022 - $1,251,324). During the three months ended September 30, 2023, the Company recorded a credit to share-based compensation of $372,058 related to the forfeiture of RSUs that were not yet vested.

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

Expiry Date	Exercise Price $	Options #
September 12, 2024	2.10	252,430
February 18, 2025	3.20	216,721
April 5, 2026	6.20	599,800
		1,068,951

(Unaudited - expressed in Canadian Dollars)

c) Warrants

The balance of warrants outstanding as at September 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	**1,090,352**	**3.50**	**0.71**
Issued	1,414,520	3.00	
Exercised	(606,269)	3.00	-
Expired	(311,583)	3.40	-
Balance, December 31, 2022	**1,587,020**	**3.26**	**1.78**
Expired	(172,500)	5.40	-
Balance, September 30, 2023	**1,414,520**	**3.00**	**1.23**

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

Expiry Date	Number Outstanding	Exercise Price $
December 22, 2024	1,414,520	3.00
	1,414,520	

d) Restricted Share Units ("RSU")

During the year ended December 31, 2021, the Company approved a 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 615,000 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 85,000 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 660,000 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, 505,000 RSU's were exercised and the Company transferred $1,018,750 from contributed surplus to share capital pursuant to the exercise.

During the nine months ended September 30, 2023, the Company granted 80,000 RSU's to certain employees of the Company. The RSU's 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 nine months ended September 30, 2023, the Company recorded share-based compensation expense of $295,263 (2022 - $nil) related to the vesting of these RSU's.

The balance of RSU's outstanding as at September 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	1,360,000
Exercised	(505,000)
Forfeited	(42,500)
Balance, December 31, 2022	**812,500**
Granted	94,706
Exercised	(359,333)
Forfeited	(393,167)
Balance, September 30, 2023	**154,706**
Unvested	(24,706)
Exercisable at September 30, 2023	**130,000**

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 nine months ended September 30, 2023, the Company granted 446,695 DSUs, all fully vested with a value of $185,500 (2022 - $203,000) to directors of the Company. As at September 30, 2023, 438,001 DSUs are outstanding and the fair market value of the DSUs was $0.0125 per DSU. As at September 30, 2023, the Company had recorded a total of $54,750 (2022 - $203,724) in DSU liabilities and a gain on DSU valuation of $269,383 (2022 - $787). During the nine months ended September 30, 2023, the Company issued 108,985 common shares to settle outstanding DSUs.

(Unaudited - expressed in Canadian Dollars)

6. RELATED PARTY DISCLOSURES

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Management fees and consulting	129,000	202,464	495,000	765,496
Payroll expense	114,750	112,500	344,250	337,500
Share-based compensation	6,928	510,748	292,901	1,177,116
	250,678	**825,712**	**1,132,151**	**2,280,112**

A company related by common directors charged rent of $7,000 (2022 - $9,000) during the nine months ended September 30, 2023.

As at September 30, 2023, the Company had $65,370 (2022 - $nil) owing to related parties included in accounts payable and accrued liabilities.

As of September 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. The amount owing is non-interest bearing and due on demand.

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 September 30, 2023 and December 31 2022 are as follows:

	September 30, 2023	December 31, 2022
	$	**$**
Less than 1 year	439,033	489,498
1 to 5 years	386,473	692,594
5+ Years	-	-
Total minimum lease payments	825,506	1,182,092
Less: imputed interest	(72,174)	(127,281)
Total lease obligation	753,332	1,054,812
Current portion of lease obligations	(393,311)	(420,078)
Non-current portion of lease obligations	360,021	634,734

(Unaudited - expressed in Canadian Dollars)

During the nine months ended September 30,2023, the Company recognized an interest expense on lease liability of $45,955 (2022 - $53,211).

Lease obligations	$
At December 31, 2021	**1,075,815**
Additions	366,225
Payments	(387,228)
At December 31, 2022	**1,054,812**
Payments	(301,480)
At September 30, 2023	**753,332**

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 September 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 September 30, 2023 the Company had a working capital deficit of $1,616,258.

(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 September 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.

(Unaudited - expressed in Canadian Dollars)

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.
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 nine months ended September 30, 2023 and 2022, the following amounts were received:

	2023 $	2022 $
(a) NRC-IRAP Funding	423,134	94,614
(b) Innovation Asset Collective	30,000	15,000
(c) Other	-	79,614
Total received	**453,134**	**270,202**
Less: credit against research and development expense	(453,134)	(79,614)
	-	**-**

(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 nine months ended September 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 September 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 nine months ended September 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 nine months ended September 30, 2023, the Company received $nil (2022 - $108,144 (USD - $85,000) in connection with the grant. As of September 30, 2023, the Company had received the full USD $200,000.

12. SUPPLEMENTAL CASH FLOW

During the nine months ended September 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 $185,500 (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 nine months ended September 30, 2023. The Company also has $20,000 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 September 30, 2023 the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.

15. SUBSEQUENT EVENTS

- On October 6, 2023, Simon Fan, was appointed to the Board of Directors and terminated as the Company's Chief Technology Officer
- 10,000 common shares were issued pursuant to an exercise of RSUs
- On October 31, 2023, Sorin Sprin, the CFO, was relieved of his responsibilities.
- On November 15, 2023, the Company completed a consolidation of the common shares in the Company's capital at a ratio of 10 pre-consolidated common shares for one post-consolidated common share.
- On November 2, 2023, the Company's Board of Directors appointed Jason Birmingham as Interim President & CEO.
- On November 29, 2023, the Company appointed Christine Pankiw as Corporate Secretary and Jason Birmingham as Interim Chief Financial Officer.