

Zinc8 Energy Solutions Inc.

**Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021**

(Unaudited - expressed in Canadian Dollars)

Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

As at

(Unaudited - expressed in Canadian Dollars)

	Note	September 30, 2022	December 31, 2021
		\$	\$
Assets			
Current Assets			
Cash		5,184,346	10,203,442
Restricted cash	11	90,000	90,000
Prepaid and deposits		190,935	584,440
Amounts receivable		38,988	72,274
		5,504,269	10,950,156
Non-Current Assets			
Equipment	4	2,592,228	1,940,252
		2,592,228	1,940,252
Total Assets		8,096,497	12,890,408
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	6	919,719	750,552
Lease liability – short term	7	404,977	289,784
DSU Liability	5	202,213	-
		1,526,909	1,040,336
Lease liability – long term	7	734,365	786,031
		734,365	786,031
Total Liabilities		2,261,274	1,826,367
Shareholders' Equity (deficiency)			
Share capital	5	40,544,783	38,093,484
Contributed surplus	5	7,713,836	7,066,427
Deficit		(42,423,396)	(34,095,870)
		5,835,223	11,064,041
Total Liabilities and Shareholders' Equity		8,096,497	12,890,408

Nature of operations and continuance of business (Note 1)

Contingencies (Note 12)

Subsequent events (Note 13)

Approved and authorized by the Board on November 29, 2022

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

Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

As at

(Unaudited - expressed in Canadian Dollars)

<u>“Ron MacDonald”</u>	Director	<u>“Charn Deol”</u>	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 Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Amortization	4	233,171	200,154	628,062	303,079
General and administrative		92,239	103,019	371,123	269,421
Interest		19,988	(117,221)	53,211	(66,167)
Filing and listing fees		19,746	6,523	58,316	104,336
Management fees	6	201,232	169,743	776,842	483,156
Marketing	6	274,527	80,359	584,380	412,544
Payroll	6	92,326	93,616	292,522	228,234
Professional fees		169,892	59,920	351,952	176,739
Research and development		1,266,268	1,162,323	3,849,699	3,531,198
Rent	6	35,852	37,126	124,148	94,639
Share-based compensation	5,6	640,122	2,658	1,251,324	3,730,302
Travel		-	9,723	20,378	14,696
		3,045,363	1,807,943	8,361,957	9,282,177
Loss before other items		(3,045,363)	(1,807,943)	(8,361,957)	(9,282,177)
Other items:					
Interest income		25,412	33,101	63,751	73,868
Gain on debt settlement		-	29,703	-	199,004
Contract revenue		-	93,750	-	93,750
Grant revenue		22,372	-	109,614	290,000
Fair value of DSU		(8,560)	-	787	-
Disposal of assets		(5,350)	-	(139,721)	9,000
		33,874	156,554	34,431	665,622
Net and Comprehensive loss for the period		(3,011,489)	(1,651,389)	(8,327,526)	(8,616,555)
Basic and diluted loss per share		(0.02)	(0.01)	(0.05)	(0.06)
Weighted average shares outstanding		156,060,962	150,521,929	153,668,930	142,836,158

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Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Nine Months Ended September 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	-	(1,005,377)	-	-	-	(1,005,377)
Debt settlement	116,279	60,465	-	-	-	60,465
Warrants exercised	17,667,564	2,824,824	(35,402)	(15,500)	-	2,773,922
Options exercised	428,199	184,689	(91,075)	-	-	93,614
Share-based compensation	-	-	3,730,302	-	-	3,730,302
Net loss for the period	-	-	-	-	(8,616,555)	(8,616,555)
Balance, September 30, 2021	152,184,609	38,137,518	6,592,122	-	(26,440,082)	18,289,558
Shares issued pursuant to:						
Share Issue costs	-	(58,029)	-	-	-	(58,029)
Options exercised	34,020	13,995	(6,881)	-	-	7,114
Share-based compensation	-	-	481,186	-	-	481,186
Net loss for the period	-	-	-	-	(7,655,788)	(7,655,788)
Balance, December 31, 2021	152,218,629	38,093,484	7,066,427	-	(34,095,870)	11,064,041
Shares issued pursuant to:						
Warrants exercised	6,062,688	1,853,817	(35,010)	-	-	1,818,807
Options exercised	136,081	55,982	(27,405)	-	-	28,577
RSU Exercise	2,850,000	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	161,267,398	40,544,783	7,713,836	-	(42,423,396)	5,835,223

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

Zinc8 Energy Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

	2022	2021
	\$	\$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	(8,327,526)	(6,965,166)
Items not affecting cash:		
Amortization	628,062	102,925
Disposal of asset	139,721	-
Gain on debt settlement	-	(169,301)
Share-based compensation	1,251,324	3,727,644
DSU Management fees	203,000	-
Gain on fair value of DSU	(787)	-
Changes in non-cash working capital items:		
Prepaid and deposits	393,505	(66,152)
Amounts receivable	33,286	(37,071)
Accounts payable and accrued liabilities	169,166	341,374
Net cash used in operating activities	(5,510,249)	(3,065,747)
Investing activity		
Purchase of equipment	(1,068,797)	(777,756)
Net cash used in investing activity	(1,068,797)	(777,756)
Financing activities		
Proceeds from private placement	-	15,525,000
Share issue costs	-	(1,014,230)
Loan repayment	-	(60,000)
Lease payments	(287,433)	(35,118)
Option exercise	28,577	93,614
Warrant exercise	1,818,806	2,494,917
Net cash from financing activities	1,559,950	17,004,183
Change in cash for the period	(5,019,096)	13,160,680
Cash, beginning of period	10,203,442	1,576,581
Cash, end of period	5,184,346	14,737,261
Supplemental information	\$	\$
Interest received	63,751	-
Taxes paid	-	-

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

Zinc8 Energy Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Zinc8 Energy Solutions 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 reasonably 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 future years.

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 September 30, 2022, the Company had a net loss of \$8,327,526 (2021- \$ 8,616,555) an accumulated deficit of \$42,423,396 (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 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 consolidated financial statements for the year ended December 31, 2021.

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Notes to the Condensed Interim Consolidated Financial Statements
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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	777,454	81,110	350,961	123,547	86,686	1,419,758
Disposal	(142,224)	-	-	-	-	(142,224)
Balance,						
September 30, 2022	1,231,853	242,382	1,745,437	458,013	165,808	3,843,493
Accumulated Depreciation:						
Balance,						
December 31, 2021	164,821	38,818	321,182	60,434	40,452	625,707
Amortization	171,881	42,328	304,517	72,834	36,502	628,062
Disposal	(2,504)	-	-	-	-	(2,504)
Balance,						
September 30, 2022	334,198	81,146	625,699	133,268	76,954	1,251,265
Net Book Value:						
December 31, 2021	431,802	122,454	1,073,294	274,032	38,670	1,940,252
September 30, 2022	897,655	161,236	1,119,738	324,745	88,854	2,592,228

5. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

During the nine months ended September 30, 2022, the Company issued:

- 2,850,000 common shares related to the exercise of restricted share units.
- 6,062,688 common shares related to the exercise of warrants for gross proceeds of \$1,818,806
- The Company transferred \$35,010 from contributed surplus to share capital related to the exercise of warrants
- 136,081 common shares related to the exercise of stock options for gross proceeds of \$28,577

On February 24, 2021, the Company closed a private placement offering of 28,750,000 common shares at a price of \$0.54 per share for gross proceeds of \$15,525,000. The Company incurred cash issue costs of \$1,063,406 and 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

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Notes to the Condensed Interim Consolidated Financial Statements
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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%.

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Notes to the Condensed Interim Consolidated Financial Statements
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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.

The balance of options outstanding as at September 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	-
Forfeited	(721,674)	0.27	-
Balance, December 31, 2021	12,712,430	0.46	3.65
Granted	1,000,000	0.22	9.52
Exercised	(136,081)	0.21	-
Forfeited	(1,126,456)	0.53	-
Balance, September 30, 2022	12,449,893	0.44	3.42

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 September 30, 2022 the following options were outstanding:

Expiry Date	Exercise Price \$	Options #
September 12, 2024	0.21	2,599,146
February 18, 2025	0.32	2,316,747
July 28, 2023	0.20	200,000
April 5, 2026	0.62	6,334,000
April 5, 2032	0.22	1,000,000
		12,449,893

Zinc8 Energy Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - expressed in Canadian Dollars)

c) Warrants

The balance of warrants outstanding as at September 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
Exercised	(6,062,688)	0.30	-
Expired	(3,115,832)	0.34	-
Balance, September 30, 2022	1,725,000	0.34	0.40

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

Expiry Date	Number Outstanding	Exercise Price \$
February 24, 2023	1,725,000	0.54
	1,725,000	

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 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.

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 \$1,330,000 and during the nine months ended September 30, 2022 the Company recorded \$1,040,206 in share-based compensation expense related to the vesting of RSU's. During the period ended September 30, 2022, 2,850,000 RSU's were exercised and the Company transferred \$541,500 from contributed surplus to share capital pursuant to the exercise.

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Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian Dollars)

The balance of RSU's outstanding as at September 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	7,000,000
Exercised	(2,850,000)
Balance, September 30, 2022	4,150,000
Unvested	(3,500,000)
Exercisable at September 30, 2022	650,000

e) Deferred Share Units ("DSU")

During the nine months ended September 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 nine months ended September 30, 2022, the Company granted 901,435 DSU's, all fully vested with a deemed value of \$203,000 to directors of the Company. As at September 30, 2022, 901,435 DSU's are outstanding and the fair market value of the DSU's was \$0.226 per DSU. As at September 30, 2022, the Company had recorded a total of \$203,724 in DSU liabilities and loss on DSU valuation of \$724.

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 nine months ended September 30, 2022 and 2021 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management fees	202,464	143,500	765,496	440,500
Payroll expense	112,500	55,500	337,500	166,500
Share-based compensation	510,748	-	1,177,116	2,268,099
	825,712	199,000	2,280,112	2,875,099

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Notes to the Condensed Interim Consolidated Financial Statements
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A company (Zimtu Capital) related by common directors (David Hodge) charged marketing fees of \$nil (2021 - \$50,000) and rent of \$9,000 (2021 - \$9,000) during the nine months ended September 30, 2022.

As at September 30, 2022, the Company had \$nil (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 nine months ended September 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 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, 2022 and December 31, 2021 are as follows:

	September 30, 2022 \$	December 31, 2021 \$
Less than 1 year	480,241	360,832
1 to 5 years	789,233	894,971
5+ Years	-	-
Total minimum lease payments	1,269,474	1,255,803
Less: imputed interest	(130,132)	(179,988)
Total lease obligation	1,139,342	1,075,815
Current portion of lease obligations	(404,977)	(289,784)
Non-current portion of lease obligations	734,365	786,031

<i>Lease obligations</i>	\$
At December 31, 2020	139,785
Additions	1,229,382
Payments	(293,352)
At December 31, 2021	1,075,815
Additions	350,960
Payments	(287,433)
At September 30, 2022	1,139,342

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Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - expressed in Canadian Dollars)

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, 2022, the fair values of cash, restricted cash, amounts receivable, and accounts payable and accrued liabilities, 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 September 30, 2022, the Company had working capital of \$3,977,360.

(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.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its deferred share units. The DSU liability would increase or decrease by \$20,400 as a result of a 10% change in market prices.

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(Unaudited - expressed in Canadian Dollars)

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 nine months ended September 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

Zinc8 Energy Solutions Inc.

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- 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

Zinc8 Energy Solutions Inc.

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

Zinc8 Energy Solutions Inc.

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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 September 30, 2022 the Company had \$135,600 in accounts payable and accrued liabilities owing to OCI.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2022 the Company granted 6,600,000 RSU's to employees.

The RSU's vest in stages based on time and certain milestones.

987,500 of the RSUs issued to employees vested on 5, October 2022.

On 5 October, Tom Hodgson resigned as Director of the Company and elected to exercise 322,419 DSUs
168,000 unexercised options were forfeited due to employment terminations

Subsequent to September 30, 2022 the Company filed a preliminary short form prospectus with securities regulatory authorities in each of the provinces and territories of Canada to raise up to \$60 million.