Zinc8 Energy Solutions Inc.

Consolidated Financial Statements
For the Year Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Zinc8 Energy Solutions Inc.

Opinion

We have audited the consolidated financial statements of Zinc8 Energy Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of $ 11,937,333 and, as at December 31, 2022, the Company had an accumulated deficit of $ 46,033,203. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

§ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
§ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
§ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
§ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
§ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
§ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
April 27, 2023

Chartered Professional Accountants

Zinc8 Energy Solutions Inc.
Consolidated Statements of Financial Position
As at
(Expressed in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
		$	$
Assets			
Current Assets			
Cash		5,552,248	10,203,442
Restricted cash	**15**	90,000	90,000
Prepaid and deposits		145,755	584,440
Amounts receivable		114,094	72,274
		5,902,097	10,950,156
Non-Current Assets			
Equipment	**5**	2,409,584	1,940,252
Total Assets		8,311,681	12,890,408
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**7**	847,528	750,552
Lease liability – short term	**9**	420,078	289,784
Deferred share unit liability	**6**	198,575	-
		1,466,181	1,040,336
Lease liability – long term	**9**	634,734	786,031
Total Liabilities		2,100,915	1,826,367
Shareholders' Equity			
Share capital	**6**	43,900,112	38,093,484
Contributed surplus	**6**	8,343,857	7,066,427
Deficit		(46,033,203)	(34,095,870)
		6,210,766	11,064,041
Total Liabilities and Shareholders' Equity		8,311,681	12,890,408

Nature of operations and continuance of business (Note 1)
Contingency (Note 16)
Subsequent events (Note 17)

Approved and authorized by the Board on April 27, 2023

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

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

Zinc8 Energy Solutions Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	2022	2021
		$	$
Expenses			
Amortization	**5**	866,874	465,607
General and administrative		504,185	371,321
Interest (recovery)		71,785	(16,526)
Filing and listing fees		142,025	65,483
Management fees	**6,7**	971,524	646,212
Marketing	**7**	703,948	566,438
Payroll	**7**	395,493	339,992
Professional fees		584,547	297,446
Research and development	**7,13**	5,077,015	4,544,567
Rent	**7**	185,575	140,844
Share-based compensation	**6,7**	2,357,456	4,211,461
Travel		61,384	23,988
		11,921,811	11,656,833
Loss before other items		(11,921,811)	(11,656,833)
Other items:			
Interest income		97,034	100,651
Impairment of intangible asset	**4**	-	(4,950,134)
Gain on debt settlement		-	199,004
Gain on fair value of deferred share units	**6**	27,165	-
Disposal of asset		(139,721)	9,000
Severance		-	25,969
		(15,522)	(4,615,510)
Net and Comprehensive loss for the year		**(11,937,333)**	**(16,272,343)**
Basic and diluted loss per share		(0.08)	(0.11)
Weighted average shares outstanding		156,383,083	145,217,965

Zinc8 Energy Solutions Inc.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(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	-	(1,063,406)	-	-	-	(1,063,406)
Debt settlement	116,279	60,465	-	-	-	60,465
Warrants exercised	17,667,564	2,824,824	(35,403)	(15,500)	-	2,773,919
Options exercised	462,219	198,684	(97,926)	-	-	100,758
Share-based compensation	-	-	4,211,461	-	-	4,211,461
Net loss for the year	-	-	-	-	(16,272,343)	(16,272,343)
Balance, December 31, 2021	**152,218,629**	**38,093,484**	**7,066,427**	**-**	**(34,095,870)**	**11,064,041**
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	5,050,000	1,018,750	(1,018,750)	-	-	-
DSU Exercise	322,419	61,260	-	-	-	61,260
Share-based compensation	-	-	2,357,456	-	-	2,357,456
Net loss for the year	-	-	-	-	(11,937,333)	(11,937,333)
Balance, December 31, 2022	**177,913,317**	**43,900,112**	**8,343,857**	**-**	**(46,033,203)**	**6,210,766**

Zinc8 Energy Solutions Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	(11,937,333)	(16,272,343)
Items not affecting cash:		
Amortization	866,874	465,607
Disposal of asset	139,721	-
Gain on debt settlement	-	(199,004)
Impairment of intangible asset	-	4,950,134
Share-based compensation	2,357,456	4,211,461
Deferred share unit management fees	287,000	-
Gain on fair value of deferred share units	(27,165)	-
Changes in non-cash working capital items:		
Prepaid expense	438,685	(486,616)
Amounts receivable	(41,820)	(25,789)
Accounts payable and accrued liabilities	96,975	(243,618)
Net cash used in operating activities	(7,819,607)	(7,600,168)
Investing activity		
Purchase of equipment	(1,109,702)	(665,888)
Change in restricted cash	-	(90,000)
Net cash used in investing activity	(1,109,702)	(755,888)
Financing activities		
Proceeds from private placement	2,824,700	15,525,000
Share issue costs	(6,740)	(1,063,406)
Loan repayment	-	(60,000)
Lease payments	(387,228)	(293,352)
Option exercise	28,577	100,758
Warrant exercise	1,818,806	2,773,917
Net cash from financing activities	4,278,115	16,982,917
Change in cash for the year	(4,651,194)	8,626,861
Cash, beginning of year	10,203,442	1,576,581
Cash, end of year	5,552,248	10,203,442

Supplemental information	$	$
Interest received	97,034	100,941
Taxes paid	-	-

See Note 14.

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Zinc8 Energy Solutions Inc. (Formerly, MGX Renewables Inc.) ("Zinc8" or the "Company") was incorporated on December 8, 2011, in Canada under the legislation of the Province of British Columbia. Zinc8's head office is located at Unit 1 – 8765 Ash Street, Vancouver, BC, V6P 6T3, Canada. Zinc8 is a development-stage company and in the process of developing zinc-air batteries. The Company's shares trade on the Canadian Stock Exchange ("CSE").

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate and move its business activity forward at this time. While the impact of Covid-19 is expected to be temporary, the current circumstances are dynamic and the impacts of Covid-19 on business operations cannot be reasonable estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2023.

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 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 year ended December 31, 2022, the Company had a net loss of $11,937,333 (2021 - $16,272,343) an accumulated deficit of $46,033,203 (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 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

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement and Functional and Presentation Currency

These consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies.

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its consolidated financial statements. These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, incorporated in the USA, Zinc8 Energy Solutions (USA) Inc. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

Grant Recognition
Grants in support of research activities are recognized as the related expenses are recognized, once there is reasonable assurance that the grant will be received and that the Company will comply with the grant conditions. When grants relate to an expense item, it is recognized as a reduction of the corresponding expense on the statement of comprehensive income (loss). Where grant relates to an asset, it is deducted from the cost of the related asset.

Income taxes
Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Financial Instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). As at December 31, 2022 and 2021, the Company has not yet classified any financial assets at FVTOCI.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Amounts receivable, accounts payable and accrued liabilities, and lease liability are classified as amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net (loss) income. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise. Cash, restricted cash and deferred share unit liability are classified as FVTPL.

(iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net (loss) income.

Cash
Cash consists of cash and cashable guaranteed investment certifications or those with terms to maturity not exceeding 90 days at date of acquisition.

Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment charges. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values and amortization for intangible assets with finite useful lives are reviewed at least annually.

Indefinite life intangible assets are measured at cost less any impairment charges. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

Equipment

Equipment is stated at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the following rate on a straight-line over its useful lives basis.

Lab equipment	5 years
Computer hardware	3 years
Furniture and Equipment	5 years
Computer software	2 years
Leasehold improvements	lease terms
Right of use asset	lease terms

Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Loss per share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

Research and development
Research costs are expensed as incurred to the statement of comprehensive loss. Development costs are expensed as incurred unless capitalization criteria under IFRS are met for deferral and amortization. No development costs have been capitalized to date.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share-based compensation
The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Equity financing
The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of the equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Leases
The Company recognizes a right-of-use asset and a lease liability for its leases. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical Judgements

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

a) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

b) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

c) Contingencies and settlement provisions

The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

d) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts and also at each reporting period. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible asset. External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its asset. Internal sources of information the Company considers include the manner in which intangible asset are being used or are expected to be used and indications of economic performance of the assets.

Estimation Uncertainty

The following is the key assumption concerning the future and other key sources of estimation uncertainty that has a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Leases

The application of IFRS 16 requires the Company to make judgments about the valuation of right-of-use assets and lease liabilities. These include assessing lease agreements to determine the contract term and interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the Company's borrowing rate, observed in the period when the lease agreement commences or is modified.

b) Valuation of share-based payments

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

c) Useful lives of assets

Depreciation expense is allocated based on assumed useful life of the depreciable asset. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

4. INTANGIBLE ASSETS

Intangible assets consist of acquired patents and other intellectual property comprising the zinc-air regenerative fuel cell systems and zinc fuel cells (the "Zinc Technology") purchased from a third party on January 1, 2016. The development of the Zinc Technology was in process and no amortization had been recorded.

At December 31, 2021, the intangible assets were tested for impairment. The Company was unable to reliably estimate the recoverable amount of the Company's intangible assets using either the fair value less costs of disposal or value in use. As a result, the Company determined that a full impairment of the intangible assets was required and, accordingly, recorded an impairment loss of $4,950,134 during the year ended December 31, 2021.

(Expressed in Canadian Dollars)

5. 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	804,503	91,658	366,225	126,854	86,687	1,475,927
Disposal	(142,224)	-	-	-	-	(142,224)
Balance, December 31, 2022	**1,258,902**	**252,930**	**1,760,701**	**461,320**	**165,809**	**3,899,662**
Accumulated Depreciation:						
Balance, December 31, 2021	**164,821**	**38,818**	**321,182**	**60,434**	**40,452**	**625,707**
Amortization	241,007	66,285	412,056	96,065	51,461	866,874
Disposal	(2,503)	-	-	-	-	(2,503)
Balance, December 31, 2022	**403,325**	**105,103**	**733,238**	**156,499**	**91,913**	**1,490,078**
Net Book Value:						
December 31, 2021	**431,802**	**122,454**	**1,073,294**	**274,032**	**38,670**	**1,940,252**
December 31, 2022	**855,577**	**147,827**	**1,027,463**	**304,821**	**73,896**	**2,409,584**

6. SHARE CAPITAL

a) Authorized

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

During the year ended December 31, 2022, the Company issued:

- On December 22, 2022, the Company completed a non-brokered private placement issuing 14,123,500 units ("Unit") at a price of $0.20 per Unit for gross proceeds of $2,824,700. Each Unit consists of one common share of the Company and one share-purchase warrant exercisable at $0.30 until December 22, 2023, and then at $0.40 until December 22, 2024. The Company also issued 21,700 broker warrants, under the same terms as the warrants in the Unit, as part of the private placement. The broker warrants were fair valued at $1,140 using the Black-Scholes Option Pricing Model under the following assumptions: Risk free rate – 3.83%; expected volatility – 83%; forfeiture rate – nil; dividend rate – nil; expected life – 2 years. The Company also incurred cash issuances costs of $6,740.
- 5,050,000 common shares related to the exercise of restricted share units resulting in a reallocation of $1,018,750 from contributed surplus to share capital.
- 322,419 common shares related to the exercise of DSU's, the DSU's were fair valued at $61,260.
- 6,062,688 common shares related to the exercise of warrants for gross proceeds of $1,818,806. Pursuant to the exercise of the warrants the Company reallocated $35,010 of contributed surplus to share capital.

(Expressed in Canadian Dollars)

- 136,081 common shares related to the exercise of stock options for gross proceeds of $28,577. Pursuant to the exercise of the options the Company reallocated $27,405 of contributed surplus to share capital.

On February 24, 2021, the Company closed a private placement offering of 28,750,000 common shares at a price of $0.54 per share for gross proceeds of $15,525,000. The Company incurred cash issue costs of $1,014,230 and issue 1,725,000 compensation warrants with each compensation warrant exercisable at a price of $0.54 per warrant until February 24, 2023. The Company fair valued the warrants at $889,594 using the Black-Scholes option pricing model based on the following assumptions: risk free rate – 0.23%; expected dividend - nil; expected life – 2 years; expected volatility – 138%.

On June 7, 2021, the Company issued 116,279 common shares as part of a debt settlement agreement, the shares were fair valued at $60,465.

During the year ended December 31, 2021, 17,667,564 warrants were exercised for gross proceeds of $2,773,917. The Company transferred $35,405 from contributed surplus to share capital related to the exercise of warrants.

During the year ended December 31, 2021, 462,219 options were exercised for gross proceeds of $100,758. The Company transferred $97,926 from contributed surplus to share capital related to the exercise of the options.

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 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 December 31, 2022 and December 31, 2021 and the changes for the years then ended is as follows:

	Number of Options #	**Weighted Average Exercise Price $**	**Weighted Average Life Remaining (years)**
Balance, December 31, 2020	**6,621,323**	**0.26**	**3.84**
Granted	7,275,000	0.62	-
Exercised	(462,219)	0.22	-
Expired	(721,674)	0.27	-
Balance, December 31, 2021	**12,712,430**	**0.46**	**3.41**
Granted	1,000,000	0.22	-
Exercised	(136,081)	0.21	-
Expired	(1,449,534)	0.52	-
Balance, December 31, 2022	**12,126,815**	**0.44**	**3.18**

(Expressed in Canadian Dollars)

On April 5, 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.

As at December 31, 2022 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	6,166,000
April 5, 2032	0.22	1,000,000
		12,126,815

c) Warrants

The balance of warrants outstanding as at December 31, 2022 and December 31, 2021 and the changes for the years 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**
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**

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

Expiry Date	Number Outstanding	Exercise Price $
February 24, 2023	1,725,000	0.54
December 22, 2024	14,145,200	0.30
	15,870,200	

(Expressed in Canadian Dollars)

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.

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.

The balance of RSU's outstanding as at December 31, 2022 and December 31, 2021 and the changes for the years 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**
Unvested	(6,629,167)
Exercisable at December 31, 2022	**1,495,833**

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.

(Expressed in Canadian Dollars)

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 year ended December 31, 2022, the Company granted 1,325,323 DSU's, all fully vested with a value of $287,000 to directors of the Company. During the year ended December 31, 2022, 322,419 DSU were settled in shares. As at December 31, 2022, 1,002,904 DSU's are outstanding and the fair market value of the DSU's was $0.198 per DSU. As at December 31, 2022, the Company had recorded a total of $198,575 in DSU liabilities and a gain on DSU valuation of $27,165.

7. RELATED PARTY DISCLOSURES

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

	2022 **$**	**2021** **$**
Management fees	955,000	594,000
Payroll expense	450,000	245,333
Share-based compensation	2,045,605	2,562,218
	3,450,605	**3,401,551**

A company related by common directors charged marketing fees of $nil (2021 - $50,000) and rent of $13,000 (2021 - $9,000) during the year ended December 31, 2022.

As at December 31, 2022, the Company had $1,130 (2021 - $nil) owing to other related parties included in accounts payable and accrued liabilities.

8. INCOME TAX

A reconciliation between the Company's income tax provision, computed at statutory rates, to the reported income tax provision is as follows:

	2022 **$**	**2021** **$**
	27%	27%
Expected tax expense (recovery)	(3,223,000)	(4,393,500)
Share issuance costs	(133,800)	(133,400)
Items not deductible for tax purposes	678,200	2,061,600
Income tax benefit not recognized	2,678,600	2,465,300
Income tax recovery	-	-

(Expressed in Canadian Dollars)

The significant components of the Company's net deferred tax assets and liabilities as at December 31, 2022 and 2021 are as follows:

	2022 $	**2021** $
Deferred Tax Assets (liabilities)		
Equipment	(46,900)	(52,800)
Tax losses	7,284,800	4,613,800
Share issuance costs	500,800	499,200
Unrecognized deferred tax assets	(7,738,700)	(5,060,200)
Deferred Tax Assets	-	-

As at December 31, 2022 the Company had estimated non-capital loss for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates are as follow:

2038	337,806
2039	4,146,900
2040	4,517,886
2041	8,008,443
2042	9,969,716
	26,980,751

As at December 31, 2022, deferred tax assets have not been recognized because it is not probable that future taxable income will be available against which the Company can utilize the benefits from the deductible temporary differences and unused tax losses.

9. LEASE LIABILITY

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 year ended December 31, 2022 the Company renewed the lease for an additional two year term, expiring May 31, 2024, with monthly payments of $15,873. The Company also entered into leases for an office copier and office chairs with the lease terms commencing on April 1, 2020, and July 1, 2020, respectively. The copier has a 60-month term with monthly payment of $107 while the office chair lease has a 24-month term with monthly payment of $1,142.

During the year ended December 31, 2021, the Company entered into additional leases for office equipment, the leases range from 24 to 60 months with monthly payments between $138 and $15,900 per month. During the year ended December 31, 2021, the Company recalculated certain outstanding leases and recorded a credit to previously incurred lease interest expense of $58,246.

The Company recognized its right-of-use assets and lease liabilities for these leases based on the present value of future minimum lease payments. The present value of minimum lease payments for the copier and office chairs were calculated using the interest rate implicit in the leases and the present value of minimum lease payments lease payments for office lease and lab equipment were calculated using the incremental borrowing rate of 8%.

During the year ended December 31, 2022, the Company recognized an interest expense on lease liabilities of $85,820 (2021 – expense recovery of $17,742).

(Expressed in Canadian Dollars)

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

	December 31, 2022 $	**December 31, 2021 $**
Less than 1 year	489,498	360,832
1 to 5 years	692,594	894,971
5+ Years	-	-
Total minimum lease payments	1,182,092	1,255,803
Less: imputed interest	(127,281)	(179,988)
Total lease obligation	1,054,812	1,075,815
Current portion of lease obligations	(420,078)	(289,784)
Non-current portion of lease obligations	634,734	786,031

Lease obligations	$
At December 31, 2020	**139,785**
Additions	1,229,382
Payments	(293,352)
At December 31, 2021	**1,075,815**
Additions	366,225
Payments	(387,228)
At December 31, 2022	**1,054,812**

10. 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 December 31, 2022, 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 December 31, 2022, the Company had working capital of $4,435,916.

(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.

11. 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 year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

12. 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.

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

(Expressed in Canadian Dollars)

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

13. GOVERNMENT ASSISTANCE

The Company receives funding for its research and development activities through various programs. During the years ended December 31, 2022 and 2021, the following amounts were received:

	2022 **$**	**2022** **$**
(a) NRC-IRAP Funding	136,350	-
(b) Innovation Asset Collective	30,000	-
(c) SDTC	-	290,000
(d) Other	160,587	93,750
Total received	**326,937**	**383,750**
Less: credit against research and development expense	(326,937)	(310,548)
Less: deducted from cost of the related asset	-	(73,202)
	-	**-**

(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 year ended December 31, 2022, the Company received $136,350 (2021 – $Nil) 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 December 31, 2022.

(b) The Company also received $30,000 (2021 - $Nil) from Innovation Asset Collective for research and development project related costs during the year ended December 31, 2022.

(c) During the year ended December 31, 2021, the Company received a final contribution of $290,000 as part of a contribution agreement with Sustainable Development Technology Canada ("SDTC").

(d) 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 year ended December 31, 2022, the Company received $160,587 (US$125,000) in connection with the grant. During the year ended December 31, 2021, the Company received $93,750 (US$75,000) in connection with the grant, of which $73,202 was deducted from the cost of the related asset.

14. SUPPLEMENTAL CASH FLOW

During the year ended December 31, 2022 and 2021, the following non-cash activities were conducted by the Company:

(a) The initial recognition of a lease obligation of $366,225 (2021 - $1,229,382), and the related asset addition.

(b) Warrants issued in payment of agent's fees of $1,140 (2021 - $889,594).

(c) DSU's issued as compensation to directors and officers valued at $287,000 (2021 - $Nil).

(d) Shares issued to settle debts of $Nil (2021 - $60,465).

15. 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 year ended December 31, 2022. The Company also has $20,000 restricted as security for a credit card.

16. 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 December 31, 2022 the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.

17. SUBSEQUENT EVENTS

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

(a) Granted an aggregate of 947,058 restricted share units (RSUs) to certain key executive and non-executive employees and an advisor in accordance with the Company's Long Term Incentive Plan (LTIP). The RSUs vest in stages based on time.

(b) Issued 3,380,834 common shares on exercise of RSUs by directors and employees.

(c) 51,001 options and 1,725,000 warrants expired unexercised.