Abound Energy Inc.

(Formerly Zinc8 Energy Solutions Inc.)
Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Abound Energy Inc. (formerly Zinc8 Energy Solutions Inc.)

Opinion

We have audited the consolidated financial statements of Abound Energy Inc. (formerly Zinc8 Energy Solutions Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit 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, 2023. 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of Impairment Indicators of Equipment and Right of Use Assets

Description

Management assesses whether there are indicators of impairment of the carrying value of equipment and right of use assets at the end of each reporting period. Management applies judgment in assessing whether impairment indicators are present. No impairment indicators were identified by management as at December 31, 2023.

This matter was significant to our audit because the carrying value of the Company's equipment and right of use assets at December 31, 2023, was $ 1,494,125, which represents a significant portion of the Company's total assets, and management applied significant judgment in assessing whether impairment indicators are present. See Note 2 and Note 5 to the consolidated financial statements.

How the Key Audit Matter Was Addressed in the Audit
Our approach to addressing the matter included the following procedures, among others:
Evaluated management's assessment as to whether there were any indicators of impairment to equipment and right of use assets, which included the following:

- Consideration of external and internal factors that could be indicators of impairment.
- Observed equipment and right of use assets on a sample basis and considered whether indicators of physical damage or obsolescence were present.
- Read board minutes and considered evidence obtained in other areas of the audit to assess the Company's continued ability and plans to further develop projects to which the equipment and right of use assets are used for.

Completeness of liabilities and disclosure of contingent liabilities
Description
As at December 31, 2023, the Company had a working capital deficit of $ 1,426,842 and current liabilities of $ 1,932,007.

Completeness of liabilities is significant to our audit because it is quantitively significant and requires judgments by management. See Notes 7 and 15.

How the Key Audit Matter Was Addressed in the Audit
Our approach to addressing the matter included the following procedures, among others:

- Performed confirmation of liabilities on a sample basis.
- Performed a search for unrecorded liabilities.
- Inquired with external legal counsel to obtain an assessment of outstanding matters.
- Traced expense transactions, on a sample basis, to service agreements, invoices and payments made or accrued.
- Assessed the reasonableness of accrued liabilities.
- Read disclosures prepared by management relating to liabilities and contingent liabilities.

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 $ 7,625,477 and, as at December 31, 2023, the Company had an accumulated deficit of $ 53,658,680. 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 IFRS Accounting 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

"D&H Group LLP"

Vancouver, B.C.
April 23, 2024

Chartered Professional Accountants

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

	Note	December 31, 2023	December 31, 2022
		$	$
Assets			
Current Assets			
Cash	4	202,445	5,552,248
Restricted cash	4	100,000	90,000
Amounts receivable	8	116,310	114,094
Prepaid and deposits		86,410	145,755
		505,165	5,902,097
Non-Current Assets			
Equipment	5	957,033	1,382,121
Right of use assets	5	537,092	1,027,463
		1,494,125	2,409,584
Total Assets		1,999,290	8,311,681
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	8	1,599,745	847,528
Deferred share unit liability	7	19,386	198,575
Lease liability – short term	6	262,527	420,078
Loan payable	8	50,349	-
		1,932,007	1,466,181
Lease liability – long term	6	312,521	634,734
Total Liabilities		2,244,528	2,100,915
Shareholders' Equity (Deficiency)			
Share capital	7	45,364,883	43,900,112
Contributed surplus	7	8,048,559	8,343,857
Deficit		(53,658,680)	(46,033,203)
		(245,238)	6,210,766
Total Liabilities and Shareholders' Equity (Deficiency)		1,999,290	8,311,681

Nature of operations and continuance of business (Note 1)
Contingency (Note 15)
Subsequent events (Note 16)

Approved and authorized by the Board on April 23, 2024

"Jason Birmingham"	Director	*"Keith Morlock"*	Director
Jason Birmingham		Keith Morlock	

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

Abound Energy Inc.
(Formerly Zinc8 Energy Solutions Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

For the years ended December 31,	Note	2023	2022
		$	$
Expenses			
Amortization	**5**	922,631	866,874
General and administrative	**13**	327,364	504,185
Interest		58,980	71,785
Filing and listing fees		99,330	142,025
Management fees	**7,8**	523,484	971,524
Marketing	**8**	542,910	703,948
Payroll	**8**	501,020	395,493
Professional fees		691,159	584,547
Research and development	**13**	3,524,688	5,077,015
Rent	**8**	213,598	185,575
Share-based compensation	**7,8**	564,344	2,357,456
Travel		31,957	61,384
		8,001,465	11,921,811
Loss before other items		(8,001,465)	(11,921,811)
Other items:			
Interest income		58,564	97,034
Gain on fair value of deferred share units	**7**	266,247	27,165
Disposal of asset		29,019	(139,721)
Gain on debt settlement	**7**	22,158	-
		375,988	(15,522)
Net and Comprehensive loss for the year		**(7,625,477)**	**(11,937,333)**
Basic and diluted loss per share		(0.41)	(0.76)
Weighted average shares outstanding		18,423,092	15,638,308

Abound Energy Inc.
(Formerly Zinc8 Energy Solutions Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Deficit	Total
	#	$	$	$	$
Balance, December 31, 2021	**15,221,873**	**38,093,484**	**7,066,427**	**(34,095,870)**	**11,064,041**
Shares issued pursuant to:					
Private Placement	1,412,350	2,824,700	-	-	2,824,700
Share Issue costs	-	(7,880)	1,140	-	(6,740)
Warrants exercised	606,269	1,853,816	(35,011)	-	1,818,805
Options exercised	13,608	55,982	(27,405)	-	28,577
RSU Exercise	505,000	1,018,750	(1,018,750)	-	-
DSU Exercise	32,242	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	**17,791,342**	**43,900,112**	**8,343,857**	**(46,033,203)**	**6,210,766**
Shares issued pursuant to:					
Private Placement	10,752,500	537,625	-	-	537,625
Share Issue costs	284,800	(3,200)	-	-	(3,200)
RSU Exercise	369,333	859,642	(859,642)	-	-
DSU Exercise	108,985	59,942	-	-	59,942
Share-based compensation	-	-	564,344	-	564,344
Debt settlement	12,662	10,762	-	-	10,762
Net loss for the year	-	-	-	(7,625,477)	(7,625,477)
Balance, December 31, 2023	**29,319,622**	**45,364,883**	**8,048,559**	**(53,658,680)**	**(245,238)**

Abound Energy Inc.
(Formerly Zinc8 Energy Solutions Inc.)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

For the year ended December 31,	**2023**	**2022**
	$	**$**
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	(7,625,477)	(11,937,333)
Items not affecting cash:		
Amortization	922,631	866,874
Disposal of asset	(29,019)	139,721
Lease modification	12,248	-
Gain on debt settlement	(22,158)	-
Share-based compensation	564,344	2,357,456
Deferred share unit management fees	147,000	287,000
Gain on fair value of deferred share units	(266,247)	(27,165)
Changes in non-cash working capital items:		
Prepaid expense	59,345	438,685
Amounts receivable	(2,216)	(41,820)
Accounts payable and accrued liabilities	785,487	96,975
Net cash used in operating activities	(5,454,062)	(7,819,607)
Investing activities		
Purchase of equipment	(79,221)	(1,109,702)
Change in restricted cash	(10,000)	-
Net cash used in investing activities	(89,221)	(1,109,702)
Financing activities		
Proceeds from private placement	537,625	2,824,700
Share issue costs	(3,200)	(6,740)
Proceeds from loan issuance	50,000	-
Lease payments	(390,945)	(387,228)
Option exercise	-	28,577
Warrant exercise	-	1,818,806
Net cash from financing activities	193,480	4,278,115
Change in cash for the year	(5,349,803)	(4,651,194)
Cash, beginning of year	5,552,248	10,203,442
Cash, end of year	202,445	5,552,248

Supplemental information	**$**	**$**
Interest received	58,564	97,034
Taxes paid	-	-

See Note 14 for additional information.

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Abound Energy Inc. (formerly, Zinc8 Energy Solutions Inc., or MGX Renewables Inc.) ("Abound" or the "Company") was incorporated on December 8, 2011, in Canada under the legislation of the Province of British Columbia. Abound'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") under the symbol "ABND".

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. 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, 2023, the Company had a net loss of $7,625,477(2022 - $11,937,333) an accumulated deficit of $53,658,680 (December 31, 2021 - $46,033,203) 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 events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Should the Company not be able to continue as a going concern, adjustments to the recorded amount and classifications of assets, liabilities and expenses will be required. Such adjustments could be material.

During the year ended December 31, 2023, the Company underwent a share consolidation at a 10-1 ratio. All references to share, per share amounts, warrants, DSU's, RSU's and stock options in these consolidated financial statements have been retroactively restated to reflect the consolidation.

In an effort to address the elevated going concern risk during 2023 and subsequent the Company has:

(i) Reduced general and administrative expenses, and;
(ii) Continued to seek equity financing alternatives to enable the Company to support ongoing operations

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of Compliance
These consolidated financial statements have been prepared in accordance with the IFRS Accounting 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. If the grant is received prior to recognizing the related expenses, the grant will be recorded as deferred income. 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, 2023 and 2022, 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, loan payable 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.

Equipment and right of use assets

Equipment and right of use assets are 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 Accounting Standards 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 long term incentive 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, their fair value is measured using a valuation model, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black Scholes Option 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) 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.

b) 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.

c) Financial assets and liabilities

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

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.

(Expressed in Canadian Dollars)

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.

d) 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.

e) 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.

4. CASH AND CASH EQUIVALENTS

As at December 31,		**2023**		**2022**
Cash held in banks	$	202,445	$	5,552,248
Restricted cash		100,000		90,000
	$	**302,445**	**$**	**5,642,248**

The Company has a letter of credit, acquired at the request of an office premises lessor, that bears interest at the lender's prime rate of interest plus 3.48% per annum and is secured by a $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, 2023 nor 2022. The Company also has $30,000 (2022 - $20,000) restricted as security for its credit cards.

(Expressed in Canadian Dollars)

5. EQUIPMENT AND RIGHT OF USE ASSETS

	Lab Equipment $	Equipment $	Right of use asset $	Leasehold improvements $	Software $	Total $
Cost:						
Balance, December 31, 2022	**1,258,902**	**252,930**	**1,760,701**	**461,320**	**165,809**	**3,899,662**
Additions	63,848	1,873	-	13,500	-	79,221
Disposals	-	-	(203,065)	-	-	(203,065)
Lease modification	-	-	(12,248)	-	-	(12,248)
Balance, December 31, 2023	**1,322,750**	**254,803**	**1,545,388**	**474,820**	**165,809**	**3,763,570**
Accumulated Depreciation:						
Balance, December 31, 2022	**403,325**	**105,103**	**733,238**	**156,499**	**91,913**	**1,490,078**
Amortization	279,315	69,234	418,322	98,910	56,850	922,631
Disposal	-	-	(143,264)	-	-	(143,264)
Balance, December 31, 2023	**682,640**	**174,337**	**1,008,296**	**255,409**	**148,763**	**2,269,445**
Net Book Value:						
December 31, 2022	**855,577**	**147,827**	**1,027,463**	**304,821**	**73,896**	**2,409,584**
December 31, 2023	**640,110**	**80,466**	**537,092**	**219,411**	**17,046**	**1,494,125**

6. LEASE LIABILITY

The Company has entered into leases for office space and certain pieces of office equipment. The initial 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. Office chair lease expired during the year ended December 31, 2022.

During the year ended December 31, 2021, the Company entered into additional leases for office space and office equipment, the leases range from 24 to 60 months with monthly payments between $138 and $16,500 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, 2023, the Company recognized an interest expense on lease liabilities of $62,240 (2022 - $85,820.)

(Expressed in Canadian Dollars)

The Company's future minimum lease payments as at December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023 $	December 31, 2022 $
Less than 1 year	296,291	489,498
1 to 5 years	332,242	692,594
5+ Years	-	-
Total minimum lease payments	628,533	1,182,092
Less: imputed interest	(53,485)	(127,280)
Total lease obligation	**575,048**	**1,054,812**
Current portion of lease obligations	262,527	420,078
Non-current portion of lease obligations	312,521	634,734

Lease obligations	$
At December 31, 2021	**1,075,815**
Additions	366,225
Payments	(387,228)
At December 31, 2022	**1,054,812**
Payments	(390,945)
Disposals	(88,819)
At December 31, 2023	**575,048**

7. 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, 2023, the Company issued:

- 369,333 common shares pursuant to the exercise of RSUs and transferred $859,642 of contributed surplus to share capital.
- 108,985 common shares to settle outstanding DSUs, the shares were valued at $59,942.
- 12,662 common shares to settle debts pursuant to an initial deployment agreement. The shares were valued at $10,762 and a gain on debt settlement of $22,158 was recorded.
- 10,752,500 units consisting of one common share of the Company and one purchase warrant ("Unit") in a private placement at a price of $0.05 per Unit for gross proceeds of $537,625. Each warrant is exercisable at $0.10 until December 22, 2025. As part of the transaction, the Company incurred cash issuances costs of $3,200 and issued 284,800 broker shares with a fair value of $0.10 per share.

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

- 1,412,350 Units at a price of $2.00 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 $3.00 until December 22, 2023, and then at $4.00 until December 22, 2024. The Company also issued 2,170 broker warrants, under the same terms as the warrants in the Unit, as part of the private placement.

(Expressed in Canadian Dollars)

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.

- 505,000 common shares related to the exercise of restricted share units resulting in a reallocation of $1,018,750 from contributed surplus to share capital.
- 32,242 common shares related to the exercise of DSU's, the DSU's were fair valued at $61,260.
- 606,268 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.
- 13,608 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.

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, 2023 and December 31, 2022 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, 2021	**1,271,243**	**4.60**	**3.41**
Granted	100,000	2.20	-
Exercised	(13,608)	2.10	-
Expired	(144,953)	5.20	-
Balance, December 31, 2022	**1,212,682**	**4.40**	**3.18**
Expired	(815,701)	4.21	-
Balance, December 31, 2023	**396,981**	**4.76**	**1.72**

On April 5, 2022, the Company granted 100,000 options to a director of the Company, the options vested immediately and expire on April 5, 2032. The Company fair valued the options at $211,181 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.

(Expressed in Canadian Dollars)

As at December 31, 2023 the following options were outstanding:

Expiry Date	Exercise Price $	Options #
September 12, 2024	2.10	102,061
February 18, 2025	3.20	50,890
April 5, 2026	6.20	244,030
		396,981

c) Warrants

The balance of warrants outstanding as at December 31, 2023 and December 31, 2022 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, 2021	**1,090,352**	**3.50**	**0.71**
Issued[(1)]	1,414,520	4.00	-
Exercised	(606,269)	3.00	-
Expired	(311,583)	3.40	-
Balance, December 31, 2022	**1,587,020**	**4.15**	**1.78**
Issued	10,752,500	0.10	-
Expired	(172,500)	5.40	-
Balance, December 31, 2023	**12,167,020**	**0.55**	**1.86**

(1) The exercise price for the 2022 warrant issuance increased from $3.00 to $4.00 for all warrants not exercised prior to Dec 22, 2023.

As at December 31, 2023 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
December 22, 2024	1,414,520	4.00
December 22, 2025	10,752,500	0.10
Total	**12,167,020**	

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 615,000 RSU's to directors of the Company. The RSU's vest 25% on the grant date, 25% on August 27, 2022, 25% on November 27, 2022 and 25% on February 27, 2023. The RSU's were fair valued at $1,168,500.

(Expressed in Canadian Dollars)

On August 16, 2022, the Company granted an additional 85,000 RSU’s to a director the Company. The RSU’s vest 25% on the grant date, 25% on August 27, 2022, 25% on November 27, 2022 and 25% on February 27, 2023. The RSU’s were fair valued at $161,500.

On October 5, 2022, the Company granted an additional 660,000 RSU’s to employees of the Company. The RSU’s have staggered vesting conditions and fully vest by June 2025. The RSU’s were fair valued at $1,650,000.

On January 5, 2023, the Company granted 80,000 RSU’s to certain employees of the Company. The RSU’s were fair valued at $152,000 and vest over 2.5 years. On April 5, 2023 the Company also granted 14,706 RSU’s to a consultant of the Company, the RSU’s were fair valued at $21,323 and vest over 1 year. During the year ended December 31, 2023, the Company recorded $299,969 (2022 - $2,146,338) in share-based compensation expense related to the vesting of RSU’s.

During the year ended December 31, 2023, 369,333 RSU’s were exercised and the Company transferred $817,142 from contributed surplus to share capital pursuant to the exercise.

During the year ended December 31, 2022, 505,000 RSU’s were exercised and the Company transferred $1,018,750 from contributed surplus to share capital pursuant to the exercise.

The balance of RSU’s outstanding as at December 31, 2023 and December 31, 2022 and the changes for the years then ended is as follows:

	Number of RSU #
Balance, December 31, 2021	**-**
Granted	1,360,000
Exercised	(505,000)
Forfeited	(42,500)
Balance, December 31, 2022	**812,500**
Granted	94,706
Exercised	(369,333)
Expired	(224,726)
Forfeited	(168,442)
Balance, December 31, 2023	**144,706**
Unvested	(9,804)
Exercisable at December 31, 2023	**134,902**

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, 2023, the Company granted 137,934 (2022 - 132,532) DSU's, all fully vested with a value of $147,000 (2022 - $287,000) to directors of the Company. During the year ended December 31, 2023, 108,985 (2022 – 32,242) DSU's were settled in shares. As at December 31, 2023, 129,239 (2022 - 100,290) DSU's are outstanding and the fair market value of the DSU's was $0.15 (2022 $1.98) per DSU. As at December 31, 2023, the Company had recorded a total of $19,386 (2022 $198,575) in DSU liabilities and a gain on DSU valuation of $266,247 (2022 gain of $27,165).

	Number of DSU **#**
Balance, December 31, 2021	**-**
Granted	132,532
Exercised	(32,242)
Balance, December 31, 2022	**100,290**
Granted	137,934
Exercised	(108,985)
Balance, December 31, 2023	**129,239**

8. RELATED PARTY DISCLOSURES

Key management includes the CEO, CTO, CFO, VP of Engineering and the Board of Directors, as well as former CEO, CFO and former directors. Compensation paid to key management for the year ended December 31, 2023 and 2022 was as follows:

	2023 **$**	**2022** **$**
Management fees and marketing	642,414	955,000
Payroll expense	397,740	450,000
Share-based compensation	513,263	2,045,605
	1,553,417	**3,450,605**

A company related by common directors charged rent of $7,000 (2022 - $13,000) during the year ended December 31, 2023.

As at December 31, 2023, the Company had $176,444 (2022 - $1,130) owing to related party included in accounts payable and accrued liabilities.

During the year ended December 31, 2023, the Company received a loan from an individual who became a director subsequent to the year-end for $50,000. The loan is unsecured bears interest at 15% per annum and is due on December 15, 2024. During the year ended December 31, 2023 the Company recorded $349 in interest expense related to this loan.

As of December 31, 2023, the Company has provided a loan of $90,000 (2022 - $ 45,856) to one of its key management members, which is recorded as part of the amounts receivable. The amount owing is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

9. INCOME TAX

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

	2023 **$**	**2022** **$**
	27%	27%
Expected tax expense (recovery)	(2,058,900)	(3,223,000)
Share issuance costs	(135,100)	(133,800)
Items not deductible for tax purposes	144,700	678,200
Adjustments in respect of prior taxation years	(315,100)	-
Income tax benefit not recognized	2,364,400	2,678,600
Income tax recovery	-	-

The significant components of the Company's net deferred tax assets and liabilities as at December 31, 2023 and 2022 are as follows:

	2023 **$**	**2022** **$**
Deferred Tax Assets (liabilities)		
Equipment	2,100	(46,900)
Tax losses	9,218,500	7,284,800
Share issuance costs	238,900	500,800
Investment tax credits	643,900	-
Unrecognized deferred tax assets	(10,103,400)	(7,738,700)
Deferred Tax Assets	-	-

As at December 31, 2023 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	7,584,971
2042	9,969,716
2043	7,585,336
	34,142,615

The Company also has a balance of federal and provincial non-refundable investment tax credits of $2,384,666 that may be carried forward to reduce income taxes payable in future years. The investment tax credits have an unlimited carry forward period.

As at December 31, 2023, 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.

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, 2023, the fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, loan payable 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 and share issuances. 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, 2023, the Company had a working capital deficit of $1,426,842 (December 31, 2022 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 mainly 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, 2023. 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. Subsequent to the year ending December 31, 2023, the Company and the Authority have started discussions around the revised timeline.

(Expressed in Canadian Dollars)

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

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

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

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

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

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

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

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

13. GOVERNMENT ASSISTANCE

The Company receives funding for its research and development activities through various programs. During the years ended December 31, 2023 and 2022, the following amounts were received:

	2023 **$**	**2022** **$**
(a) NRC-IRAP Funding	429,982	136,350
(b) Innovation Asset Collective	70,486	30,000
(c) EHRC	14,607	-
(d) Other	-	160,587
Total received	**515,075**	**326,937**
Less: credit against research and development expense	(474,589)	(326,937)
Less: credit against insurance expense	(40,486)	-
	-	**-**

(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, 2023, the Company received $429,982 (2022 – $136,350) 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, 2023.

(b) The Company also received $70,486 (2022 - $30,000) from Innovation Asset Collective for research and development project related costs during the year ended December 31, 2023.

(c) During the year ended December 31, 2023, the Company received a final contribution of $14,607 (2022 - $nil) as part of a contribution agreement with Electrical Human Resources Canada ("EHRC").

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2023 and 2022, the following non-cash activities were conducted by the Company:

(a) The initial recognition of a lease obligation of $nil (2022 - $366,225), and the related asset addition.

(b) Warrants issued in payment of agent's fees of $nil (2022 - $1,140).

(c) DSU's issued as compensation to directors and officers valued at $147,000 (2022 - $287,000).

(d) Shares issued to settle debts of $32,920 (2022 - $nil).

(e) One month payment forgiveness on a lease for $12,248 (2022 - $nil).

15. 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, 2023 the Company had included $135,600 (2022 - $135,600) in accounts payable and accrued liabilities owing to OCI.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company had the following transactions:

- The Company issued 303,028 common shares at a price of $0.33 per share and $1,500 in settlement of $101,500 of debts from five members of the current and former board of directors.
- The Company issued 2,450,000 stock options to directors and consultants with an exercise price of $0.33, immediate vesting with a term of five years.
- The Company issued 150,000 common shares at a price of $0.10 per share for the exercise of warrants.

- 130,000 RSU's and 193,750 stock options expired due to the departures of staff and board members.