Abound Energy Inc.

(Formerly Zinc8 Energy Solutions Inc.)
Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2024

(Unaudited - expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

Abound Energy Inc.
Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2024
(Unaudited - expressed in Canadian Dollars)

	Note	**September 30, 2024**	December 31, 2023
		$	$
Assets			
Current Assets			
Cash	**4**	**41,870**	202,445
Restricted cash	**4**	**100,000**	100,000
Prepaid and deposits		**68,215**	86,410
Amounts receivable	**9**	**103,809**	116,310
		313,894	505,165
Non-Current Assets			
Equipment	**5**	**808,989**	957,033
Right of use assets	**5**	**310,477**	537,092
Total Assets		**1,433,360**	1,999,290
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**9**	**2,165,153**	1,599,745
Deferred income	**6**	**28,000**	-
Lease liability – short term	**7**	**198,140**	262,527
Loan payable	**9**	**55,979**	50,349
Deferred share unit liability	**8**	**4,846**	19,386
		2,452,118	1,932,007
Lease liability – long term	**7**	**161,883**	312,521
Total Liabilities		**2,614,001**	2,244,528
Shareholders' Equity			
Share capital	**8**	**46,126,383**	45,364,883
Contributed surplus	**8**	**8,902,881**	8,048,559
Deficit		**(56,209,905)**	(53,658,680)
		(1,180,641)	(245,238)
Total Liabilities and Shareholders' Equity		**1,433,360**	1,999,290

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

Approved and authorized by the Board on November 21, 2024

"Mike Simpson" Director — *"Jason Birmingham"* Director
Mike Simpson — Jason Birmingham

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

Abound Energy Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2024
(Unaudited - expressed in Canadian Dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2024**	2023	**2024**	2023
		$	$	**$**	$
Revenue					
Provision of services		**28,000**	-	**56,000**	-
Total Revenue		**28,000**	-	**56,000**	-
Expenses					
Amortization	**5**	**113,481**	232,774	**379,740**	711,076
General and administrative	**13**	**25,331**	94,726	**126,884**	346,532
Interest		**13,766**	13,544	**39,820**	45,955
Filing and listing fees		**6,712**	8,132	**34,809**	85,623
Management and consulting fees	**8,9**	**248,727**	99,084	**851,477**	469,584
Marketing		**9,855**	95,731	**52,867**	525,638
Payroll	**9**	**-**	122,141	**-**	380,938
Professional fees		**30,233**	230,708	**52,126**	505,446
Research and development	**13**	**41,559**	925,759	**80,157**	3,555,782
Rent	**9**	**22,324**	48,072	**120,787**	154,371
Share-based compensation	**8,9**	**63,424**	(372,057)	**851,867**	295,263
Travel		**26,710**	6,973	**33,608**	31,132
		602,122	1,505,587	**2,624,142**	7,107,340
Loss before other items		**(574,122)**	(1,505,587)	**(2,568,142)**	(7,107,340)
Other items:					
Interest income		**-**	-	**4,725**	50,426
Gain (loss) on fair value of deferred share units	**8**	**(323)**	115,483	**10,016**	269,383
Gain on disposal of assets	**5**	**-**	-	**2,176**	-
		(323)	115,483	**16,917**	319,809
Net and Comprehensive loss		**(574,445)**	(1,390,104)	**(2,551,225)**	(6,787,531)
Basic and diluted loss per share		**(0.02)**	(0.08)	**(0.08)**	(0.38)
Weighted average shares outstanding		**33,425,289**	18,190,171	**30,918,737**	18,067,651

Abound Energy Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2024
(Unaudited - expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Deficit	Total
	#	$	$	$	$
Balance, December 31, 2022	17,791,342	43,900,112	8,343,857	(46,033,203)	6,210,766
Shares issued pursuant to:					
RSU exercised	359,333	798,142	(798,142)	-	-
DSU exercised	108,985	59,942	-	-	59,942
Share-based compensation	-	-	295,263	-	295,263
Debt settlement	12,662	10,762	-	-	10,762
Net loss for the period	-	-	-	(6,787,531)	(6,787,531)
Balance, September 30, 2023	18,272,322	44,768,958	7,840,978	(52,820,734)	(210,798)
Shares issued pursuant to:					
Private placement	10,752,500	537,625	-	-	537,625
Share issue costs	284,800	(3,200)	-	-	(3,200)
RSU exercise	10,000	61,500	(61,500)	-	-
Share-based compensation	-	-	269,081	-	269,081
Net loss for the period	-	-	-	(837,946)	(837,946)
Balance, December 31, 2023	29,319,622	45,364,883	8,048,559	(53,658,680)	(245,238)
Shares issued pursuant to:					
Private placements	6,353,154	635,315	-	-	635,315
Share issue costs	-	(8,815)	2,455	-	(6,360)
Warrants exercised	350,000	35,000	-	-	35,000
Payment in shares	303,028	100,000	-	-	100,000
Share-based compensation	-	-	851,867	-	851,867
Net loss for the period	-	-	-	(2,551,225)	(2,551,225)
Balance, September 30, 2024	**36,325,804**	**46,126,383**	**8,902,881**	**(56,209,905)**	**(1,180,641)**

Abound Energy Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2024
(Unaudited - expressed in Canadian Dollars)

For the nine months ended September 30,	**2024**	2023
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the period	**(2,551,225)**	(6,787,531)
Items not affecting cash:		
Amortization	**379,740**	711,076
Disposal of asset	**1,919**	-
Shares in lieu of fees	**100,000**	10,762
Share-based compensation	**851,867**	295,263
Deferred share unit management fees	**-**	185,500
(Gain) on fair value of deferred share units	**(10,016)**	(269,383)
Changes in non-cash working capital items:		
Prepaid expense	**18,195**	60,596
Deferred income	**28,000**	-
Amounts receivable	**12,501**	14,666
Accounts payable and accrued liabilities	**566,513**	622,871
Net cash used in operating activities	**(602,505)**	(5,156,180)
Investing activity		
Purchase of equipment	**(7,000)**	(79,221)
Net cash used in investing activity	**(7,000)**	(79,221)
Financing activities		
Lease payments	**(215,025)**	(289,232)
Private placements net of share issue costs	**628,955**	-
Warrant exercise	**35,000**	-
Net cash from financing activities	**448,930**	(289,232)
Change in cash for the period	**(160,575)**	(5,524,633)
Cash, beginning of period	**202,445**	5,552,248
Cash, end of period	**41,870**	27,615
Supplemental information		
Interest received	**4,725**	50,426
Taxes paid	**-**	-

See Notes 4 and 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 109 – 3551 Viking Way, Richmond BC, V6V 1W1, Canada. Abound 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, if or when required. There is no assurance that these initiatives will be successful.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. For the nine months ended September 30, 2024, the Company had a net loss of $2,551,225 (2023 - $6,787,531) and at September 30, 2024 had an accumulated deficit of $56,209,905 (December 31, 2023 - $53,658,680) and expects to incur further losses in the development of its business, and does not have sufficient working capital to meet its anticipated expenditures for the next twelve months, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flow or obtain additional financing and there is no assurance of either being achieved. Management is attempting to obtain additional external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed interim consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the presentation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2023.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There have been no changes to the critical accounting estimates and judgements. Refer to the Company's annual consolidated financial statements and notes for the year ended December 31, 2023.

(Unaudited - expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

		September 30, 2024		December 31, 2023
Cash held in banks	**$**	**41,870**	$	202,445
Restricted cash		**100,000**		100,000
	$	**141,870**	$	302,445

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 lessor may borrow up to $66,409 under this credit facility. There were no draws on the credit facility during the period ended September 30, 2024, nor during the year ended December 31, 2023. As at September 30, 2024, the Company also has $30,000 (December 31, 2023 - $30,000) restricted as security for its credit cards.

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
Additions	**-**	**-**	**-**	**7,000**	**-**	**7,000**
Disposals	**-**	**(8,225)**	**(626,039)**	**(82,167)**	**-**	**(716,431)**
Transfers	**-**	**50,271**	**(50,271)**	**-**	**-**	**-**
Balance, September 30, 2024	**1,322,750**	**296,849**	**869,078**	**399,653**	**165,809**	**3,054,139**
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
Transfers	**-**	**31,000**	**(31,000)**	**-**	**-**	**-**
Disposals	**-**	**(6,306)**	**(626,039)**	**(82,167)**	**-**	**(714,512)**
Amortization	**42,945**	**43,360**	**207,342**	**69,047**	**17,046**	**379,740**
Balance, September 30, 2024	**725,585**	**242,391**	**558,599**	**242,289**	**165,809**	**1,934,673**
Net Book Value:						
December 31, 2023	640,110	80,466	537,092	219,411	17,046	1,494,125
September 30, 2024	**597,165**	**54,458**	**310,479**	**157,364**	**-**	**1,119,466**

(Unaudited - expressed in Canadian Dollars)

6. DEFERRED INCOME

At times, the Company may take payment in advance for services to be rendered. These amounts are held and recognized as revenue as the services are rendered.

	$
Opening balance December 31, 2023	-
Unearned revenues received	84,000
Revenue recognized	(56,000)
Balance September 30, 2024	**28,000**
Current portion	28,000
Long term portion	-
Total	**28,000**

The deferred revenue of $28,000 is expected to be recognized within one year.

7. 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, which expired on May 31, 2024, with monthly payments of $15,873. The Company also entered into leases for an office copier with the lease terms commencing on April 1, 2020. The copier has a 60-month term with monthly payment of $107.

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 the minimum lease payments. The present value of minimum lease payments for the copier was calculated using the interest rate implicit in the lease and the present value of minimum lease payments for the office lease and lab equipment were calculated using the incremental borrowing rate of 8%.

During the three and nine months ended September 30, 2024, the Company recognized an interest expense on lease liabilities of $7,607 and $27,033, respectively (2023 - $15,648 and $61,433, respectively).

The Company's future minimum lease payments as at September 30, 2024, and December 31, 2023, are as follows:

	September 30, 2024 **$**	December 31, 2023 $
Less than 1 year	**219,305**	296,291
1 to 5 years	**167,170**	332,242
Total minimum lease payments	**386,475**	628,533
Less: imputed interest	**(26,452)**	(53,485)
Total lease obligation	**360,023**	575,048
Current portion of lease obligations	**198,140**	262,527
Non-current portion of lease obligations	**161,883**	312,521

(Unaudited - expressed in Canadian Dollars)

7. LEASE LIABILITY (CONT'D)

Lease obligations	**$**
At December 31, 2022	1,054,812
Payments	(390,945)
Disposals	(88,819)
At December 31, 2023	575,048
Payments	(215,025)
At September 30, 2024	**360,023**

8. SHARE CAPITAL

a) Authorized

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

During the nine months ended September 30, 2024, the Company issued:

- 303,028 common shares to settle debts of $100,000 for various consulting agreements. The shares were valued at $0.33 per share.
- 350,000 common shares pursuant to the exercise of warrants for proceeds of $35,000.
- 3,717,830 units consisting of one common share and one purchase warrant in a private placement at a price of $0.10 per unit for gross proceeds of $371,783. Each warrant is exercisable at $0.20 for two years from the issuance date and were valued at $nil using the residual value method. As part of the transaction, the company incurred $6,360 in costs and issued 52,600 broker warrants with a value of $2,455.
- 2,635,324 units consisting of one common share and one purchase warrant in a private placement at a price of $0.10 per unit for gross proceeds of $263,532. Each warrant is exercisable at $0.20 for two years from the issuance date and were valued at $nil using the residual value method.

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.

(Unaudited - expressed in Canadian Dollars)

8. SHARE CAPITAL (CONT'D)

b) Options

The Company has adopted a Stock Option Plan, which is a rolling stock option plan, under which, options may be granted equal in number up to 10% of the issued and outstanding capital of the Company at the time of grant of the stock option. No single participant may be granted options to purchase a number of Company shares equaling more than 5% of the issued shares of the Company in any 12-month period. The Board of Directors may determine the term of the options, but the term shall, in no event, be greater than five years from the date of issuance. Terms of vesting of the options, eligibility of directors, officers, employees, and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors.

The balance of options outstanding as at September 30, 2024, and December 31, 2023, and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2022	1,212,682	4.40	3.18
Expired	(815,701)	4.21	-
Balance, December 31, 2023	396,981	4.76	1.72
Granted	3,179,000	0.33	-
Cancelled	(268,750)	3.20	-
Expired	(27,216)	2.10	-
Balance, September 30, 2024	**3,280,015**	**0.56**	**4.27**

During the nine months ended September 30, 2024, the Company granted 2,450,000 options to directors and consultants of the Company. The options vested immediately and expire on January 30, 2029. The Company fair valued the options at $786,450 using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate – 3.41%; expected volatility – 195%; forfeiture rate – nil; dividend rate – nil; expected life – 5 years.

During the nine months ended September 30, 2024, the Company also granted 729,000 options to directors and consultants of the Company. The options vested immediately and expire on July 9, 2029. The Company fair valued the options at $63,423 using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate – 3.46%; expected volatility – 195%; forfeiture rate – nil; dividend rate – nil; expected life – 5 years.

During the three and nine months ended September 30, 2024, the Company recorded share-based compensation expense related to stock options of $63,423 and $849,873 respectively (2023 - $nil and $nil).

As at September 30, 2024, the following options were outstanding:

Expiry Date	Exercise Price $	Options #
February 18, 2025	3.20	31,500
April 5, 2026	6.20	144,515
January 30, 2029	0.33	2,375,000
July 9, 2025	0.10	729,000
		3,280,015

(Unaudited - expressed in Canadian Dollars)

8. SHARE CAPITAL (CONT'D)

c) Warrants

The balance of warrants outstanding as at September 30, 2024, and December 31, 2023, and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2022	1,587,020	3.26	1.78
Issued	10,752,500	0.10	-
Expired	(172,500)	5.40	-
Balance, December 31, 2023	12,167,020	0.55	1.86
Issued	**6,405,754**	**0.10**	**-**
Exercised	**(350,000)**	**0.10**	**-**
Balance September 30, 2024	**18,222,774**	**0.45**	**1.37**

As at September 30, 2024, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
December 22, 2024	1,474,520	3.00
December 22, 2025	10,342,500	0.10
July 9, 2026	3,717,830	0.10
September 16, 2026	2,687,924	0.10
	18,222,774	

d) Restricted Share Units ("RSU")

During the year ended December 31, 2021, the Company approved a RSU Plan under which RSUs 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.

During the year ended December 31, 2023, the Company granted 80,000 RSUs to certain employees of the Company. The RSUs were fair valued at $152,000 and vest over 2.5 years. The Company also granted 14,706 RSUs to a consultant of the Company, the RSUs were fair valued at $21,323 and vest over 1 year.

During the three and nine months ended September 30, 2024, the Company recorded share-based compensation expense of $nil and $1,993 respectively (2023 - $372,057 credit and $295,263) related to the vesting of these RSUs.

The balance of RSUs outstanding as at September 30, 2024, and December 31, 2023, and the changes for the periods then ended is as follows:

(Unaudited - expressed in Canadian Dollars)

8. SHARE CAPITAL (CONT'D)

	Number of RSU #
Balance, December 31, 2022	812,500
Granted	94,706
Exercised	(369,333)
Expired	(224,725)
Forfeited	(168,442)
Balance, December 31, 2023	144,706
Expired	**(130,000)**
Balance, September 30, 2024	**14,706**
Unvested	-
Exercisable at September 30, 2024	**14,706**

e) Deferred Share Units ("DSU")

During the year ended December 31, 2022, the Company adopted a DSU plan as an alternative form of compensation for directors and officers of the Company. Each DSU is comprised of one notional common share that entitles the participant, on termination of services, to receive, at the discretion of the Company, common shares of the Company up to the number of DSUs held or the cash equivalent. In the event the Company decides to settle all or a portion of the DSUs outstanding in cash, the total DSUs owing will be multiplied by the fair market value of one common share of the Company. The fair market value will be determined as the VWAP of the Company's common shares on the valuation date.

As the DSU can be settled in cash or shares, at the discretion of the Company, the value associated with each DSU grant is recorded as a liability and fair valued at each reporting period.

	DSU's ##	DSU's $
Balance, December 31, 2022	100,290	198,575
Granted	137,934	147,000
Exercised	(108,985)	(59,941)
Revaluation	-	(266,248)
Balance, December 31, 2023	129,239	19,386
Expired	**(64,619)**	**(4,524)**
Revaluation	**-**	**(10,016)**
Balance, September 30, 2024	**64,620**	**4,846**

(Unaudited - expressed in Canadian Dollars)

9. RELATED PARTY DISCLOSURES

Key management includes the CEO, CTO, COO, CFO, and the Board of Directors. Compensation paid to key management for the three and nine months ended September 30, 2024, and 2023 was as follows:

	Three months ended September 30		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Management fees and consulting	**231,750**	129,000	**780,000**	495,000
Payroll expense	**-**	114,750	**-**	344,250
Share-based compensation	**65,700**	6,928	**667,575**	292,901
	297,450	250,678	**1,447,575**	1,132,151

A company related by common directors charged rent of $nil and $nil (2023 - $2,000 and $7,000, respectively) during the three and nine months ended September 30, 2024, respectively.

As at September 30, 2024, the Company had $679,568 (2023 - $65,370) owing to related parties 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 three and nine months ended September 30, 2024, the Company recorded $1,890 and $5,979 respectively (2023 - $nil) in interest expense related to this loan.

As of September 30, 2024, the Company has provided a loan of $45,000 (December 31, 2023 - $ 90,000) to one of its directors, which is recorded as part of the amounts receivable. The amount owing is unsecured, non-interest bearing and due on demand.

As of September 30, 2024, the Company has a $22,500 outstanding share subscription receivable from a director relating to their participation in the private placement which closed in September 2024. This receivable is included in amounts receivable and has been collected subsequent to September 30, 2024.

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 September 30, 2024, 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.

10. FINANCIAL INSTRUMENTS (CONT'D)

(b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at September 30, 2024, the Company had a working capital deficit of $2,138,224 (December 31, 2023 – $1,426,842).

(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 receivables 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.

11. CAPITAL MANAGEMENT (CONT'D)

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2024. 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.

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 ($1,109,632 CAD 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

(Unaudited - expressed in Canadian Dollars)

12. COOPERATION AGREEMENT (CONT'D)

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 nine months ended September 30, 2024, and 2023, the following amounts were received:

	2024 **$**	2023 $
(a) NRC-IRAP Funding	**54,117**	423,134
(b) Innovation Asset Collective	**15,000**	30,000
Total received	**69,117**	453,134
Less: credit against professional fees	**(15,000)**	-
Less: credit against research and development expense	**(54,117)**	(453,134)
	-	-

(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 three and nine months ended September 30, 2024, the Company received $54,117 and $54,117, respectively (2023 – $nil and $311,282, respectively), in connection with the NRC-IRAP grants. NRC-IRAP reserves the right to claim back all or part of the grant plus interest from the Company under certain circumstances. No repayment has been requested for and no contingent liability has been accrued as of September 30, 2024.

(b) During the year ended December 31, 2022, the Company has been approved for a grant to fund the Company's IP by Innovation Asset Collective (IAC a governmental non-profit organization). During the three and nine months ended September 30, 2024, the Company received $nil and $15,000, respectively (2023 – $nil and $70,486, respectively).

14. SUPPLEMENTAL CASH FLOW

During the three and nine months ended September 30, 2024, and 2023, the following non-cash activities were conducted by the Company:

(a) DSUs issued as compensation to directors and officers valued at $nil (2023 – $185,500).
(b) 303,028 common shares issued as settlement of $100,000 of debt from directors and consultants of the Company (2023 12,662 shares for $10,762.)

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 September 30, 2024, the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2024,