

Abound Energy Inc.

Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2026 and 2025

(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 June 30, 2026
(Unaudited - expressed in Canadian Dollars)

	Note	June 30, 2026	December 31, 2025 (audited)
		$	$
Assets			
Current Assets			
Cash	**4**	**183,416**	7,212
Prepaid and deposits		**66,764**	47,772
Amounts receivable	**10**	**264**	36,472
		250,444	91,456
Non-current Assets			
Equipment	**5**	**124,715**	267,410
Right of use assets	**5**	**135,635**	83,140
Total Assets		**510,794**	442,006
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**10**	**3,372,005**	2,921,209
Deferred revenue	**6**	**-**	8,500
Lease liability – short term	**7**	**65,927**	108,095
Loans payable	**8,10**	**522,694**	65,370
		3,960,626	3,103,174
Non-Current Liabilities			
Lease liability – long term	**7**	**69,708**	-
		69,708	-
Total Liabilities		**4,030,334**	3,103,174
Shareholders' Deficiency			
Share capital	**9**	**46,764,355**	46,764,355
Contributed surplus	**9**	**9,196,521**	9,196,521
Deficit		**(59,480,416)**	(58,622,044)
		(3,519,540)	(2,661,168)
Total Liabilities and Shareholders' Deficiency		**510,794**	442,006

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

Approved and authorized by the Board on August 19, 2026

"Mike Simpson" Director — Mike Simpson

"Jason Birmingham" Director — 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 Six Months Ended June 30, 2026
(Unaudited - expressed in Canadian Dollars)

For the six months ended June 30,	Note	2026	2025
		$	$
Revenue			
Sale of goods		**46,133**	-
Provision of services		**-**	2,500
Total Revenue		**46,133**	2,500
Expenses			
Amortization	**5**	**225,811**	269,162
General and administrative		**38,912**	19,724
Interest		**16,702**	28,190
Filing and listing fees		**21,137**	11,455
Management and consulting fees	**10**	**427,220**	408,714
Marketing		**550**	2,462
Professional fees		**30,536**	30,600
Research and development	**14**	**68,310**	140,121
Rent		**73,695**	50,334
Share-based compensation	**9,10**	**-**	106,115
Travel		**2,876**	-
		905,749	1,066,877
Loss before other items		**(859,616)**	(1,064,377)
Other items:			
Gain on disposal of asset		**1,244**	-
Interest income	**4**	**-**	2,949
		1,244	2,949
Net and comprehensive loss		**(858,372)**	(1,061,428)
Basic and diluted loss per share		**(0.05)**	(0.09)
Weighted average shares outstanding		**17,426,251**	12,116,157

Abound Energy Inc.
Condensed Interim Consolidated Statements of Changes in Equity
As at June 30, 2026
(Unaudited - expressed in Canadian Dollars)

	Common shares	Share Capital	Contributed Surplus	Deficit	Total
	#	$	$	$	$
Balance, December 31, 2024	**12,108,601**	**46,125,042**	**8,902,881**	**(56,811,332)**	**(1,783,409)**
Shares issued pursuant to:					
Private placement	1,840,317	221,188	192,883	-	414,071
Debt settlement	3,467,333	520,100	-	-	520,100
Warrants exercised	10,000	3,000	-	-	3,000
Share-based compensation	-	-	106,115	-	106,115
Net loss for the period	-	-	-	(1,061,428)	(1,061,428)
Balance, June 30, 2025	**17,426,251**	**46,869,330**	**9,201,879**	**(57,872,760)**	**(1,801,551)**
Shares issued pursuant to:					
Private placement share issue costs	-	(955)	-	-	(955)
Gain on debt settlement	-	(104,020)	-	-	(104,020)
Share-based compensation	-	-	(5,358)	-	(5,358)
Net loss for the period	-	-	-	(749,284)	(749,284)
Balance, December 31, 2025	**17,426,251**	**46,764,355**	**9,196,521**	**(58,622,044)**	**(2,661,168)**
Shares issued pursuant to:					
Net loss for the period	-	-	-	(858,372)	(858,372)
Balance, June 30, 2026	**17,426,251**	**46,764,355**	**9,196,521**	**(59,480,416)**	**(3,519,540)**

Abound Energy Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30
(Unaudited - expressed in Canadian Dollars)

For the six months ending June 30:	**2026**	2025
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the period	**(858,372)**	(1,061,428)
Items not affecting cash:		
Amortization	**225,811**	269,162
Disposal of asset	**(1,244)**	-
Share-based compensation	**-**	106,115
Changes in non-cash working capital items:		
Prepaid expense	**(18,992)**	(477)
Deferred income	**(8,500)**	-
Amounts receivable	**36,208**	14,627
Accounts payable and accrued liabilities	**457,048**	308,105
Net cash used in operating activities	**(168,041)**	(363,896)
Investing activity		
Change in restricted cash	**-**	100,000
Sale of equipment	**1,268**	-
Net cash provided by investing activity	**1,268**	100,000
Financing activities		
Private placement	**-**	414,071
Proceeds from issuance of loans payable	**451,072**	-
Lease payments	**(108,095)**	(97,850)
Warrant exercise	**-**	3,000
Net cash from financing activities	**342,977**	319,221
Change in cash for the period	**176,204**	55,325
Cash, beginning of period	**7,212**	3,372
Cash, end of period	**183,416**	58,697
Supplemental information		
Interest received	**-**	2,949
Taxes paid	**-**	-

See notes 4 and 15 for additional information.

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Abound Energy 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 108 – 3331 Viking Way, Richmond, BC, V6V 1X7, 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 six months ended June 30, 2026, the Company had a net loss of $858,372 (2025 - $1,061,428) and at June 30, 2026 had an accumulated deficit of $59,480,416 (December 31, 2025 - $58,622,044) 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 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. Such adjustments could be material. Management monitors recent developments in relation to global tariffs and does not anticipate any material impacts to the financial position of the Company.

During the period ended June 30, 2026, the Company underwent a share consolidation at a 3-1 ratio. All references to share, per share amounts, warrants, DSU's, RSU's and stock options in these condensed interim consolidated financial statements have been retroactively restated to reflect the consolidation.

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, 2025, 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, 2025.

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, 2025.

4. CASH AND CASH EQUIVALENTS

		June 30, 2026		December 31, 2025
Cash held in banks	$	**183,416**	$	7,212

The Company had a letter of credit, acquired at the request of a former office premises lessor, that bore interest at the lender's prime rate of interest plus 3.48% per annum and was secured by a $70,000 term deposit. The Company was able to borrow up to $70,000 under this credit facility. During the year ended December 31, 2025, the company cancelled the letter of credit. Upon the cancellation of the letter of credit, the company received $1,953 interest from the GIC used as security. In addition, the Company had a $30,000 restricted as security for its credit cards, which was redeemed during the year ended December 31, 2025, yielding $995 in interest income.

5. EQUIPMENT

	Lab Equipment $	Equipment $	Right of use asset $	Leasehold improvements $	Software $	Total $
Cost:						
Balance, December 31, 2024	**1,322,750**	**293,982**	**869,079**	**399,653**	**165,809**	**3,051,273**
Disposals	(336,753)	(192,137)	(76,126)	-	(31,085)	(636,101)
Impairment	(21,955)	-	-	-	-	(21,955)
Balance, December 31, 2025	**964,042**	**101,845**	**792,953**	**399,653**	**134,724**	**2,393,217**
Additions	-	-	135,635	-	-	135,635
Disposal	-	(5,012)	-	-	-	(5,012)
Balance, June 30, 2026	**964,042**	**96,833**	**928,588**	**399,653**	**134,724**	**2,523,840**
Accumulated Depreciation:						
Balance, December 31, 2024	**816,269**	**248,773**	**603,342**	**262,729**	**165,809**	**2,096,922**
Amortization	224,499	27,788	175,654	81,761	-	509,702
Disposal	(286,753)	(176,936)	(69,183)	-	(31,085)	(563,957)
Balance, December 31, 2025	**754,015**	**99,625**	**709,813**	**344,490**	**134,724**	**2,042,667**
Disposal	**-**	**(4,988)**	**-**	**-**	**-**	**(4,988)**
Amortization	**85,841**	**1,667**	**83,140**	**55,163**	**-**	**225,811**
Balance, June 30, 2026	**839,856**	**96,304**	**792,953**	**399,653**	**134,724**	**2,263,490**
Net Book Value:						
December 31, 2025	**210,027**	**2,220**	**83,140**	**55,163**	**-**	**350,550**
June 30, 2026	**124,186**	**529**	**135,635**	**-**	**-**	**260,350**

6. DEFERRED REVENUE

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, 2024	**-**
Unearned revenues received	8,500
Balance December 31, 2025	**8,500**
Revenue recognized	(8,500)
Balance June 30, 2026	-

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 period ended June 30, 2026, the Company entered into a new lease for office space, replacing the previous lease which expires on July 10, 2026. The lease has a 24 month term with a monthly payment of $5,880 and expires on June 30, 2028. The present value of the minimum lease payments for the new lease was calculated using an interest rate of 4.45% stated n the lease agreement.

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 old office lease and lab equipment were calculated using the incremental borrowing rate of 8%.

During the six months ended June 30, 2026, the Company recognized an interest expense on lease liabilities of $2,464 (2025 - $10,611.)

The Company's future minimum lease payments as at June 30, 2026, and December 31, 2025, are as follows:

	June 30, 2026 $	**December 31, 2025** $
Less than 1 year	**64,680**	110,559
1 to 5 years	**77,350**	-
Total minimum lease payments	**142,030**	110,559
Less: imputed interest	**(6,395)**	(2,464)
Total lease obligation	**135,635**	108,095
Current portion of lease obligations	**65,927**	108,095
Non-current portion of lease obligations	**69,708**	-

7. LEASE LIABILITY (CONT'D)

Lease obligations	**$**
At December 31, 2024	**312,493**
Payments	(204,398)
At December 31, 2025	**108,095**
Additions	**135,635**
Payments	**(108,095)**
At June 30, 2026	**135,635**

8. LOANS PAYABLE

During the year ended December 31, 2023, the Company received a loan from an individual who became a director subsequent to receiving the loan, for $50,000 (note 10.) The loan is unsecured and bears interest at 15% per annum.

During the period ending June 30, 2026, the Company received a loan from an individual for $324,360 (€200,000.) The loan is unsecured payable upon demand, and bears interest at 15% per annum.

During the period ended June 30, 2026, the Company converted $176,712 of debt from a vendor into a loan. The loan is unsecured, bears interest at 4.45% per annum, with an initial payment of $50,000, and monthly payments of $5,548.

During the six months ended June 30, 2026, the Company recorded $6,251 (June 30, 2025 - $3,719) in interest expense related to the loans.

9. SHARE CAPITAL

a) Authorized

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

During the period ended June 30, 2026, the Company underwent a share consolidation at a 3-1 ratio. All references to share, per share amounts, warrants, DSU's, RSU's and stock options in these condensed interim consolidated financial statements have been retroactively restated to reflect the consolidation.

During the year ended December 31, 2025, the Company issued:

- 10,000 common shares pursuant to the exercise of warrants for gross proceeds of $3,000
- 1,840,317 units consisting of one common share and one share purchase warrant ("Unit") in a private placement at a price of $0.075 per Unit for gross proceeds of $414,071. The warrants were valued at $192,883 using the relative fair value method. The Company incurred $955 in share issuance costs related to the closing of the placement.
- 3,467,333 common shares to settle debts of $520,100 for various consulting agreements. The shares were valued at $0.15 per share. As part of the transaction, a gain on settlement of $104,020 was recorded in the consolidated statement of loss and comprehensive loss.

9. 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 June 30, 2026, and December 31, 2025, 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, 2024	**1,061,671**	**1.74**	**4.01**
Issued	930,832	0.15	-
Expired	(10,500)	9.60	-
Settled	(831,000)	0.93	-
Balance, December 31, 2025	**1,151,003**	**0.96**	**4.14**
Expired	(48,171)	18.60	-
Balance, June 30, 2026	**1,102,832**	**0.18**	**3.81**

During the year ended December 31, 2025, the Company and certain option holders agreed to settle 2,493,000 options for no consideration. The options were originally issued on January 30, 2024, had an exercise price of $0.31 and expired on January 30, 2029.

During the year ended December 31, 2025, the Company granted a total of 930,832 stock options to directors and consultants, all of which vested immediately. The options expire on June 30, 2030, with a fair value of $106,115, determined using the Black-Scholes Option Pricing Model with following assumptions: a risk-free rate of 3.09%, expected volatility of 185%, an expected life of 5 years, and no forfeiture or dividend rates.

During the six months ended June 30, 2026, the Company recorded share-based compensation expense related to stock options of $nil (2025 - $106,115).

As at June 30, 2026 the following options were outstanding:

Expiry Date	Exercise Price $	Options #
July 9, 2029	0.30	219,000
June 30, 2030	0.15	883,832
		1,102,832

9. SHARE CAPITAL (CONT'D)

c) Warrants

The balance of warrants outstanding as at June 30, 2026, and December 31, 2025, and the changes during the respective periods are as follows:

	Number of Warrants #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, December 31, 2024	5,602,736	0.42	0.77
Issued	1,840,311	0.90	-
Exercised	(10,000)	0.30	-
Expired	(3,475,033)	0.30	-
Balance, December 31, 2025	3,958,014	0.74	1.01
Balance June 30, 2026	**3,958,014**	**0.74**	**0.51**

As at June 30, 2026, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price $
July 9, 2026	1,239,272	0.60
September 16, 2026	878,431	0.60
June 30, 2027	1,840,311	0.90
	3,958,014	

During the year ended December 31, 2025, management extended the expiry date on the warrants originally set to expire on July 9, 2025 and September 16, 2025 by twelve months.

During the year ended December 31, 2025, the Company issued 1,840,311 warrants as part of a private placement. Each warrant is exercisable for two years from the issuance date with an exercise price of $0.125 for the first year and $0.30 for the second year and were valued at $192,883 using the relative fair value method.

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.

The balance of RSUs outstanding as at June 30, 2026, and December 31, 2025, and the changes for the periods then ended is as follows:

	Number of RSU #
Balance, December 31, 2024	**4,902**
Balance, December 31, 2025	**4,902**
Balance, June 30, 2026	**4,902**
Exercisable at June 30, 2026	**4,902**

9. SHARE CAPITAL (CONT'D)

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.

	Number of DSU **#**
Balance, December 31, 2024	**21,540**
Expired	(21,540)
Balance December 31, 2025	**-**
Balance June 30, 2026	**-**

10. RELATED PARTY DISCLOSURES

Key management includes the CEO, COO, CFO, and the Board of Directors. Compensation paid to key management for the six months ended June 30, 2026, and 2025 was as follows:

	Six months ended June 30, **2026** **$**	 **2025** **$**
Management fees and consulting	**407,990**	403,000
Research and development	**66,000**	66,000
Share-based compensation	**-**	95,836
	473,990	564,836

As at June 30, 2026, the Company had $1,981,114 (December 31 2025 - $1,385,601) owing to related parties included in accounts payable and accrued liabilities, of which $391,107 (December 31, 2025 $106,387) is payable to former related parties.

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 (note 8.) The loan is unsecured and bears interest at 15% per annum. During the six months ended June 30, 2026, the Company recorded $3,719 (June 30, 2025 - $3,719) in interest expense related to this loan.

As of December 31, 2024, the Company had provided a loan of $30,000 to one of its directors, which was recorded as part of the amounts receivable. The amount owing was unsecured, non-interest bearing and due upon demand. During the year ended December 31, 2025, the loan was forgiven. The carrying amount of $30,000 was derecognized and the corresponding amount was recognized as management fees.

11. 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 June 30, 2026, the fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying value due to the short-term maturity of these instruments. Lease liabilities are measured at amortized costs using effective interest rate. Cash, and restricted cash are carried at level 1 fair value measurement.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2026 the Company had a working capital deficit of $3,710,182 (December 31, 2025 $3,011,718.)

(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 the 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. The only significant exposure the Company has to foreign currency risk is related to the loan payable in European Euros (note 8.) As a result, the Company believes its exposure to foreign currency risk is minimal.

12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, lease liabilities and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the period ended June 30, 2026. The Company is not subject to externally imposed capital requirements.

13. 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. During the period ended June 30, 2026, the Company and the Authority continued discussions around a 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:

13. COOPERATION AGREEMENT (CONT'D)

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

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

14. GOVERNMENT ASSISTANCE

The Company receives funding for its research and development activities through various programs. During the six months ended June 30, 2026, and 2025, the following amounts were received:

	2026 $	2025 $
(a) NRC-IRAP Funding	-	12,653
Total received	-	12,653
Less: credit against research and development expense	-	(12,653)
	-	-

14. GOVERNMENT ASSISTANCE (CONT'D)

(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 six months ended June 30, 2026, the Company received $nil (2025 – $12,653) 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 June 30, 2026.

15. SUPPLEMENTAL CASH FLOW

During the six months ended June 30, 2026, and 2025, the following non-cash activities were conducted by the Company:

(a) Shares issued to settle debts of $nil (June 30, 2025 $520,100)

16. CONTINGENCY

On June 10, 2022, OCI Inc. ("OCI") filed a claim against the Company for unpaid invoices of $361,000 relating to a strategic advisory services agreement. The Company's position is that it did not receive any of the services mentioned in the advisory agreement. As at June 30, 2026, the Company had $135,600 in accounts payable and accrued liabilities owing to OCI.

17. SUBSEQUENT EVENTS

Subsequent to June 30, 2026 the Company:

- On July 6, 2026, the Company issued 4,375,000 common shares to settle $350,000 of debt for various consulting agreements.
- On July 31, 2026, the Company issued 3,741,087 common shares in a private placement at a price of $0.08 per share, for gross proceeds of $299,287.
- On July 31, 2026, the Company issued 5,000,000 common shares for the exclusive licensing and commercialization rights of H2Si Power Incorporated's on demand hydrogen production technology. 1,000,000 shares were issued upon closing and 4,000,000 shares will be held in escrow and released only after a commercial unit utilizing H2Si technology, capable of producing up to 1,600 kilograms of hydrogen per day, has been commissioned and operated for 30 consecutive days.