

# **Abound Energy Inc.**

**(Formerly Zinc8 Energy Solutions Inc.)**

**Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 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 March 31, 2024

(Unaudited - expressed in Canadian Dollars)

|                                                   | Note | March 31,<br>2024 | December 31,<br>2023 |
|---------------------------------------------------|------|-------------------|----------------------|
|                                                   |      | \$                | \$                   |
| <b>Assets</b>                                     |      |                   |                      |
| <b>Current Assets</b>                             |      |                   |                      |
| Cash                                              | 4    | -                 | 202,445              |
| Restricted cash                                   | 4    | 100,000           | 100,000              |
| Prepaid and deposits                              |      | 76,819            | 86,410               |
| Amounts receivable                                | 9    | 100,637           | 116,310              |
|                                                   |      | 277,456           | 505,165              |
| <b>Non-Current Assets</b>                         |      |                   |                      |
| Equipment                                         | 5    | 955,454           | 957,033              |
| Right of use assets                               | 5    | 429,208           | 537,092              |
| <b>Total Assets</b>                               |      | <b>1,662,118</b>  | <b>1,999,290</b>     |
| <b>Liabilities</b>                                |      |                   |                      |
| <b>Current Liabilities</b>                        |      |                   |                      |
| Bank overdraft                                    | 4    | 38,508            | -                    |
| Accounts payable and accrued liabilities          | 9    | 1,603,928         | 1,599,745            |
| Deferred income                                   | 6    | 84,000            | -                    |
| Lease liability – short term                      | 7    | 220,098           | 262,527              |
| Loan payable                                      | 9    | 52,219            | 50,349               |
| Deferred share unit liability                     | 8    | 37,479            | 19,386               |
|                                                   |      | 2,036,232         | 1,932,007            |
| Lease liability – long term                       | 7    | 263,715           | 312,521              |
| <b>Total Liabilities</b>                          |      | <b>2,299,947</b>  | <b>2,244,528</b>     |
| <b>Shareholders' Equity</b>                       |      |                   |                      |
| Share capital                                     | 8    | 45,479,883        | 45,364,883           |
| Contributed surplus                               | 8    | 8,836,905         | 8,048,559            |
| Deficit                                           |      | (54,954,617)      | (53,658,680)         |
|                                                   |      | (637,829)         | (245,238)            |
| <b>Total Liabilities and Shareholders' Equity</b> |      | <b>1,662,118</b>  | <b>1,999,290</b>     |

Nature of operations and continuance of business (Note 1)

Contingency (Note 15)

Approved and authorized by the Board on May 28, 2024

|                       |          |                           |          |
|-----------------------|----------|---------------------------|----------|
| <u>"Scott Larson"</u> | Director | <u>"Jason Birmingham"</u> | Director |
| Scott Larson          |          | 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 Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

|                                     |      | Three months ended |                    |
|-------------------------------------|------|--------------------|--------------------|
|                                     |      | March 31,          |                    |
|                                     | Note | 2024               | 2023               |
|                                     |      | \$                 | \$                 |
| <b>Expenses</b>                     |      |                    |                    |
| Amortization                        | 5    | 109,463            | 237,740            |
| General and administrative          | 13   | 30,575             | 118,735            |
| Interest                            |      | 13,379             | 16,996             |
| Filing and listing fees             |      | 13,422             | 36,037             |
| Management and consulting fees      | 8,9  | 216,500            | 196,784            |
| Marketing                           |      | 22,815             | 295,463            |
| Payroll                             | 9    | -                  | 130,302            |
| Professional fees                   |      | 7,813              | 67,202             |
| Research and development            | 13   | 10,546             | 1,450,022          |
| Rent                                | 8    | 58,087             | 56,988             |
| Share-based compensation            | 8,9  | 788,346            | 451,978            |
| Travel                              |      | 6,898              | 17,956             |
|                                     |      | 1,277,844          | 3,076,203          |
| <b>Loss before other items</b>      |      | (1,277,844)        | (3,076,203)        |
| <b>Other items:</b>                 |      |                    |                    |
| Interest income                     |      | -                  | 41,083             |
| Fair value of deferred share units  | 8    | (18,093)           | 60,422             |
|                                     |      | (18,093)           | 101,505            |
| <b>Net and Comprehensive loss</b>   |      | <b>(1,295,937)</b> | <b>(2,974,698)</b> |
| Basic and diluted loss per share    |      | (0.04)             | (0.17)             |
| Weighted average shares outstanding |      | 29,530,726         | 17,902,927         |

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

**Abound Energy Inc.**

## Condensed Interim Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

|                                   | Common shares     | Share Capital     | Contributed Surplus | Deficit             | Total            |
|-----------------------------------|-------------------|-------------------|---------------------|---------------------|------------------|
|                                   | #                 | \$                | \$                  | \$                  | \$               |
| <b>Balance, December 31, 2022</b> | <b>17,791,342</b> | <b>43,900,112</b> | <b>8,343,857</b>    | <b>(46,033,203)</b> | <b>6,210,766</b> |
| Shares issued pursuant to:        |                   |                   |                     |                     |                  |
| RSU Exercised                     | 118,083           | 289,209           | (289,209)           | -                   | -                |
| Share-based compensation          | -                 | -                 | 451,978             | -                   | 451,978          |
| Net loss for the period           | -                 | -                 | -                   | (2,974,698)         | (2,974,698)      |
| <b>Balance, March 31, 2023</b>    | <b>17,909,425</b> | <b>44,189,321</b> | <b>8,506,626</b>    | <b>(49,007,901)</b> | <b>3,688,046</b> |
| <b>Balance, December 31, 2023</b> | <b>29,319,622</b> | <b>45,364,883</b> | <b>8,048,559</b>    | <b>(53,658,680)</b> | <b>(245,238)</b> |
| Shares issued pursuant to:        |                   |                   |                     |                     |                  |
| Warrants exercised                | 150,000           | 15,000            | -                   | -                   | 15,000           |
| Payment in shares                 | 303,028           | 100,000           | -                   | -                   | 100,000          |
| Share-based compensation          | -                 | -                 | 788,346             | -                   | 788,346          |
| Net loss for the period           | -                 | -                 | -                   | (1,295,937)         | (1,295,937)      |
| <b>Balance, March 31, 2024</b>    | <b>29,772,650</b> | <b>45,479,883</b> | <b>8,836,905</b>    | <b>(54,954,617)</b> | <b>(637,829)</b> |

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

**Abound Energy Inc.****Condensed Interim Consolidated Statements of Cash Flows**

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

| <b>For the three months ended, March 31</b>       | <b>2024</b>      | <b>2023</b>        |
|---------------------------------------------------|------------------|--------------------|
|                                                   | <b>\$</b>        | <b>\$</b>          |
| <b>Cash provided by (used in):</b>                |                  |                    |
| <b>Operating activities</b>                       |                  |                    |
| Net income (loss) for the period                  | (1,295,937)      | (2,974,698)        |
| Items not affecting cash:                         |                  |                    |
| Amortization                                      | 109,463          | 237,740            |
| Disposal of asset                                 | -                | -                  |
| Shares in lieu of fees                            | 100,000          | -                  |
| Share-based compensation                          | 788,346          | 451,978            |
| Deferred share unit management fees               | -                | 84,000             |
| Loss (Gain) on fair value of deferred share units | 18,093           | (60,422)           |
| Changes in non-cash working capital items:        |                  |                    |
| Prepaid expense                                   | 9,591            | (148,039)          |
| Deferred income                                   | 84,000           | -                  |
| Amounts receivable                                | 15,673           | (36,513)           |
| Accounts payable and accrued liabilities          | 6,053            | 296,615            |
| <b>Net cash used in operating activities</b>      | <b>(164,718)</b> | <b>(2,149,339)</b> |
| <b>Investing activity</b>                         |                  |                    |
| Purchase of equipment                             | -                | (34,371)           |
| <b>Net cash used in investing activity</b>        | <b>-</b>         | <b>(34,371)</b>    |
| <b>Financing activities</b>                       |                  |                    |
| Lease payments                                    | (91,235)         | (103,326)          |
| Option exercise                                   | -                | -                  |
| Warrant exercise                                  | 15,000           | -                  |
| <b>Net cash from financing activities</b>         | <b>(76,235)</b>  | <b>(103,326)</b>   |
| <b>Change in cash for the period</b>              | <b>(240,953)</b> | <b>(2,287,036)</b> |
| <b>Cash, beginning of period</b>                  | <b>202,445</b>   | <b>5,552,248</b>   |
| <b>Cash, end of period</b>                        | <b>(38,508)</b>  | <b>3,265,212</b>   |
| <b>Supplemental information</b>                   |                  |                    |
| Interest received                                 | -                | 41,083             |
| Taxes paid                                        | -                | -                  |

See Notes 4 and 14 for additional information.

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

**Abound Energy Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2024  
(Unaudited - expressed in Canadian Dollars)

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**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. 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 three months ended March 31, 2024, the Company had a net loss of \$1,295,937 (2023 - \$2,974,698) and at March 31, 2024 had an accumulated deficit of \$54,954,617 (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 12 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.

**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.

**Abound Energy Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

**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.

**4. CASH AND CASH EQUIVALENTS**

|                    |           | <b>March 31, 2024</b> |           | <b>December 31, 2023</b> |
|--------------------|-----------|-----------------------|-----------|--------------------------|
| Cash held in banks | \$        | -                     | \$        | 202,445                  |
| Bank overdraft     |           | (38,508)              |           | -                        |
| Restricted cash    |           | 100,000               |           | 100,000                  |
|                    | <b>\$</b> | <b>61,492</b>         | <b>\$</b> | <b>302,445</b>           |

The Company obtained a temporary bank overdraft facility that bears interest at the lender's prime rate plus 5.0% and is repaid from subsequent cash receipts. Subsequent to March 31, 2024, this the overdraft has been repaid.

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 period ended March 31, 2024, nor during the year ended December 31, 2023. The Company also has \$30,000 (December 31, 2023 - \$30,000) restricted as security for its credit cards.

**5. EQUIPMENT**

|                                   | <b>Lab<br/>Equipment<br/>\$</b> | <b>Equipment<br/>\$</b> | <b>Right of<br/>use asset<br/>\$</b> | <b>Leasehold<br/>improvements<br/>\$</b> | <b>Software<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------------|---------------------------------|-------------------------|--------------------------------------|------------------------------------------|------------------------|---------------------|
| <b>Cost:</b>                      |                                 |                         |                                      |                                          |                        |                     |
| <b>Balance, December 31, 2022</b> | <b>1,258,902</b>                | <b>252,930</b>          | <b>1,760,701</b>                     | <b>461,320</b>                           | <b>165,809</b>         | <b>3,899,662</b>    |
| Additions                         | 63,848                          | 1,873                   | -                                    | 13,500                                   | -                      | 79,221              |
| Disposals                         | -                               | -                       | (203,065)                            | -                                        | -                      | (203,065)           |
| Lease modification                | -                               | -                       | (12,248)                             | -                                        | -                      | (12,248)            |
| <b>Balance, December 31, 2023</b> | <b>1,322,750</b>                | <b>254,803</b>          | <b>1,545,388</b>                     | <b>474,820</b>                           | <b>165,809</b>         | <b>3,763,570</b>    |
| Transfers                         | -                               | 50,271                  | (50,271)                             | -                                        | -                      | -                   |
| <b>Balance, March 31, 2024</b>    | <b>1,322,750</b>                | <b>305,074</b>          | <b>1,495,117</b>                     | <b>474,820</b>                           | <b>165,809</b>         | <b>3,763,570</b>    |
| <b>Accumulated Depreciation:</b>  |                                 |                         |                                      |                                          |                        |                     |
| <b>Balance, December 31, 2022</b> | <b>403,325</b>                  | <b>105,103</b>          | <b>733,238</b>                       | <b>156,499</b>                           | <b>91,913</b>          | <b>1,490,078</b>    |
| Amortization                      | 279,315                         | 69,234                  | 418,322                              | 98,910                                   | 56,850                 | 922,631             |
| Disposal                          | -                               | -                       | (143,264)                            | -                                        | -                      | (143,264)           |
| <b>Balance, December 31, 2023</b> | <b>682,640</b>                  | <b>174,337</b>          | <b>1,008,296</b>                     | <b>255,409</b>                           | <b>148,763</b>         | <b>2,269,445</b>    |
| Transfers                         | -                               | 31,000                  | (31,000)                             | -                                        | -                      | -                   |
| Amortization                      | (30,617)                        | 16,732                  | 88,612                               | 24,914                                   | 9,822                  | 109,463             |
| <b>Balance, March 31, 2024</b>    | <b>652,023</b>                  | <b>222,069</b>          | <b>1,065,908</b>                     | <b>280,323</b>                           | <b>158,585</b>         | <b>2,378,908</b>    |
| <b>Net Book Value:</b>            |                                 |                         |                                      |                                          |                        |                     |
| <b>December 31, 2023</b>          | <b>640,110</b>                  | <b>80,466</b>           | <b>537,092</b>                       | <b>219,411</b>                           | <b>17,046</b>          | <b>1,494,125</b>    |
| <b>March 31, 2024</b>             | <b>670,727</b>                  | <b>83,005</b>           | <b>429,209</b>                       | <b>194,497</b>                           | <b>7,224</b>           | <b>1,384,662</b>    |

**Abound Energy Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2024  
(Unaudited - expressed in Canadian Dollars)

**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.

|                                          | \$            |
|------------------------------------------|---------------|
| <b>Opening balance December 31, 2023</b> | -             |
| Unearned revenues received               | 84,000        |
| Revenue recognized                       | -             |
| <b>Balance March 31, 2024</b>            | <b>84,000</b> |
| Current portion                          | 84,000        |
| Long term portion                        | -             |
|                                          | <b>84,000</b> |

The deferred revenue of \$84,000 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, expiring 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 months ended March 31, 2024, the Company recognized an interest expense on lease liabilities of \$10,616 (2023 - \$19,965.)

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

|                                          | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|------------------------------------------|-----------------------|--------------------------|
|                                          | \$                    | \$                       |
| Less than 1 year                         | 248,993               | 296,291                  |
| 1 to 5 years                             | 277,689               | 332,242                  |
| 5+ Years                                 | -                     | -                        |
| Total minimum lease payments             | 526,682               | 628,533                  |
| Less: imputed interest                   | (42,869)              | (53,485)                 |
| <b>Total lease obligation</b>            | <b>483,813</b>        | <b>575,048</b>           |
| Current portion of lease obligations     | 220,098               | 262,527                  |
| Non-current portion of lease obligations | 263,715               | 312,521                  |

**Abound Energy Inc.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

**7. LEASE LIABILITY (CONT'D)**

| <i>Lease obligations</i>    | <b>\$</b>        |
|-----------------------------|------------------|
| <b>At December 31, 2022</b> | <b>1,054,812</b> |
| Payments                    | (390,945)        |
| Disposals                   | (88,819)         |
| <b>At December 31, 2023</b> | <b>575,048</b>   |
| Payments                    | (91,235)         |
| <b>At December 31, 2023</b> | <b>483,813</b>   |

**8. SHARE CAPITAL****a) Authorized**

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

During the three months ended March 31, 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.
- 150,000 common shares pursuant to the exercise of warrants for proceeds of \$15,000.

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.

**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.

**Abound Energy Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

**8. SHARE CAPITAL (CONT'D)****b) options (cont'd)**

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

|                                   | <b>Number of<br/>Options<br/>#</b> | <b>Weighted Average<br/>Exercise Price<br/>\$</b> | <b>Weighted Average<br/>Life Remaining<br/>(years)</b> |
|-----------------------------------|------------------------------------|---------------------------------------------------|--------------------------------------------------------|
| <b>Balance, December 31, 2022</b> | <b>1,212,682</b>                   | <b>4.40</b>                                       | <b>3.18</b>                                            |
| Expired                           | (815,701)                          | 4.21                                              | -                                                      |
| <b>Balance, December 31, 2023</b> | <b>396,981</b>                     | <b>4.76</b>                                       | <b>1.72</b>                                            |
| Granted                           | 2,450,000                          | 0.33                                              | 4.84                                                   |
| Expired                           | (193,750)                          | 4.32                                              | -                                                      |
| <b>Balance, March 31, 2024</b>    | <b>2,653,231</b>                   | <b>0.95</b>                                       | <b>4.59</b>                                            |

During the three months ended March 31, 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 three months ended March 31, 2024, the Company recorded share-based compensation expense related to stock options of \$786,450 (2023 - \$nil).

As at March 31, 2024 the following options were outstanding:

| <b>Expiry Date</b> | <b>Exercise Price<br/>\$</b> | <b>Options<br/>#</b> |
|--------------------|------------------------------|----------------------|
| September 12, 2024 | 2.10                         | 27,216               |
| February 18, 2025  | 3.20                         | 31,500               |
| April 5, 2026      | 6.20                         | 144,515              |
| January 30, 2029   | 0.33                         | 2,450,000            |
|                    |                              | <b>2,653,231</b>     |

**c) Warrants**

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

|                                   | <b>Number of<br/>Warrants<br/>#</b> | <b>Weighted Average<br/>Exercise Price<br/>\$</b> | <b>Weighted Average<br/>Life Remaining<br/>(years)</b> |
|-----------------------------------|-------------------------------------|---------------------------------------------------|--------------------------------------------------------|
| <b>Balance, December 31, 2022</b> | <b>1,587,020</b>                    | <b>3.26</b>                                       | <b>1.78</b>                                            |
| Issued                            | 10,752,500                          | 0.10                                              | -                                                      |
| Expired                           | (172,500)                           | 5.40                                              | -                                                      |
| <b>Balance, December 31, 2023</b> | <b>12,167,020</b>                   | <b>0.55</b>                                       | <b>1.86</b>                                            |
| Exercised                         | (150,000)                           | 0.10                                              | -                                                      |
| <b>Balance March 31, 2024</b>     | <b>12,017,020</b>                   | <b>0.56</b>                                       | <b>1.61</b>                                            |

**Abound Energy Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

**8. SHARE CAPITAL (CONT'D)**

## c) warrants (cont'd)

As at March 31, 2024, the following share purchase warrants were outstanding and exercisable:

| <b>Expiry Date</b> | <b>Number<br/>Outstanding</b> | <b>Exercise Price<br/>\$</b> |
|--------------------|-------------------------------|------------------------------|
| December 22, 2024  | 1,414,520                     | 3.00                         |
| December 22, 2025  | 10,602,500                    | 0.10                         |
|                    | <b>12,017,020</b>             |                              |

## 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 147,058 RSUs to a consultant of the Company, the RSUs were fair valued at \$21,323 and vest over 1 year.

During the three months ended March 31, 2024, the Company recorded share-based compensation expense of \$1,896 (2023 - \$451,979) related to the vesting of these RSUs.

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

|                                      | <b>Number of RSU<br/>#</b> |
|--------------------------------------|----------------------------|
| <b>Balance, December 31, 2022</b>    | <b>812,500</b>             |
| Granted                              | 94,706                     |
| Exercised                            | (369,333)                  |
| Expired                              | (224,725)                  |
| Forfeited                            | (168,442)                  |
| <b>Balance, December 31, 2023</b>    | <b>144,706</b>             |
| Expired                              | (130,000)                  |
| <b>Balance, March 31, 2024</b>       | <b>14,706</b>              |
| Unvested                             | (4,902)                    |
| <b>Exercisable at March 31, 2024</b> | <b>9,804</b>               |

## 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.

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**8. SHARE CAPITAL (CONT'D)****d) DSUs (cont'd)**

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 three months ended March 31, 2024, the Company granted nil DSUs, (2023 – 606,900) all fully vested with a value of \$nil (2023 - \$84,000) to directors of the Company. As at March 31, 2024, 129,239 (2023 – 160,980) DSUs are outstanding and the fair market value of the DSUs was \$0.29 (2023 \$1.38) per DSU. As at March 31, 2024, the Company had recorded a total of \$34,479 (December 31, 2023 \$19,386) in DSU liabilities and a loss on DSU valuation of \$18,093 (2022 gain of \$60,422).

**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 months ended March 31, 2024, and 2023 was as follows:

|                                | <b>Three months ended March 31,</b> |                |
|--------------------------------|-------------------------------------|----------------|
|                                | <b>2024</b>                         | <b>2023</b>    |
|                                | <b>\$</b>                           | <b>\$</b>      |
| Management fees and consulting | 196,500                             | 193,500        |
| Payroll expense                | -                                   | 114,751        |
| Share-based compensation       | 714,225                             | 292,875        |
|                                | <b>910,725</b>                      | <b>601,126</b> |

A company related by common directors charged rent of \$nil (2023 - \$2,000) during the three months ended March 31, 2024.

As at March 31, 2024, the Company had \$287,520 (2023 - \$nil) 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 period ended March 31, 2024 the Company recorded \$1,870 (2023 - \$nil) in interest expense related to this loan.

As of March 31, 2024, the Company has provided a loan of \$75,000 (2023 - \$ 80,177) 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.

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**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 March 31, 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.

**(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 March 31, 2024 the Company had a working capital deficit of \$1,758,776 (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.

**Abound Energy Inc.**

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For the Three Months Ended March 31, 2024  
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**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 period ended March 31, 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:

**Abound Energy Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the Three Months Ended March 31, 2024

(Unaudited - expressed in Canadian Dollars)

**12. 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

**13. GOVERNMENT ASSISTANCE**

The Company receives funding for its research and development activities through various programs. During the three months ended March 31, 2024, and 2023, the following amounts were received:

|                                                       | <b>2024</b>   | <b>2023</b>    |
|-------------------------------------------------------|---------------|----------------|
|                                                       | <b>\$</b>     | <b>\$</b>      |
| (a) NRC-IRAP Funding                                  | -             | 115,476        |
| (b) Innovation Asset Collective                       | 15,000        | -              |
| <b>Total received</b>                                 | <b>15,000</b> | <b>115,476</b> |
| Less: credit against professional fees                | (15,000)      | -              |
| Less: credit against research and development expense | -             | (115,476)      |
|                                                       | -             | -              |

- (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

**Abound Energy Inc.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2024****(Unaudited - expressed in Canadian Dollars)**

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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 months ended March 31, 2024, the Company received \$nil (2023 – \$115,476) 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 March 31, 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 months ended March 31, 2024, the Company received \$15,000 (2023 - \$nil).

**14. SUPPLEMENTAL CASH FLOW**

During the three months ended March 31, 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 - \$84,000).
- (b) 303,028 common shares issued as settlement of \$100,000 of debt from directors and consultants of the Company.

**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 March 31, 2024, the Company had \$135,600 in accounts payable and accrued liabilities owing to OCI.