H2 VENTURES 1 INC.

Condensed Interim Financial Statements

For the six months ended June 30, 2022 and the 65-day period ended June 30, 2021

(Unaudited - Expressed in Canadian Dollars)

Notice to Reader

The accompanying unaudited condensed interim financial statements of H2 Ventures 1 Inc. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these condensed interim financial statements for the six months ending June 30, 2022, in accordance with the standards established by the CPA Canada for a review of condensed interim financial statements by an entity's auditors.

(Expressed in Canadian Dollars)

As at	June 30, 2022 (unaudited)	December 31, 2021 (audited)
ASSETS		
Current assets		
Cash	$ 4,933,014	$ 485,744
Interest receivable	14,639	-
Prepaid expense	-	15,000
Total assets	$ 4,947,653	$ 500,744
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 13,160	$ 53,849
Due to related party (Note 8)	150	150
Total liabilities	13,310	53,999
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	4,486,418	560,000
Reserves (Note 5)	622,040	37,000
Deficit	(174,115)	(150,255)
Total shareholders' equity	4,934,343	446,745
Total liabilities and shareholders' equity	$ 4,947,653	$ 500,744

Nature and Continuance of Operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

"Eric Denhoff" Director — *"Erin Campbell"* Director

Eric Denhoff — Erin Campbell

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

H2 Ventures 1 Inc.
Condensed Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30, 2022	65-Day Period Ended June 30, 2021	Six Months Ended June 30, 2022	65-Day Period Ended June 30, 2021
Operating Expenses				
Accounting	$ 9,545	$ -	$ 12,657	$ -
Audit fees	-	-	2,205	-
Consulting fees	17,850	-	20,512	-
Legal fees	80	-	3,014	-
Regulatory fees	-	143	4,615	143
Travel	1,827	-	1,827	-
General and admin expenses	1,003	-	1,003	-
Share-based payments (Note 8)	-	37,000	-	37,000
Total Operating Expenses	(30,305)	(37,143)	(45,833)	(37,143)
Other				
Interest income	18,359	-	21,973	-
Total Other	18,359	-	21,973	-
Loss and comprehensive loss for the period	$ (11,946)	$ (37,143)	$ (23,860)	$ (37,143)
Basic and diluted loss per common share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	50,150,276	6,720,000	50,150,276	6,720,000

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

(Unaudited - Expressed in Canadian Dollars)

	Number Of Shares	Share Capital	Reserves	Deficit	Total
Balance - April 26, 2021	1	$ -	$ -	$ -	$ -
Issue of seed shares	11,199,999	560,000	-	-	560,000
Share-based payments	-	-	37,000	-	37,000
Loss and comprehensive loss for the period	-	-	-	(37,143)	(37,143)
Balance - June 30, 2021	11,200,000	$ 560,000	$ 37,000	$ (37,143)	$ 559,857
Balance – January 1, 2022	11,200,000	$ 560,000	$ 37,000	$ (150,255)	$ 446,745
Issuance of IPO shares	50,000,000	5,000,000	-	-	5,000,000
Share issuance costs – cash	-	(488,542)	-	-	(488,542)
Share issuance costs – agent's warrants	-	(585,040)	585,040	-	-
Loss and comprehensive loss for the period	-	-	-	(23,860)	(23,860)
Balance – June 30, 2022	61,200,000	$ 4,486,418	$ 622,040	$ (174,115)	$ 4,934,343

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

(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended June 30, 2022	65-Day Period Ended June 30, 2021
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	$ (23,860)	$ (37,143)
Item not involving cash		
Share-based payments	-	37,000
Interest income accrued	(14,639)	-
Change in non-cash working capital items		
Prepaid expense	15,000	-
Accounts payable and accrued liabilities	(40,689)	-
Net cash used in operating activities	(64,188)	(143)
FINANCING ACTIVITIES		
Proceeds from issue of common shares, net of issuance costs	4,511,458	560,000
Advance from related party	-	150
Net cash provided by financing activities	4,511,458	560,150
Increase in cash for the period	4,447,270	560,007
Cash, beginning of period	485,744	-
Cash, end of period	$ 4,933,014	$ 560,007
Supplemental cash flow information		
Cash paid for interest during the period	$ -	$ -
Cash paid for income taxes during the period	$ -	$ -

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

1. Nature and Continuance of Operations

H2 Ventures 1 Inc. (the "Company") was incorporated pursuant to the provisions of the British Columbia *Business Corporations Act* on April 26, 2021.

The Company's head office address is 2695 Queenswood Drive, Victoria, British Columbia, Canada, V8N 1X6. The registered and records office address is 1700 - 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

The Company is a Capital Pool Company ("CPC"), as defined in the TSX Venture Exchange ("TSX-V" or "Exchange") Policy 2.4. The principal business of the Company is to identify and evaluate companies, businesses, properties or assets with a view to potentially acquire them or an interest therein by completing a purchase transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. Once identified and evaluated, negotiating an acquisition or participation is subject to receipt of shareholder and regulatory approval (the "Qualifying Transaction").

On June 4, 2021, the Company issued 11,199,999 common shares for gross proceeds of $560,000. The Company filed a prospectus for an initial public offering ("IPO") of the Company's common shares on December 9, 2021. On February 9, 2022, the Company completed its IPO and issued 50,000,000 shares for gross proceeds of $5,000,000. Upon completion of the IPO, the Company had 61,200,000 common shares issued and outstanding. The common shares commenced trading on the TSX-V under the symbol "HO.P" on February 16, 2022.

These condensed interim 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 rather than through a process of forced liquidation. These condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business. Any acquisition or investment proposed by the Company will be subject to regulatory approval. This material uncertainty raises doubt about the Company's ability to continue as a going concern.

The Company's financial condition and results of operations may be negatively affected by economic and other consequences of world events such as the conflict in Ukraine and the threat of pandemics. While the Company expects any direct impacts of world events to the current and future business to be limited, the indirect impacts on the economy, supply chain and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing.

2. Basis of Presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the period from incorporation on April 26, 2021 to December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on August 17, 2022.

(b) Basis of presentation

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

3. Summary of Significant Accounting Policies

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the period from incorporation on April 26, 2021 to December 31, 2021.

(a) Accounting standard issued but not yet effective

International Accounting Standard ("IAS") 1 Presentation of Financial Statements

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for the years beginning on or after January 1, 2023. The amendment is expected to have no impact for the Company.

4. Critical Accounting Estimates and Judgments

The preparation of these condensed interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its professional judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

4. Critical Accounting Estimates and Judgments (continued)

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

(a) Going concern

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in these condensed interim financial statements within the next fiscal year include the assessment of material uncertainty which raises significant doubt about the Company's ability to continue as a going concern.

(b) Share-based payments

The Company applies a fair value-based method of accounting to all share-based payments. The fair value of employees, directors and non-employees' options and warrants is determined using the Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions, including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

5. Share Capital

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

On April 26, 2021, the Company issued 1 common share at a price of $0.05.

On June 4, 2021, the Company issued 11,199,999 common shares at a price of $0.05 per share for proceeds of $560,000. These common shares are held in escrow following the Company's IPO as at February 9, 2022.

On February 9, 2022, the Company completed its IPO of 50,000,000 common shares at a price of $0.10 per share for gross proceeds of $5,000,000 before agent's compensation. The agent was paid a cash commission of $400,000 and was granted non-transferrable warrants ("Agent's warrants") to purchase up to 4,000,000 common shares. The warrants entitle the holder to acquire one common share at a price of $0.10 per share and expire on February 9, 2024. The agent's warrants were valued using the Black-Scholes option model and the following assumptions: volatility of 128%; interest rate of 1.36%; term of two years; and a dividend rate of $nil. The calculated value of the agent's warrants is $585,040 and is recorded as a share issuance cost.

In connection to the IPO, the Company recorded $88,542 of additional share issuance costs related to legal fees and other costs of completing the IPO.

(Unaudited - Expressed in Canadian Dollars)

5. Share Capital (continued)

(c) Escrow Agreement

Under the escrow agreement, 25% of the shares held in escrow will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 25% will be released on each of the dates that are 6 months, 12 months and 18 months following the initial release.

(d) Reserves

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors may from time to time, in its discretion, and in accordance with the Exchange requirements, grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date. Options granted may not exceed a term of ten years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities.

The Board of Directors determines the exercise price per common share, the number of options granted to individual directors, officers, employees and consultants, and all other terms and conditions of the options. The plan is subject to regulatory approval.

During the year ended December 31, 2021, the Company granted 1,000,000 stock options to the directors at an exercise price of $0.05 per share, expiring on June 4, 2026. These stock options and the shares acquired pursuant to the exercise of such CPC stock option are to be held in escrow, subject to the CPC Escrow Agreement. The fair value of options has been estimated using the Black-Scholes option pricing model using the following assumptions: volatility of 100%; interest rate of 0.86%; term of two years; and a dividend rate of $nil. As the options vested at the date of grant, the full Black-Scholes value of $37,000 was expensed as share-based payments in the year ended December 31, 2021.

There were no new stock options granted in the period ended June 30, 2022. A summary of the Company's stock options enabling the holders to acquire common shares is as follows:

	Exercise Price	**Number of Options**
Balance – April 26, 2021	-	-
Granted	$0.05	1,000,000
Balance – December 31, 2021 and June 30, 2022	$0.05	1,000,000

Incentive stock options outstanding and exercisable at June 30, 2022 are summarized as follows:

Expiry Date	**Exercise Price**	**June 30, 2022**	**December 31, 2021**
June 4, 2026	$0.05	1,000,000	1,000,000
Total outstanding and exercisable options	$0.05	1,000,000	1,000,000

(Unaudited - Expressed in Canadian Dollars)

5. Share Capital (continued)

(d) Reserves (continued)

Stock options (continued)

As at June 30, 2022, the weighted average remaining life for outstanding stock options was 3.93 (December 31, 2021 – 4.42) years.

Agent's warrants

The changes in warrants outstanding are summarized as follows:

	Exercise Price	**Number of Warrants**
Balance – April 26, 2021 and December 31, 2021	-	-
Granted	$0.10	4,000,000
Balance – June 30, 2022	$0.10	4,000,000

Warrants outstanding and exercisable at June 30, 2022 are summarized as follows:

Expiry Date	**Exercise Price**	**June 30, 2022**	**December 31, 2021**
February 9, 2024	$0.10	4,000,000	-
Total outstanding warrants	$0.10	4,000,000	-

As at June 30, 2022, the weighted average remaining life for outstanding agent's warrants was 1.61 (December 31, 2021 – nil) years.

6. Financial Instruments

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consists primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company has minimal credit risk.

6. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position. At June 30, 2022, the Company had a working capital of $4,934,343 (December 31, 2021 - $446,745).

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

Foreign currency risk

As at June 30, 2022, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

7. Capital Management

Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital.

Pursuant to the policies of the TSX-V, the proceeds from the issuance of share capital raised by the Company, both prior to the Company's IPO and from the IPO itself, may only be used to identify and evaluate assets or businesses for future investments, with the exception that reasonable general and administrative expenses of the Company may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company, as defined under the policies of the Exchange.

8. Related Party Transactions

The Company's related parties include key management personnel and companies controlled and/or owned by officers and directors of the Company. Key management consists of the officers and directors who are responsible for planning, directing and controlling the activities of the Company.

(a) Key Management Personnel Compensation

During the year ended December 31, 2021, the Company granted 1,000,000 stock options to the directors of the Company with a fair value of $37,000 recorded as share-based payments (Note 5(d)). No compensations were paid and/or accrued to key management personnel during the six months ended June 30, 2022.

8. Related Party Transactions (continued)

(b) Advisory Services Agreement with a Related Party

The Company entered into an advisory services agreement with ECMB Capital Partners Inc. ("ECMB") on May 1, 2021, a corporation controlled by a director of the Company. As at June 30, 2022, ECMB is compensated at a rate of $1,000 plus applicable taxes per month related to a corporate secretary, investor relations and capital market consulting services. During the six months ended June 30, 2022, $13,650 in fees were expensed to ECMB.

(c) Due to Related Parties

The amount due of $150 (December 31, 2021 - $150) to related parties is owed to the chief executive officer of the Company for reimbursements of expenses in the normal course of business. The amount is unsecured, non-interest-bearing and payable on demand.