



Next Hydrogen Solutions Inc.
(previously BioHEP Technologies Ltd.)

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2022 and December 31, 2021

(in Canadian dollars)

(unaudited)

	Sep 30 2022	Dec 31 2021
Assets		
Current		
Cash and cash equivalents	\$25,834,547	\$ 39,197,357
Trade and other receivables	540,804	893,894
Prepaid expenses and deposits	810,651	1,225,706
Current income tax recoverable	-	119,763
Inventory (note 3)	3,745,676	2,371,276
	30,931,678	43,807,996
Prepaid expenses and deposits	90,328	97,528
Equipment (note 4)	4,717,906	1,109,184
Right of use asset (note 5)	1,755,570	1,903,235
Patents (note 6)	696,397	772,357
Intangible assets and goodwill (note 7)	296,273	366,694
	\$38,488,152	\$ 48,056,994
Liabilities		
Current		
Bank indebtedness (note 16)	\$ 60,000	\$ 60,000
Trade and other payables	1,733,947	2,321,220
Contingent liability	14,968	-
Deferred revenue (note 8)	2,774,888	2,704,792
Provisions (note 9)	907,910	1,067,795
Finance lease liability	67,108	54,847
Long-term debt	97,189	137,409
	5,656,010	6,346,063
Contingent liability	48,216	63,184
Deferred revenue (note 8)	381,203	323,149
Provisions (note 9)	1,672,318	1,548,344
Finance lease liability	1,774,822	1,819,890
Long-term debt	100,357	163,678
	9,632,926	10,264,308
Shareholders' Equity		
Share capital (note 10)	76,393,695	76,393,695
Contributed surplus (note 11)	5,321,677	3,274,503
Retained deficit	(52,860,146)	(41,875,512)
	28,855,226	37,792,686
	\$38,488,152	\$ 48,056,994

On behalf of the Board

"Raveel Afzaal"

"Allan Mackenzie"

Condensed Interim Consolidated Statements of Comprehensive Loss
three and nine months ended September 30, 2022 and 2021 (in Canadian dollars)
(unaudited)

	3 months ended Sep 30 2022	(note 17) 3 months ended Sep 30 2021	9 months ended Sep 30 2022	(note 17) 9 months ended Sep 30 2021
Revenue (note 15)	\$ 74,457	77,397	160,078	\$ 136,520
Direct costs	53,175	29,505	103,137	57,572
Gross margin	21,282	47,892	56,941	78,948
Expenses				
Research and development	2,508,003	1,863,822	5,839,272	4,144,516
General and administrative (note 12)	1,280,419	1,323,350	4,166,170	3,199,427
Marketing and sales	267,622	454,167	1,093,089	1,211,063
Provisions (notes 3, 9)	13,774	179,316	107,660	3,739,911
	4,069,818	3,820,655	11,206,191	12,294,917
Loss before the following	(4,048,536)	(3,772,763)	(11,149,250)	(12,215,969)
Finance costs, net (note 13)	(144,238)	26,214	(164,616)	238,955
Transaction costs	-	24,617	-	7,988,025
	(144,238)	50,831	(164,616)	8,226,980
Net loss and comprehensive loss	\$ (3,904,298)	(3,823,594)	(10,984,634)	\$(20,442,949)
Loss per share:				
Basic	\$ (0.17)	\$ (0.17)	\$ (0.48)	\$ (1.11)
Diluted	\$ (0.17)	\$ (0.17)	\$ (0.48)	\$ (1.11)
Weighted average number of shares outstanding: (note 10)				
Basic	22,888,436	22,883,436	22,888,436	18,475,754
Diluted	22,888,436	22,883,436	22,888,436	18,475,754



Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
 nine months ended September 30, 2022 and 2021 (in Canadian dollars)
 (unaudited)

	Share Capital	Contributed Surplus	Retained Deficit	Total
Balances, December 31, 2021	\$ 76,393,695	3,274,503	(41,875,512)	\$ 37,792,686
Share-based compensation expense (note 11)	-	2,047,174	-	2,047,174
Net loss and comprehensive loss	-	-	(10,984,634)	(10,984,634)
Balances, September 30, 2022	\$ 76,393,695	5,321,677	(52,860,146)	\$ 28,855,226
Balances, December 31, 2020	\$ 10,085,999	71,196	(16,867,866)	\$ (6,710,671)
Share issuance	64,701,526	-	-	64,701,526
Warrant issuance	-	614,700	-	614,700
Option exercise	67,966	(22,966)	-	45,000
DSU settlement	1,523,314	-	-	1,523,314
Share-based compensation expense	-	1,701,612	-	1,701,612
Net loss and comprehensive loss	-	-	(20,442,949)	(20,442,949)
Balances, September 30, 2021	\$ 76,378,805	2,364,542	(37,310,815)	\$ 41,432,532



Condensed Interim Consolidated Statements of Cash Flows

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

(unaudited)

	3 months ended Sep 30 2022	3 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Cash flows used in operating activities				
Net loss	\$ (3,904,298)	(3,823,594)	(10,984,634)	\$ (20,442,949)
Adjustments:				
Finance costs, net	(144,238)	26,214	(164,616)	238,955
Depreciation and amortization	183,607	75,784	478,938	154,368
Provisions	13,774	179,316	107,660	3,739,911
Share-based compensation expense	481,248	802,455	2,047,174	1,701,612
Warrant issuance	-	-	-	614,700
Transaction costs	-	24,617	-	7,347,868
	(3,369,907)	(2,715,208)	(8,515,478)	(6,645,535)
Net change in non-cash operating working capital (note 14)	(441,898)	(4,440)	(1,081,985)	(1,125,345)
	(3,811,805)	(2,719,648)	(9,597,463)	(7,770,880)
Interest paid	-	(2,803)	-	(9,056)
Interest received	205,103	41,155	350,093	54,741
	(3,606,702)	(2,681,296)	(9,247,370)	(7,725,195)
Cash flows used in investing activities				
Acquisition of equipment	(789,044)	(448,581)	(3,785,878)	(712,476)
Patent costs (note 6)	(495)	(1,376)	(7,737)	(26,561)
Acquisition of CFS	-	-	-	(432,570)
Disposition of property and equipment	-	875	-	875
	(789,539)	(449,082)	(3,793,615)	(1,170,732)
Cash flows from (used in) financing activities				
Issuance of shares, net	-	(63,276)	-	57,218,286
Reverse takeover costs	-	(24,617)	-	(364,628)
Cash acquired on acquisition of BioHEP	-	-	-	500,000
Exercise of options	-	-	-	45,000
Proceeds from loan payable	-	(5,105,256)	-	(5,105,256)
Repayment of long-term debt	(36,554)	-	(109,665)	-
Proceeds from bank indebtedness	-	-	-	20,000
Repayment of finance lease liability	(52,657)	-	(212,160)	-
	(89,211)	(5,193,149)	(321,825)	52,313,402
Increase (decrease) in cash and cash equivalents	(4,485,452)	(8,323,527)	(13,362,810)	43,417,475
Cash and cash equivalents, beginning	30,319,999	52,833,069	39,197,357	1,092,067
Cash and cash equivalents, ending	\$ 25,834,547	44,509,542	25,834,547	\$ 44,509,542

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

1. CORPORATE INFORMATION

Founded in 2007, Next Hydrogen Solutions Inc. ("Next Hydrogen" or the "Company") is a designer and manufacturer of electrolyzers that use water and electricity as inputs to generate clean hydrogen for use as an energy source. Next Hydrogen's unique cell design architecture supported by 39 patents enables high-current density operations and superior dynamic response to efficiently convert intermittent renewable electricity into green hydrogen on an infrastructure scale. Following successful pilots, Next Hydrogen is scaling up its technology to deliver commercial solutions to decarbonize transportation and industrial sectors.

The Company's registered head office is at 6610 Edwards Blvd, Mississauga, Ontario, L5T 2V6 and was incorporated on February 11, 2014 under the British Columbia Business Corporations Act. The Company changed its name from "BioHEP Technologies Ltd." to "Next Hydrogen Solutions Inc." on June 24, 2021.

The common shares of the Company trade on the TSX Venture Exchange under the symbol "NXH" and on the OTCQX under the symbol "NXHSF".

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2021.

The accounting policies described in the Company's annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 8, 2022.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments recorded at fair value.

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

Basis of Consolidation

The condensed interim consolidated financial statements consolidate the accounts of the Company and its subsidiaries, Next Hydrogen Corporation and Next Hydrogen USA, Inc. Subsidiaries are entities over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company, and are de-consolidated from the date control ceases. Fully consolidated means that all transactions with the subsidiary and any intercompany balances, gains, or losses with the subsidiary have been eliminated on consolidation. The accounting policies have been applied consistently by all subsidiaries.

The Company's subsidiaries are wholly-owned, are in product development for the renewable energy industry, and are domiciled in Canada and the United States, respectively.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

Change in Accounting Standards

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"))

In May 2020, the IASB issued amendments to IAS 37 regarding costs that should be included as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments clarify that the cost of fulfilling the contract comprises all costs that relate directly to the contract. Such costs include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts existing at the date when the amendments are first applied. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

Effective January 1, 2022, the Company adopted these amendments, with no impact on the consolidated financial statements.

Future Accounting Pronouncements

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

Classification of Liabilities as Current or Non-current [Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")]

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

Definition of Accounting Estimates [Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")]

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of "accounting estimates" and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

Disclosure of Accounting Policies (Amendments to IAS 1)

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

Critical Accounting Estimates and Significant Judgments

The preparation of condensed interim consolidated financial statements requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards, and to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions and as adjustments become necessary, they are reported in profit and loss in the period in which they become known. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported.

a) *Revenue recognition*: In accounting for revenue, management must review each contract and allocate the transaction price to the various performance obligations based on the expected costs for each performance obligation. The estimated costs are largely based on budgeted costs or quotes for costs and anticipated labour hours to complete the task.

b) *Provisions*: Provisions for warranty and onerous contracts are recognized at management's best estimate of the expenditures required to settle the Company's obligation. The estimated costs are largely based on budgeted costs or quotes for costs and anticipated labour hours to complete the task.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

c) *Impairment of patents*: Patents are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. To determine whether patents are impaired, management must estimate the recoverable amount.

d) *Share-based compensation*: The fair value of share-based compensation is estimated using the Black-Scholes option pricing model and relies on a number of estimates, such as the expected life of the option, the volatility of the underlying share price of similar companies and the risk-free rate of return.

e) *Depreciation and impairment of equipment*: Estimates of useful lives for depreciation is based on management's judgment of the expected productive lives and planned uses for each respective asset. Equipment is assessed for impairment when events or circumstances indicate that the Company may not be able to recover its carrying value.

f) *Impairment of trade and other receivables*: An allowance for lifetime expected credit losses is established based on specific account identification. Management regularly analyzes its approach and exposure to credit loss based on analysis of all relevant current information as well as historical trends.

g) *Taxes*: Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

h) *Going Concern*: The condensed interim consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The assessment of going concern involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

3. INVENTORY

	Sep 30 2022	Dec 31 2021
Spare parts	\$ 2,034,513	\$ 1,048,328
Work in progress	50,506	140,937
Finished inventory	3,247,965	2,671,197
Onerous contract provision	(1,587,308)	(1,489,186)
	<u>\$ 3,745,676</u>	<u>\$ 2,371,276</u>

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

4. EQUIPMENT

	<u>Equipment</u>	<u>Equipment under Const- ruction</u>	<u>Computer Hardware</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improve- ments</u>	<u>Total</u>
Cost						
Balances, December 31, 2021	\$ 666,430	330,692	139,157	64,062	172,452	\$1,372,793
Additions	496,640	3,125,012	53,367	11,568	101,175	3,787,762
Transfers	1,725,873	(1,725,873)	-	-	-	-
Disposals	-	-	(2,190)	-	-	(2,190)
Balances, September 30, 2022	<u>2,888,943</u>	<u>1,729,831</u>	<u>190,334</u>	<u>75,630</u>	<u>273,627</u>	<u>5,158,365</u>
Accumulated depreciation						
Balances, December 31, 2021	(233,295)	-	(26,490)	(1,549)	(2,275)	(263,609)
Depreciation	(113,750)	-	(41,405)	(5,328)	(16,673)	(177,156)
Disposals	-	-	306	-	-	306
Balances, September 30, 2022	<u>\$(347,045)</u>	<u>-</u>	<u>(67,589)</u>	<u>(6,877)</u>	<u>(18,948)</u>	<u>\$(440,459)</u>
Net carrying amounts						
At September 30, 2022	<u>\$2,541,898</u>	<u>1,729,831</u>	<u>122,745</u>	<u>68,753</u>	<u>254,679</u>	<u>\$4,717,906</u>

Depreciation on equipment under construction will commence once the respective assets are ready for use.

5. RIGHT-OF-USE ASSET

The right of use asset relates to a lease of the Company's head office and assembly facility, which started on September 1, 2021.

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Balances, December 31, 2021	\$ 1,968,864	65,629	\$ 1,903,235
Amortization	-	147,665	(147,665)
Balances, September 30, 2022	<u>\$ 1,968,864</u>	<u>213,294</u>	<u>\$ 1,755,570</u>

6. PATENTS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Balances, December 31, 2021	\$ 1,047,197	274,840	\$ 772,357
Additions	7,737	-	7,737
Amortization	-	83,697	(83,697)
Balances, September 30, 2022	<u>\$ 1,054,934</u>	<u>358,537</u>	<u>\$ 696,397</u>

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

7. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets	Goodwill	Net
Balances, December 31, 2021	\$ 284,490	82,204	\$ 366,694
Amortization	(70,421)	-	(70,421)
Balances, September 30, 2022	214,069	82,204	296,273

8. DEFERRED REVENUE

	Maintenance and warranty obligations in process	Service obligations in place	Advances on contracts with no satisfied obligations	Total
Balances, December 31, 2021	93,493	256,300	2,678,148	3,027,941
Payments received	-	128,150	-	128,150
Balances, September 30, 2022	\$ 93,493	384,450	2,678,148	3,156,091
Current portion				2,774,888
				\$ 381,203

9. PROVISIONS

	Onerous contracts	Warranty	Total
Balances, December 31, 2021	2,228,493	387,646	2,616,139
Net additions	9,536	-	9,536
Utilized	(45,447)	-	(45,447)
Balances, September 30, 2022	\$ 2,192,582	387,646	2,580,228
Current portion			907,910
			\$ 1,672,318

10. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

The Company has 22,888,436 common shares issued and outstanding and there were no shares issued or canceled during the period. The weighted average number of common shares outstanding has been calculated as follows:

	3 months ended Sep 30 2022	3 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Issued common shares	22,888,436	22,883,436	22,888,436	22,883,436
Effect of issued common shares	-	-	-	(4,407,682)
Weighted average number of common shares	22,888,436	22,883,436	22,888,436	18,475,754

No adjustments to loss or the weighted average number of shares for the effects of dilutive potential ordinary shares were necessary. Dilutive potential ordinary shares are financial instruments or contracts that may entitle its holder to ordinary shares, where the conversion, exercise or issuance of the financial instrument or warrant would result in a reduction in earnings per share or an increase in loss per share.

11. CONTRIBUTED SURPLUS

The Company offers an equity incentive plan for the benefit of certain directors, employees and consultants, which allows for the issuance of stock options and deferred share units ("DSU"s). The plan is administered by the Board of Directors and the maximum number of shares which may be issued under this plan may not exceed 20% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise and all options expire 5 years from issuance. Each DSU entitles its holder to receive one common share upon settlement and vests over one year. The following table summarizes the changes in outstanding stock options during the period ended September 30, 2022:

	Weighted Average Exercise Price \$	Options #
Balances, December 31, 2021	3.24	3,001,626
Issued	2.87	470,000
Forfeited	3.63	(190,000)
Balances, September 30, 2022	3.17	3,281,626

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

The majority of stock options vest in tranches over three or four years, such that one-third or one-fourth, respectively, of the stock options vest annually. Of the total stock options issued during the nine month period ended September 30, 2022, 250,000 were issued to key management. Of the total stock options outstanding as of September 30, 2022, 2,321,626 were held by key management.

The following table summarizes information about stock options outstanding as at September 30, 2022:

Exercise Price \$	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0.60	575,000	2.8	450,000
1.00	150,000	3.0	150,000
1.01-2.00	1,350,000	3.4	523,233
2.01-5.00	390,000	4.3	-
5.01-7.41	816,626	3.8	195,407
3.17	3,281,626	3.5	1,318,640

The estimated fair value of stock options issued during the period was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is 4 years; ii) the risk free rate is between 1.24% and 3.63%; iii) the dividend yield will be NIL; and iv) expected volatility is 75.52%. Included in expenses is a share-based compensation expense of \$481,248 (2021 - \$802,455) for the three month period ended, and \$2,047,174 (2021 - \$1,701,612) for the nine month period ended September 30, 2022.

During the period, 135,288 DSUs were issued to the board of directors in settlement of directors' fees owing of \$225,000, which vest on July 1, 2023.

12. RELATED PARTY TRANSACTIONS

Included in general and administrative expenses are the following wages and consulting fees paid to key management:

	3 months ended Sep 30 2022	3 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Salaries and benefits	\$ 289,650	206,250	798,760	\$ 689,992
Share-based compensation expense	\$ 344,161	384,119	1,236,377	\$ 1,065,014

Board of directors and executive officers are deemed to be key management.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

13. FINANCE COSTS

	3 months ended Sep 30 2022	3 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Interest income	\$ (205,103)	(41,155)	(350,093)	\$ (54,741)
Interest expense	60,865	67,369	185,477	169,063
Accretion expense	-	-	-	124,633
	<u>\$ (144,238)</u>	<u>26,214</u>	<u>(164,616)</u>	<u>\$ 238,955</u>

14. CHANGE IN NON-CASH WORKING CAPITAL

	3 months ended Sep 30 2022	3 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Trade and other receivables	\$ (6,309)	202,539	353,090	\$ (444,975)
Prepaid expenses and deposits	201,433	(78,116)	422,255	(1,060,213)
Inventory	(574,901)	(1,751,394)	(1,374,400)	(477,613)
Trade and other payables	(4,510)	1,577,973	(587,273)	2,306,126
Deferred revenue	(12,715)	252,605	128,150	256,300
Provisions	(44,896)	(208,047)	(143,570)	(1,704,970)
Current income tax recoverable	-	-	119,763	-
	<u>\$ (441,898)</u>	<u>(4,440)</u>	<u>(1,081,985)</u>	<u>\$ (1,125,345)</u>

15. SEGMENTED INFORMATION AND MAJOR CUSTOMERS

The Company mainly operates in one segment, being the development and sale of electrolyzers and balance of plant equipment. During the prior year, the Company acquired a hydrogen system integration and service company, which contributed to 84% (2021 - 100%) of the Company's revenues. However, as this business has nominal assets, has no discrete cost information and is not reviewed internally by decision makers separately from the rest of the business, segmented results have not been presented.

All of the Company's assets are located in Canada. During the three month and nine month periods ended September 30, 2022, one customer provided 66% and 83%, respectively (2021 - 69% and 65%) of the Company's revenues.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2022 and 2021

(in Canadian dollars)

16. COVID-19 INFORMATION

As the duration and impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize disruption to the Company's progress.

The Company applied for the Canada Emergency Business Account, which provides an interest-free and partially forgivable loan of up to \$60,000 to small businesses. This has been classified as bank indebtedness, of which \$20,000 is forgivable if the balance is repaid by December 31, 2023.

The Company will continue to review all programs offered by the government and ensure that it applies for all appropriate support. The Company's exposure to supply chain risk and hiring risk was heightened during the pandemic, which the Company continues to monitor regularly in order to mitigate these risks. The Company does not expect any material changes to other risk factors, although a prolonged period of precautionary measures may delay the Company's ability to execute on its goals in a timely manner.

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year. Comparative figures have been adjusted to reflect the reclassification of depreciation as an operating expense - into research and development, and general and administrative expenses - in order to be consistent with the classification adopted for the current period. This classification was adopted in order to provide for better comparability of operating results.