



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

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2023 and December 31, 2022

(in Canadian dollars) (unaudited)

	Sep 30 2023	Dec 31 2022
Assets		
Current		
Cash and cash equivalents	\$ 11,891,569	\$ 22,084,721
Trade and other receivables (notes 3, 18)	2,221,984	715,635
Prepaid expenses and deposits	363,276	398,110
Inventory (note 4)	5,072,737	2,885,854
	<u>19,549,566</u>	<u>26,084,320</u>
Trade and other receivables (notes 3, 18)	55,738	73,720
Prepaid expenses and deposits	229,776	90,328
Equipment (note 5)	4,998,317	4,831,817
Right of use asset (note 6)	1,558,684	1,706,349
Patents (note 7)	591,859	668,444
Intangible assets and goodwill (note 8)	240,042	272,800
	<u>\$27,223,982</u>	<u>\$ 33,727,778</u>
Liabilities		
Current		
Bank indebtedness (note 11)	\$ 60,000	\$ 60,000
Trade and other payables (note 9)	1,654,327	1,093,930
Contingent liability	14,968	14,968
Deferred revenue (note 10)	1,000,000	45,000
Deferred government grants (note 11)	600,216	-
Provisions (note 12)	110,000	97,245
Finance lease liability (note 13)	85,345	67,108
Current portion of long-term debt (note 14)	62,272	77,709
	<u>3,587,128</u>	<u>1,455,960</u>
Contingent liability	48,216	48,216
Deferred revenue (note 10)	2,771,641	2,726,641
Provisions (note 12)	3,740,000	3,752,755
Finance lease liability (note 13)	1,661,859	1,752,782
Long-term debt (note 14)	38,492	85,682
	<u>11,847,336</u>	<u>9,822,036</u>
Shareholders' Equity		
Share capital (note 16)	76,393,695	76,393,695
Contributed surplus (note 17)	5,412,048	5,270,932
Retained deficit	(66,429,097)	(57,758,885)
	<u>15,376,646</u>	<u>23,905,742</u>
	<u>\$27,223,982</u>	<u>\$ 33,727,778</u>

On behalf of the Board

"Raveel Afzaal"

"Allan Mackenzie"

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

three and nine months ended September 30, 2023 and 2022 (in Canadian dollars)
(unaudited)

	3 months ended Sep 30 2023	3 months ended Sep 30 2022	9 months ended Sep 30 2023	9 months ended Sep 30 2022
Revenue (note 21)	\$ 53,399	\$ 74,457	\$ 143,095	\$ 160,078
Expenses				
Cost of Sales {includes \$488,869 and \$537,907 (2022 - \$13,774 and \$107,660) of inventory impairment for the 3 & 9 months, respectively}	597,972	66,949	674,255	210,797
Research and development	956,180	2,508,003	4,713,767	5,839,272
General and administrative (note 18)	932,319	1,280,419	3,481,458	4,166,170
Marketing and sales	(8,801)	267,622	323,082	1,093,089
	2,477,670	4,122,993	9,192,562	11,309,328
Loss before the following	(2,424,271)	(4,048,536)	(9,049,467)	(11,149,250)
Finance (income) costs, net (note 19)	(89,305)	(144,238)	(379,255)	(164,616)
Net loss and comprehensive loss	\$ (2,334,966)	\$ (3,904,298)	\$ (8,670,212)	\$ (10,984,634)
Loss per share:				
Basic	\$ (0.10)	\$ (0.17)	\$ (0.38)	\$ (0.48)
Diluted	\$ (0.10)	\$ (0.17)	\$ (0.38)	\$ (0.48)
Weighted average number of shares outstanding: (note 16)				
Basic	22,888,436	22,888,436	22,888,436	22,888,436
Diluted	22,888,436	22,888,436	22,888,436	22,888,436



Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Deficit)

nine months ended September 30, 2023 and 2022 (in Canadian dollars)
(unaudited)

	Share Capital	Contributed Surplus	Retained Deficit	Total
Balances, December 31, 2022	\$ 76,393,695	5,270,932	(57,758,885)	\$ 23,905,742
DSU issuance (note 15)	-	112,500	-	112,500
Share-based compensation expense (reversal) (note 17)	-	28,616	-	28,616
Net loss and comprehensive loss	-	-	(8,670,212)	(8,670,212)
Balances, September 30, 2023	\$ 76,393,695	5,412,048	(66,429,097)	\$ 15,376,646
Balances, December 31, 2021	\$ 76,393,695	3,274,503	(41,875,512)	\$ 37,792,686
Share-based compensation expense (reversal)	-	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

Condensed Interim Consolidated Statements of Cash Flows

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

(unaudited)

	3 months ended Sep 30 2023	3 months ended Sep 30 2022	9 months ended Sep 30 2023	9 months ended Sep 30 2022
Cash flows used in operating activities				
Net loss	\$ (2,334,966)	\$ (3,904,298)	\$ (8,670,212)	\$ (10,984,634)
Adjustments:				
Finance (income) costs, net (note 19)	(89,305)	(144,238)	(379,255)	(164,616)
Depreciation and amortization	201,271	183,607	671,292	478,938
Provisions	488,869	13,774	537,907	107,660
Share-based compensation (reversal) expense (note 17)	(233,400)	481,248	28,616	2,047,174
Deferred share unit expense	-	-	112,500	-
	(1,967,531)	(3,369,907)	(7,699,152)	(8,515,478)
Net change in non-cash operating working capital (note 20)	(1,876,072)	(441,898)	(2,157,065)	(1,081,985)
	(3,843,603)	(3,811,805)	(9,856,217)	(9,597,463)
Interest received	148,832	205,103	556,974	350,093
	(3,694,771)	(3,606,702)	(9,299,243)	(9,247,370)
Cash flows used in investing activities				
Acquisition of equipment (note 5)	(226,369)	(789,044)	(580,009)	(3,785,878)
Patent costs (note 7)	-	(495)	(775)	(7,737)
	(226,369)	(789,539)	(580,784)	(3,793,615)
Cash flows from (used in) financing activities				
Repayment of long-term debt	(16,232)	(36,554)	(66,062)	(109,665)
Repayment of finance lease liability	(82,888)	(52,657)	(247,063)	(212,160)
	(99,120)	(89,211)	(313,125)	(321,825)
Decrease in cash and cash equivalents	(4,020,260)	(4,485,452)	(10,193,152)	(13,362,810)
Cash and cash equivalents, beginning	15,911,829	30,319,999	22,084,721	39,197,357
Cash and cash equivalents, ending	\$ 11,891,569	\$ 25,834,547	\$ 11,891,569	\$ 25,834,547

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(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 40 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 conform in all respects to the IFRS requirements for annual consolidated financial statements and the notes presented in these condensed interim consolidated financial statements include only significant transactions and changes occurring for the nine months since the year-end of December 31, 2022. Accordingly, they 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, 2022.

The accounting policies described in Note 2 of the 2022 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 16, 2023.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

Newly adopted accounting policy

Government grants

Next Hydrogen participates in various government grant programs. When an unconditional government grant is received, it is recognized as grant income in the consolidated statements of net loss and comprehensive loss. Other government grants related to assets are recognized at fair value if there is reasonable assurance of receiving the grant and meeting the associated conditions. These grants are initially deferred and then recognized in profit or loss over their useful life of the asset on a systematic basis.

Grants that reimburse Next Hydrogen for expenses incurred are recognized in the consolidated statements of net loss and comprehensive loss over time as the related expenses are recognized, unless the conditions for receiving the grant are fulfilled after the expenses have been recognized; in such cases, the grant is recognized when it becomes receivable.

Changes in Accounting Standards

IFRS 17 Insurance Contracts

On May 18, 2017, the IASB issued IFRS 17 Insurance Contracts. On June 25, 2020, the IASB issued amendments to IFRS 17 aimed at helping companies implement the Standard and to defer the effective date. IFRS 17 will replace IFRS 4 Insurance Contracts.

On December 9, 2021, the IASB issued a narrow-scope amendment to the transition requirements in IFRS 17, providing insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17 by presenting comparative information about financial assets, using a classification overlay approach on a basis that is more consistent with how IFRS 9 will be applied in future reporting periods. The new standard and its amendments are effective for annual periods beginning on or after January 1, 2023.

The Company performed an assessment and determined this standard to have no effect on its condensed interim consolidated financial statements.

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 has adopted the amendment issued with no effect on the interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

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 has considered this amendment and determined this standard to have no effect on its condensed interim consolidated financial statements.

Future Accounting Pronouncements

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, 2024, 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.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is 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 significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

3. TRADE AND OTHER RECEIVABLES

	Sept 30	Dec 31
	2023	2022
Trade receivables	\$ 1,983,059	\$ 154,094
GST/HST receivable	214,772	527,313
Employee loan receivable (note 18)	79,891	107,948
	\$ 2,277,722	\$ 789,355
Current portion	\$ 2,221,984	\$ 715,635
Long-term portion	\$ 55,738	\$ 73,720

The long-term portion of trade and other receivables is comprised of employee loans expected to be fully received by 2027.

4. INVENTORY

	Sept 30	Dec 31
	2023	2022
Spare parts	\$ 3,657,195	\$ 1,858,841
Work in progress	1,415,542	1,027,013
	\$ 5,072,737	\$ 2,885,854

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

5. EQUIPMENT

	Equipment	Equipment under Const- ruction	Computer Hardware	Furniture and Fixtures	Leasehold Improve- ments	Total
Cost						
Balances, December 31, 2022	\$4,244,010	\$ 582,941	\$ 202,010	\$ 75,630	\$ 296,230	\$5,400,821
Additions	313,978	187,657	35,350	15,735	27,289	580,009
Transfers	523,793	(523,793)	-	-	-	-
Balances, September 30, 2023	5,081,781	246,805	237,360	91,365	323,519	5,980,830
Accumulated depreciation						
Balances, December 31, 2022	(449,987)	-	(83,900)	(8,767)	(26,350)	(569,004)
Depreciation	(331,076)	-	(52,165)	(6,748)	(23,520)	(413,509)
Balances, September 30, 2023	(781,063)	-	(136,065)	(15,515)	(49,870)	(982,513)
Net carrying amounts						
At September 30, 2023	\$4,300,718	\$246,805	\$ 101,295	\$ 75,850	\$ 273,649	\$4,998,317

	Equipment	Equipment Under Const- ruction	Computer Hardware	Furniture and Fixtures	Leasehold Improve- ments	Total
Cost						
Balances, December 31, 2021	\$ 666,430	\$ 330,692	\$ 139,157	\$ 64,062	\$ 172,452	\$1,372,793
Additions	921,508	2,943,259	65,043	11,568	139,046	4,080,424
Transfers	2,691,010	(2,691,010)	-	-	-	-
Disposals	(34,938)	-	(2,190)	-	(15,268)	(52,396)
Balances, December 31, 2022	4,244,010	582,941	202,010	75,630	296,230	5,400,821
Accumulated depreciation						
Balances, December 31, 2021	233,295	-	26,490	1,549	2,275	263,609
Depreciation	216,692	-	57,714	7,218	24,075	305,699
Disposals	-	-	(304)	-	-	(304)
Balances, December 31, 2022	449,987	-	83,900	8,767	26,350	569,004
Net carrying amounts						
At December 31, 2022	\$ 3,794,023	\$ 582,941	\$ 118,110	\$ 66,863	\$ 269,880	\$4,831,817

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

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

6. RIGHT-OF-USE ASSET

The right of use asset relates to a lease of the Company's head office and assembly facility.

	Cost	Accumulated Amortization	Net
Balances, December 31, 2021	\$ 1,968,864	(65,629)	\$ 1,903,235
Amortization	-	(196,886)	(196,886)
Balances, December 31, 2022	\$ 1,968,864	(262,515)	\$ 1,706,349
Amortization	-	(147,665)	(147,665)
Balances, September 30, 2023	\$ 1,968,864	(410,180)	\$ 1,558,684

7. PATENTS

	Cost	Accumulated Amortization	Net
Balances, December 31, 2021	\$ 1,047,197	(274,840)	\$ 772,357
Additions	7,737	-	7,737
Amortization	-	(111,650)	(111,650)
Balances, December 31, 2022	\$ 1,054,934	(386,490)	\$ 668,444
Additions	775	-	775
Amortization	-	(77,360)	(77,360)
Balances, September 30, 2023	\$ 1,055,709	(463,850)	\$ 591,859

8. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets	Goodwill	Net
Balances, December 31, 2021	\$ 284,490	82,204	\$ 366,694
Amortization	(93,894)	-	(93,894)
Balances, December 31, 2022	\$ 190,596	82,204	\$ 272,800
Amortization	(32,758)	-	(32,758)
Balances, September 30, 2023	\$ 157,838	82,204	\$ 240,042

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

9. TRADE AND OTHER PAYABLES

	Sept 30	Dec 31
	2023	2022
Trade payables	\$ 312,995	\$ 56,699
Accrued payables	1,319,689	977,647
Other payables	21,643	59,584
	\$ 1,654,327	\$ 1,093,930

10. DEFERRED REVENUE

	Sept 30	Dec 31
	2023	2022
Opening balance	\$ 2,771,641	\$ 3,027,941
Advance consideration	1,000,000	256,300
Revenue recognized	-	(512,600)
	\$ 3,771,641	\$ 2,771,641
Current portion	\$ 1,000,000	\$ 45,000
Long-term portion	\$ 2,771,641	\$ 2,726,641

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

11. GOVERNMENT GRANTS

The Company applied for the Canada Emergency Business Account ("CEBA"), 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.

During 2023, the Company received a grant from Sustainable Development Technology Canada in the amount of \$1,944,659. As the grant has been provided with specific conditions, Next Hydrogen has implemented the income approach to recognizing the grant. \$329,147 and \$1,344,443 of the grant have been offset against the related expenditure under research and development expenses in the three months and nine months ended September 30, 2023, respectively; the remaining amount of the grant has been recorded in deferred government grant, and will be used to offset project related expenses as they are incurred and further conditions are met in future periods.

During 2023, the Company also received a grant from the National Research Council of Canada under the Industrial Research Assistance Program (IRAP). The total grant approved is in the amount of \$750,000, all of which has been utilized by September 30, 2023.

12. PROVISIONS

The Company's provisions consist of onerous contract obligations as follows:

	Sept 30 2023	Dec 31 2022
Opening balance	\$ 3,850,000	\$ 3,850,000
Additions	58,093	122,676
Utilized	(58,093)	(122,676)
	<u>\$ 3,850,000</u>	<u>\$ 3,850,000</u>
Current portion	\$ 110,000	\$ 97,245
Long-term portion	\$ 3,740,000	\$ 3,752,755

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

13. FINANCE LEASE LIABILITY

The finance lease liability relates to the lease of the Company's head office and assembly facility, which started on September 1, 2021. The lease expires on August 31, 2026 with an option to extend for an additional five years. The lease liability was initially valued at \$1,872,412, using a weighted average incremental borrowing rate of 14%, and the obligation is as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	\$ 309,795	1,401,222	1,177,041	\$ 2,888,058
Interest	(224,450)	(720,178)	(196,226)	(1,140,854)
	<u>\$ 85,345</u>	<u>681,044</u>	<u>980,815</u>	<u>\$ 1,747,204</u>
Current portion				\$ 85,345
Long-term portion				\$ 1,661,859

As at December 31, 2022, the obligation was as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	\$ -	1,751,993	1,079,194	\$ 2,831,187
Interest	(231,572)	(917,675)	(165,439)	(1,314,686)
	<u>\$ 71,817</u>	<u>834,318</u>	<u>913,755</u>	<u>\$ 1,819,890</u>
Current portion				\$ 67,108
Long-term portion				\$ 1,752,782

14. LONG-TERM DEBT

Long-term debt pertains to grant loans that accrue interest at a rate of 3.70%, with blended monthly installments of \$5,411. The long-term debt is secured by a second-ranking general security agreement over all assets of the Company.

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Principal repayments	\$ 62,272	\$38,492	\$ -	\$100,764

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

15. DEFERRED SHARE UNIT

The Company had a deferred share unit ("DSU") plan for certain employees, directors and consultants that was administered by the Board of Directors and can only be settled in equity. Each DSU entitles its holder to receive one common share upon settlement and vests over one year. During 2022, 135,288 DSUs were issued to the board of directors in settlement of directors' fees owing of \$225,000, which vested on July 1, 2023. Since the DSUs vested from July 1, 2022 to June 30, 2023, the Company incurred a DSU expense of \$112,500 for the nine months ended September 30, 2023. The Company did not issue DSUs in 2023.

16. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

As at September 30, 2023 the Company has 22,888,436 (December 31, 2022 - 22,888,436) common shares issued and outstanding and there were no shares issued or canceled during the period. The share capital balance as at September 30, 2023 was \$76,393,695 (December 31, 2022 - \$76,393,695).

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.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

17. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain directors, employees and consultants. 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. The following table summarizes the Company's stock options:

	Weighted Average Exercise Price \$	Options #
Balances, December 31, 2021	2.52	3,006,626
Issued	2.37	700,000
Forfeited	5.50	(395,000)
Balances, December 31, 2022	2.79	3,311,626
Issued	0.87	310,000
Forfeited	3.19	(665,000)
Balances, September 30, 2023	2.51	2,956,626

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 months ended September 30, 2023, 100,000 (2022 - 250,000) were issued to key management. Of the total stock options outstanding as of September 30, 2023, 2,171,626 (December 31, 2022 - 2,521,626) were held by key management.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

The following table summarizes information about stock options outstanding as at September 30, 2023:

Exercise Price \$	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	745,000	2.8	525,000
1 to 1.99	500,000	1.6	158,750
2 to 2.99	990,000	2.5	608,650
3 to 3.99	225,000	3.3	56,250
4 to 4.99	15,000	3.1	3,750
5 to 5.99	35,000	3.1	10,000
6 to 6.99	10,000	2.8	5,000
7 to 7.99	436,626	2.8	220,813
2.51	2,956,626	2.5	1,588,213

The following table summarizes information about stock options outstanding as at December 31, 2022:

Exercise Price \$	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	575,000	2.6	466,667
1 to 1.99	445,000	4.1	150,000
2 to 2.99	1,370,000	3.2	523,233
3 to 3.99	285,000	4.0	-
4 to 4.99	20,000	3.9	5,000
5 to 5.99	40,000	3.8	10,000
6 to 6.99	10,000	3.6	2,500
7 to 7.99	566,626	3.5	152,907
2.79	3,311,626	3.4	1,310,307

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 3.77%; iii) the dividend yield will be NIL; and iv) expected volatility is 73.07%. Included in expenses is a share-based compensation reversal of \$233,400 (2022 - expense of \$481,248) for the three months period ended, and a share-based compensation expense of \$28,616 (2022 - \$2,047,174) for the nine month period ended September 30, 2023.

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

18. RELATED PARTY TRANSACTIONS

Included in trade and other receivables are two employee loans to key management employees, in the total amount of \$79,891 (2022 - \$107,948). Of this amount, \$55,738 (2022 - \$73,720) is expected to be received beyond 12 months after the quarter, and is thus classified as long-term. These loans are granted at no interest, and the long-term portion is to be received by 2027.

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

	3 months ended Sep 30 2023	3 months ended Sep 30 2022	9 months ended Sep 30 2023	9 months ended Sep 30 2022
Salaries and benefits	\$ 380,000	\$ 289,650	\$ 1,078,500	\$ 798,760
Share-based compensation expense	131,396	344,161	801,629	1,236,377
	<u>\$ 511,396</u>	<u>\$ 633,811</u>	<u>\$ 1,880,129</u>	<u>\$ 2,035,137</u>

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

19. FINANCE COSTS

	3 months ended Sep 30 2023	3 months ended Sep 30 2022	9 months ended Sep 30 2023	9 months ended Sep 30 2022
Interest income	\$ (148,832)	\$ (205,103)	\$ (557,066)	\$ (350,093)
Interest expense	59,527	60,865	177,811	185,477
	<u>\$ (89,305)</u>	<u>\$ (144,238)</u>	<u>\$ (379,255)</u>	<u>\$ (164,616)</u>

Notes to Condensed Interim Consolidated Financial Statements

three and nine months ended September 30, 2023 and 2022

(in Canadian dollars)

20. CHANGE IN NON-CASH WORKING CAPITAL

	3 months ended Sep 30 2023	3 months ended Sep 30 2022	9 months ended Sep 30 2023	9 months ended Sep 30 2022
Trade and other receivables	\$ (1,344,058)	\$ (6,309)	\$ (1,488,367)	\$ 353,090
Prepaid expenses and deposits	8,523	201,433	(104,614)	422,255
Inventory	(333,550)	(574,901)	(2,186,882)	(1,374,400)
Trade and other payables	(388,971)	(4,510)	560,329	(587,273)
Deferred revenue	1,000,000	(12,715)	1,000,000	128,150
Deferred government grant	(329,147)	-	600,216	-
Provisions	(488,869)	(44,896)	(537,747)	(143,570)
Current income tax recoverable	-	-	-	119,763
	<u>\$ (1,876,072)</u>	<u>\$ (441,898)</u>	<u>\$ (2,157,065)</u>	<u>\$ (1,081,985)</u>

21. SEGMENTED INFORMATION AND MAJOR CUSTOMERS

The Company mainly operates in one segment, being the development and sale of electrolyzers and balance of plant equipment. All of the Company's assets are located in Canada. During the three month and nine month periods ended September 30, 2023 and 2022, one customer provided 95% and 87%, respectively (2022 - 66% and 83%) of the Company's revenues.