

FIRST HYDROGEN CORP.

(formerly PURE EXTRACTION CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

FIRST HYDROGEN CORP.
(formerly Pure Extraction Corp.)

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INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of
Pure Extraction Corp. (formerly Fitch Street Capital Corp.)

Opinion

I have audited the consolidated financial statements of First Hydrogen Corp. (formerly Pure Extraction Corp.) (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and March 31, 2021, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,868,094 during the year ended March 31, 2022 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$12,669,059 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor’s report is Sam S. Mah, CPA, CA.

“Sam S. Mah Inc.”

Chartered Professional Accountant

Burnaby, BC, Canada
July 29, 2022

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	March 31, 2022	March 31, 2021
Current Assets			
Cash		\$ 2,599,377	\$ 1,637,380
Other receivables	3	887,267	82,629
Prepaid expenses		106,759	31,501
Inventory	5	563,980	729,109
		4,157,383	2,480,619
Intangible assets	6	991,125	-
		\$ 5,148,508	\$ 2,480,619
Current Liabilities			
Accounts payable & accrued liabilities		\$ 2,056,947	\$ 754,739
Income taxes payable		25,000	21,000
Accrued interest		110,758	-
Current portion of convertible debentures	9	118,675	-
Customer deposits	8	575,315	575,315
		2,886,695	1,351,054
Convertible debentures	9	1,113,228	-
Loan payable	10	27,906	25,277
		4,027,829	1,376,331
Shareholders` deficiency			
Share capital	11	12,070,510	4,037,511
Other comprehensive income		20,261	-
Contributed surplus		1,698,967	867,742
Deficit		(12,669,059)	(3,800,965)
		1,120,679	1,104,288
		\$ 5,148,508	\$ 2,480,619

Nature of Operations and Ability to Continue as a Going Concern – Note 1

APPROVED BY THE DIRECTORS:

<u>“Balraj Mann”</u> Balraj Mann	Director	<u>“Alicia Milne”</u> Alicia Milne	Director
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FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	For the year ended March 31,	
		2022	2021
Revenue		\$ --	\$ 302,110
Costs of Sales		--	428,516
Gross Profit		--	(126,406)
Expenses			
Accounting and legal		245,024	163,816
Accretion		268,859	2,274
Advertising and marketing		1,462,857	9,316
Amortization		-	23,265
Bad debts		33,303	-
Consulting and management fees		668,925	107,950
Foreign exchange (gain)		(16,003)	-
General and administrative		358,426	275,458
Insurance		31,875	-
Interest expense		144,199	-
Listing expense		-	1,482,057
Research and development		4,543,609	33,450
Salaries and benefits		366,174	27,800
Stock-based compensation		725,022	218,000
Travel		35,824	6,945
		8,868,094	2,350,331
Loss before other items		(8,868,094)	(2,476,737)
Other income (expense)			
Government grant	10	--	16,997
Interest expense – lease		--	(1,274)
		--	15,723
Loss and comprehensive loss for the year		\$ (8,868,094)	\$ (2,461,014)
Other comprehensive loss			
Translation of subsidiary to presentation currency		20,261	--
Net loss and comprehensive loss for the year		\$ (8,847,833)	(2,461,014)
Basic and diluted gain (loss) per share		\$ (0.18)	\$ (0.06)
Weighted average number of shares outstanding		49,546,874	38,101,239

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

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	For the Year Ended March 31,	
	2022	2021
Cash Flows provided by (used in) Operating Activities		
Net income (loss) for the year	\$ (8,868,094)	\$ (2,461,014)
Items not affecting cash		
Stock-based compensation	725,022	218,000
Accretion	268,859	-
Amortization	-	23,265
Changes in non-cash working capital items related to operations:		
Income taxes	-	(21,000)
Interest payable	110,758	
Other receivables	(804,638)	(51,784)
Customer deposits	-	716,661
Inventory	-	(870,455)
Prepaid expenses	(75,258)	(31,501)
Accounts payable and accrued liabilities	1,733,598	684,063
Net cash used in operating activities	(7,151,753)	(1,793,765)
Cash Flows provided (used in) Investing Activities		
Equipment	-	(23,265)
Advances to Pure Extraction Ltd.	-	221,957
Net cash used in investing activities	-	198,692
Cash Flows provided by Financing Activity		
Loan payable	-	25,277
Shares issued for finder's fees	-	62,000
Shares issued for acquisition	-	540,000
Shares issued for cash, net of issuance costs	5,520,000	2,050,600
Convertible debenture, net of issuance costs	1,840,000	-
Exercise of warrants	16,875	-
Exercise of brokers' options	736,875	220,000
Net cash provided by financing activities	8,113,750	2,897,877
Increase (decrease) in cash during the year	961,997	1,302,804
Cash, beginning of the year	1,637,380	334,576
Cash, end of the year	\$ 2,599,379	\$ 1,637,380

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of Shares	Common Shares	Contributed Surplus	Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, March 31, 2021	38,101,239	\$ 4,099,511	\$ 867,742	\$ -	\$ (3,800,965)	\$ 1,166,288
Shares issued for acquisition	3,249,590	991,125	-	-	-	991,125
Shares issued for cash	9,900,000	6,000,000	-	-	-	6,000,000
Share issuance costs	-	(480,000)	-	-	-	(480,000)
Share issuance costs, brokers options	-	(572,600)	572,600	-	-	-
Brokers' options exercised	2,818,276	736,875	-	-	-	736,875
Warrants exercised	18,750	16,875	-	-	-	16,875
Conversion of convertible debenture	1,250,000	461,227	-	-	-	461,227
Equity portion of convertible debenture	-	-	413,100	-	-	413,100
Transfer due to exercise of broker's options	-	879,497	(879,497)	-	-	-
Stock-based compensation	-	-	725,022	-	-	725,022
Other comprehensive loss	-	-	-	20,261	-	20,261
Net loss for the year	-	-	-	-	(8,868,094)	(8,868,094)
Balance, March 31, 2022	55,337,855	\$ 12,070,510	\$ 1,698,967	\$ 20,261	\$ (12,669,059)	\$ 1,120,679
Balance, March 31, 2020	16,755,785	\$ 1,426,911	\$ 429,742	\$ -	\$ (1,339,951)	\$ 516,702
Share capital subscribed	-	(7,000)	-	-	-	(7,000)
Share issued for acquisition	3,000,000	540,000	-	-	-	540,000
Shares issued for cash	18,000,000	2,430,000	-	-	-	2,430,000
Share issuance costs	-	(194,400)	-	-	-	(194,400)
Share issuance costs, brokers' options	-	(220,000)	220,000	-	-	-
Shares issued for finders' fees	345,454	62,000	-	-	-	62,000
Stock-based compensation	-	-	218,000	-	-	218,000
Net loss for the year	-	-	-	-	(2,461,014)	(2,461,014)
Balance, March 31, 2021	38,101,239	\$ 4,099,511	\$ 867,742	\$ -	\$ (3,800,965)	\$ 1,166,288

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

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)

Notes to Consolidated financial statements

March 31, 2022 and 2021 – Page 7

(Expressed in Canadian Dollars)

Note 1 Nature of Operations

The Company was incorporated under the Business Corporations Act of British Columbia on June 20, 2007. The Company is in the development stage and was classified and listed as a Capital Pool Company as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange") on June 13, 2008. The Company is in the business of engineering, research & development, manufacturing and selling equipment.

On June 12, 2020, the Company changed its name to Pure Extraction Corp. On October 7, 2021, the Company changed its name to First Hydrogen Corp. The Company's trading symbol is "FHYD" trading on the TSX Venture Exchange.

The address of the Company's corporate office and principal place of business is Suite 440 – 755 Burrard Street, Vancouver, British Columbia V6Z 1X6.

Going Concern

While the Company's consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the year ended March 31, 2022, the Company reported a net loss of \$8,868,094 (2021 - \$2,461,014) and as at that date had an accumulated deficit of \$12,669,059 (March 31, 2021 - \$3,800,965). As of March 31, 2022, the Company has a net working capital of \$1,270,688 (March 31, 2021 - \$1,129,565). The Company expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material. The directors of the Company have approved these consolidated financial statements.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Note 2 Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue on July 29, 2022 by the directors of the Company.

Note 2 Significant Accounting Policies – (cont'd)

(b) Basis of Measurement and Consolidation

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis accounting, except for cash flow information.

These consolidated financial statements include the accounts the Company and its wholly owned and controlled subsidiaries, 1300492 BC Ltd. (formerly First Hydrogen Corp.), First Hydrogen Limited (a UK corporation incorporated on April 17, 2021), 1063136 BC Ltd. (formerly Pure Extraction Inc.), Pure Extraction Ltd., NetzeroH2 Inc. and ZeronethH2 Inc. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements of the subsidiaries are including the consolidated financial statements from the date of the control commences until the date that control ceases.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(c) Critical Accounting Estimates, Judgments and Uncertainties

The Company makes estimates 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.

Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Note 2 Significant Accounting Policies – (cont'd)

(d) Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAD"). The consolidated financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

All amounts in these consolidated financial statements are rounded to the nearest dollar.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and subject to insignificant risk of change in value.

(f) Revenue Recognition

FRS 15 – Revenues from contracts with customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. Changes in accounting policies resulting from the adoption of IFRS 15 had no impact on the Company's consolidated financial statements or the reported amounts of revenues.

The Company's revenue is comprised of equipment sales. Revenue is recognized when the equipment has been commissioned as operational, systems control has been transferred to the purchaser and collectability is reasonably assured. This is generally when commissioning has been completed, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight in the sale of goods.

Customer deposits (i.e. contract liabilities) represents deposits received from customers on uncompleted contracts.

(g) Inventory

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes materials and labor based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would impair the value of inventory on hand.

(h) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that

Note 2 Significant Accounting Policies – (cont'd)

it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Property and Equipment

Equipment is stated at cost and is amortized on a straight-line basis over management's estimate of the useful life and residual value:

Right of use asset	determined by lease term
Machinery and equipment	5-10 years
Computer equipment and software	3 years
Intangibles	5 years

(j) Financial Instruments

The Company has adopted IFRS 9, Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured after initial recognition at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI. The Company has classified its cash at fair value through profit or loss. The company's advances and receivables are held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are the measurement categories under which the Company classifies its debt instruments:

Note 2 Significant Accounting Policies – (cont'd)

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

Impairment of Financial Assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable and due to related parties are classified as financial liabilities held at amortized cost.

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Note 2 Significant Accounting Policies – (cont'd)

Line Item	IFRS9	IAS 39	
	New Classification	Original Classification	Measurement Model
Cash	FVTPL	FVTPL	FVTPL
Other receivables	Amortized	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Other liabilities	Amortized cost

(k) Leases

IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit at that date, subject to permitted practical expedients. Therefore, the Company will not restate comparative information.

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company

recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019 and has been adopted without material effect to these consolidated financial statements.

(l) Impairment of Long-Lived Assets

The Company tests long-lived assets for recoverability when events or changes in circumstance indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset, significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

(m) Government grants

Loans received from government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as government grant gain in the statements of loss and comprehensive loss.

Note 2 Significant Accounting Policies – (cont'd)

(n) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense.

(o) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the measurement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

(p) Share-based Payments

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements with employees, directors, officers and consultants are recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(q) Earnings/Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss attributable to common shareholders of the Company by weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per share is computed by adjusting the net income or loss attributable to common shareholders dividing by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments such as warrants and options were exercised.

(r) SR & ED Investment Tax Credits

The Company is eligible to claim federal and provincial (British Columbia) investment tax credits as a result of incurring scientific research and experimental development ("SR&ED") expenditures. Federal and provincial SR&ED investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Federal and provincial SR&ED

Note 2 Significant Accounting Policies – (cont'd)

investment tax credits are accounted for as a reduction of research and development expense on the statement of comprehensive loss. Management has made a number of estimates and assumptions in determining the expenditures eligible for the federal and provincial SR&ED investment tax credit claim. It is possible that the allowed amount of the federal and provincial SR&ED investment tax credit claim could be materially different from the recorded amount upon assessment by the Canada Revenue Agency.

Note 3 Other Receivables

	March 31, 2022	March 31, 2021
HST/GST receivable	\$ 103,685	\$ 42,326
Trade receivables	-	33,303
Other receivables	783,582	7,000
	\$ 887,267	\$ 82,629

The Company qualifies for the Harmonized Sales Tax (HST) input tax credits in the amount of \$103,685 (March 31, 2021 - \$7,000). Included in other receivables is \$776,582 (2021 - \$nil) of Value-Added Tax ("VAT"), charged on costs incurred in the United Kingdom. Subsequent to year-end, the Company received a VAT refund of \$524,620 and \$248,947.

Note 4 Inventory

Inventory comprised the following items:

	March 31, 2022	March 31, 2021
Work in progress -materials and labour	\$ 563,982	\$ 729,109

As at March 31, 2022, the write-down of inventories to net realizable value amounted to \$165,428 (2021 - \$140,000). The write-down was netted against the forgiveness of debt in the consolidated income statement.

Note 5 Property and Equipment

	Equipment and Right-of-Use Asset	
Cost		
Balance, March 31, 2021	\$	44,412
Additions – Right-Of-Use Asset		-
Accumulated amortization		
Balance, March 31, 2020		21,147
Amortization -2021		23,265
Amortization -2022		-
Balance, March 31, 2021	\$	44,412
Carrying amounts		
As at March 31, 2021	\$	-
As at March 31, 2022	\$	-

Note 6 Intangible Assets

On June 11, 2021, the Company announced it entered into definitive agreements with AVL Powertrain UK Limited and Ballard Power Systems Inc. The definitive agreements, with the company's wholly owned subsidiaries 1300492 BC Ltd. and First Hydrogen Limited will assist in the design and development of a fuel-cell powered vehicle that First Hydrogen will own the commercial rights for the vehicle design.

The Company was assigned two non-binding letters of intent from Nova Light Capital Limited ("Nova Light"), an arm's length company, which now have been ratified into the definitive agreements. Nova Light was issued 3,000,000 shares of the Company for the assignment of the two non-binding letters of intent. These shares are subject to a voluntary escrow and pooling agreement released over a 36-month period. Finder's fees of 249,590 shares of the Company were issued to an arm's length party.

The Company has recorded the fair value of the shares at a price of \$0.305 per share.

	<u>March 31, 2022</u>
Cost	
Balance, March 31, 2021	\$ -
Issuance of 3,000,000 common shares at a fair value of \$0.035	915,000
Issuance of 249,590 common shares at a fair value of \$0.035	76,125
Balance, March 31, 2022	<u>\$ 991,125</u>

Note 7 Acquisition of Pure Extraction Inc. and Pure Extraction Ltd.

On June 12, 2020, the Company completed its Qualifying Transaction (the "Transaction") with Pure Extraction Inc. and Pure Extraction Ltd. (collectively, "Pure Extraction"). The Company acquired all of the issued and outstanding Pure Extraction shares from the shareholders of Pure Extraction. In consideration for the Pure Extraction shares, the Company issued to the shareholders of Pure Extraction pro rata an aggregate of 3,000,000 common shares of the Company (the "Common Shares") at a fair value of \$0.18 per common share. The Company also issued 345,454 common shares at a fair value of \$0.18 per common share as a finder's fee.

In addition, the Company was required to issue to the shareholders of Pure Extraction pro rata an aggregate of 1,000,000 Common Shares if Pure Extraction generates cumulative gross revenues greater than \$2,000,000 within 18 months from execution of the Share Exchange Agreement (dated December 17, 2018) at a deemed value of \$0.165 per Common Share. No shares were issued as the revenue requirement was not met.

The Company has advanced \$221,957 to Pure Extraction which was eliminated on consolidation on the completion of the Transaction as an intercompany balance.

Consideration		
3,000,000 common shares issued at a fair value of \$0.18 per common share	\$	540,000
345,454 common shares issued at a fair value of \$0.18 per common share		62,000
		<u>602,000</u>
Fair value of assets acquired net of liabilities		
Cash		22,078
Amounts receivable		39,768
Inventory		923,057
Equipment		23,265
Liabilities		(1,888,225)
Net liabilities acquired		<u>(880,057)</u>
Listing expenses	\$	<u>1,482,057</u>

Note 8 Customer Deposits

As at March 31, 2022, the Company has received deposits for orders of \$575,315 (2021 - \$575,315) which the Company has begun ordering parts and/or began assembly of the equipment. Revenue is recognized when the equipment has been commissioned as operational, systems control has been transferred to the purchaser and collectability is reasonably assured. Deposits are forfeited upon non-payment when additional contractual payments are requested by the Company.

Note 9 Convertible debentures

On April 30, 2021, the Company issued unsecured convertible debentures for gross proceeds of \$2,000,000. Each convertible debenture will bear interest from their issue date at 8% per annum and mature two years from date of issue. The principal amount of the debenture will be convertible into units of the Company at the option of the holder at any time prior to the close of business on the last business day immediately preceding the maturity date. The conversion price per unit will be \$0.40 per unit. The unit is comprised of a share and a half of a common share purchase warrant, each full warrant is exercisable at \$0.90 into one common share, for a period of two years.

On initial recognition, the Company bifurcated \$227,600 to equity and \$1,772,400 to the carrying value of the loan. The Company incurred transaction costs of \$402,400. Transactions costs included the following:

- finder's fees to arm's length third parties consisting of \$160,000 cash,
- issued 400,000 finder's warrants. Each finder's warrant is exercisable at \$0.40 into one common share for a period of two years. The finders' warrants are fair valued at \$242,400 based on Black-Scholes Option Pricing Model valuation using the following assumptions: 0.31% risk-free interest rate, expected life of 2 years, 121% annualized volatility and 0% dividend rate.

On January 4, 2022, holders of \$500,000 in convertible debentures converted their debentures into 1,250,000 common shares of the company. The Company recorded a fair value reduction in convertible debentures of \$461,227 due to this conversion.

	May 31, 2022	May 31, 2021
Opening balance	\$ -	\$ -
Additions from Principal amounts	2,000,000	-
Redeem partial loan	(461,227)	-
Finder's fee	(160,000)	-
Equity component	(170,669)	-
Transaction costs	(242,400)	-
Accretion	266,199	-
	<u>1,231,903</u>	<u>-</u>
Current portion	\$ 118,675	\$ -
Non-current portion	<u>1,113,903</u>	-
	<u>1,231,903</u>	<u>-</u>

Note 10 Loan Payable and Government Grants

The Company obtained a Canada Emergency Business Account (CEBA) loan in the amount of \$40,000 from the TD Canada Trust bank guaranteed by the Canadian government. This loan is non-interest bearing until December 31, 2023 and repayment of the loan prior to December 31, 2023 will result on loan forgiveness of 25% or \$10,000. After January 1, 2023, the loan may be converted into a 3-year term loan at a fixed annual interest rate of 5%.

On January 12, 2022, the Department of Finance Canada announced the repayment deadline for the Canada Emergency Business Account (CEBA) loans to qualify for partial loan forgiveness is being extended from December 31, 2022, to December 31, 2023, for all eligible borrowers in good standing.

The CEBA loan was initially fair valued using a discount rate of 10% and was measured at \$25,277 with difference of \$16,997 being recognized as a government grant on the consolidated statement of loss during the year ended March 31, 2021. The accretion expense of \$2,629 (2021 - \$2,274) was recorded on this CEBA loan during the year ended March 31, 2022.

Wages and benefits expenses are presented net of \$nil (2021 – \$141,346) in subsidies received from the Federal Canada Emergency Wage Subsidy program.

Note 11 Share Capital**a) *Authorized***

Unlimited number of common voting shares without par value.

b) *Issued and outstanding*

A summary of changes in share capital is contained on the statement of changes in shareholders' equity for the years ended March 31, 2022 and 2021.

c) *Share Purchase Warrants*

During the year ended March 31, 2022, the Company issued:

- 3,750,000 share purchase warrants exercisable at \$0.90 per warrant, expiring in two years.
- 2,400,000 share purchase warrants exercisable at \$2.00 per warrant, expiring in two years.

Warrant activity as follows:

	Number of Warrants	Weighted Average Exercise Price	Years to Expiry
Balance, March 31, 2021	-	\$ -	-
Issued	4,375,000	0.90	2.00
Issued	2,400,000	2.00	2.00
Exercised	(18,750)	0.90	-
Balance at March 31, 2022	6,143,750	\$ 1.29	1.20

As at March 31, 2022, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiring
4,356,250	\$ 0.90	April 30, 2023
2,400,000	2.00	August 30, 2023
6,756,250		

Note 11 Share Capital – (cont'd)

d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants for up to a maximum 10% of the issued and outstanding common shares of the Company. The exercise price shall not be less than the discounted market price of the Company's shares as at grant date. The options may be granted for a maximum term of 5 years. Options granted to directors, employees and consultants, other than the consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period four months from the award date.

Options granted to consultants engaged in investor activities will vest in stages over a minimum period of twelve months.

During the year ended March 31, 2022, the Company issued 620,000 incentive stock options. The stock options allowed the holders to acquire for \$2.35 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$1,255,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.12% risk-free interest rate, expected life of 5 years, 132% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 100,000 incentive stock options. The stock options allowed the holder to acquire for \$1.60 per option, one common share for a period of 1 year. The fair value of these options was calculated at \$98,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.25% risk-free interest rate, expected life of 1 year, 172% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 615,000 incentive stock options. The stock options allowed the holder to acquire for \$1.70 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$789,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.47% risk-free interest rate, expected life of 5 years, 104% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 150,000 incentive stock options. The stock options allowed the holder to acquire for \$1.70 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$192,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.12% risk-free interest rate, expected life of 5 years, 102% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 50,000 incentive stock options. The stock options allowed the holder to acquire for \$2.45 per option, one common share for a period of 1 years. The fair value of these options was calculated at \$58,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.23% risk-free interest rate, expected life of 1 year, 118% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 30,000 incentive stock options. The stock options allowed the holder to acquire for \$2.50 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$50,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.01% risk-free interest rate, expected life of 5 year, 101% annualized volatility, and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 150,000 incentive stock options. The stock options allowed the holder to acquire for \$2.50 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$319,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.49% risk-free interest rate, expected life of 5 year, 103% annualized volatility, and 0% dividend rate. The options vested over a three-year period.

Note 11 Share Capital – (cont'd)**d) Stock Options**

During the year ended March 31, 2022, the Company issued 40,000 incentive stock options. The stock options allowed the holder to acquire for \$2.55 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$86,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.49% risk-free interest rate, expected life of 5 year, 103% annualized volatility, and 0% dividend rate. The options vested over a three-year period.

During the year ended March 31, 2021, the Company issued 500,000 incentive stock options. The stock options allowed the holder to acquire for \$0.30 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$195,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.35% risk-free interest rate, expected life of 5 years, 195% annualized volatility and 0% dividend rate. The options vested over a three-year period.

During the year ended March 31, 2021, the Company issued 100,000 incentive stock options. The stock options allowed the holder to acquire for \$0.40 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$23,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.15% risk-free interest rate, expected life of 5 years, 171% annualized volatility and 0% dividend rate. The options vested over a three-year period.

During the year ended March 31, 2022, stock option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2020	1,260,000	\$ 0.165
Granted	600,000	0.320
Balance at March 31, 2021	1,860,000	\$ 0.210
Granted	1,755,000	2.068
Expired	(150,000)	0.165
Balance at March 31, 2022	3,465,000	\$ 1.144

As at March 31, 2022, the following stock options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise price	Number of options outstanding	Weighted Average Remaining Years
September 1, 2022	\$ 1.600	100,000	0.42
January 27, 2023	\$ 2.450	50,000	0.83
July 19, 2024	\$ 0.165	1,110,000	2.30
July 23, 2025	\$ 0.300	500,000	3.32
March 3, 2026	\$ 0.400	100,000	3.93
June 11, 2026	\$ 2.350	620,000	4.20
November 18, 2026	\$ 1.700	615,000	4.64
December 17, 2026	\$ 1.700	150,000	4.72
January 11, 2027	\$ 2.250	30,000	4.79
March 1, 2027	\$ 2.800	150,000	4.92
March 7, 2027	\$ 2.550	40,000	4.94
		3,465,000	3.44

Note 11 Share Capital – (cont'd)*e) Private placement*

During the year ended March 31, 2022, the Company completed a non-brokered private placement of units for gross proceeds of \$3,000,000. The private placement consisted of 7,500,00 units at \$0.40 per unit, where each unit consists of one common share and a half of a common share purchase warrant. Each full warrant is exercisable at \$0.90 into one common share, for a period of two years. In connection with the financing, the Company paid finder's fees to arm's length third parties consisting of \$240,000 cash and issued 600,000 finder's warrants. Each finder's warrant is exercisable at \$0.40 into one common share for a period of two years.

During the year ended March 31, 2022, the Company completed a non-brokered private placement of units for gross proceeds of \$3,000,000. The private placement consisted of 2,400,00 units at \$1.25 per unit, where each unit consists of one common share and a common share purchase warrant. Each warrant is exercisable at \$2.00 into one common share, for a period of two years. In connection with the financing, the Company paid finder's fees to arm's length third parties consisting of \$240,000 cash and issued 192,000 finder's warrants. Each finder's warrant is exercisable at \$1.25 into one common share for a period of two years.

During the year ended March 31, 2021, the Company completed a non-brokered placement of 18,000,000 common shares in the capital of the Company at a price of \$0.135 per share for gross proceeds of \$2,430,000. The Company paid finders' fees to Canaccord Genuity Corp. consisting of \$194,400 and issued 1,440,000 brokers' options, each option allowing the holder to acquire one common share at price of \$0.135 for a period of 24 months. The Company issued an aggregate of 345,454 common shares to Canaccord Genuity Corp. as a finders' fee payable in connection with the Transaction.

f) Finder's warrants

During the year ended March 31, 2022, the Company issued 1,000,000 finder's warrants as finders' fees. The finder's warrants allowed the holder to acquire for \$0.40 per finder warrant, one common share for a period of 24 months. The fair value of these finder's warrants was calculated at \$606,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.31% risk-free interest rate, expected life of 2 years, 121% annualized volatility and 0% dividend rate.

During the year ended March 31, 2022, the Company issued 192,000 finder's warrants as finders' fees. The finder's warrants allowed the holder to acquire for \$1.25 per finder warrant, one common share for a period of 24 months. The fair value of these finder's warrants was calculated at \$209,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.71% risk-free interest rate, expected life of 2 years, 128% annualized volatility and 0% dividend rate.

During the year period ended March 31, 2022, finder's warrants activity was as follows:

	Number	Weighted Average Price
Number outstanding at March 31, 2020	-	-
Issued	-	-
Number outstanding at March 31, 2021	-	-
Issued	1,000,000	\$ 0.40
Issued	192,000	\$ 1.25
Exercised	(1,000,000)	\$ 0.40
Exercised	(81,980)	\$ 1.25
Number outstanding at March 31, 2022	110,020	\$ 1.25

Note 11 Share Capital – (cont'd)*f) Finder's warrants – (cont'd)*

As at March 31, 2022, the following brokers' options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of brokers' options	Weighted Average Remaining Years
August 30, 2023	\$1.25	110,020	1.40
	\$1.25	110,020	1.40

g) Brokers' options

During the year ended March 31, 2021, the Company issued 1,440,000 brokers' options as finders' fees. The brokers' options allowed the holder to acquire for \$0.135 per option, one common share for a period of 24 months. The fair value of these options was calculated at \$220,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.26% risk-free interest rate, expected life of 2 years, 192% annualized volatility and 0% dividend rate.

During the year ended March 31, 2022, the brokers' options activity was as follows:

	Number	Weighted Average Price
Number outstanding at March 31, 2020	296,296	\$ 0.135
Granted	1,440,000	\$ 0.135
Number outstanding at March 31, 2021	1,736,296	\$ 0.135
Exercised	(1,736,296)	\$ 0.135
Number outstanding at March 31, 2022	-	-

As at March 31, 2022, there were no brokers' options outstanding (2021 – 1,736,296).

g) Escrow Shares:

As at March 31, 2022, 1,961,249 common shares (2021 – 3,268,749) were subject to an escrow agreement to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

As at March 31, 2022, 2,250,000 common shares (March 31, 2021 – nil) were subject to a voluntary escrow and pooling agreement released over a 36-month period (see Note 6).

Note 12 Related Party Transactions

During the year ended March 31, 2022, the Company incurred \$72,000 (2021 - \$54,000) in rent expense to a company owned by a director and senior officer. As at March 31, 2022, \$nil (March 31, 2021- \$nil) were indebted to the aforementioned company. These transactions have been recorded at the fair value which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2022, the Company paid a total of \$27,000 in directors' fees (2021 – nil).

Note 12 Related Party Transactions – (cont'd)Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the following:

	March 31, 2022	March 31, 2021
CEO	\$ 425,000	\$ 82,500
CFO	30,000	25,000
Directors' fees	27,000	-
Rent	72,000	54,000
Stock-based compensation	-	117,000
	\$ 554,000	\$ 278,500

Note 13 Financial Instruments and risk

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction. The capital structure of the Company consists primarily of cash and share capital.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at March 31, 2022, the Company is not exposed to any significant credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

d) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. It is the responsibility of the Company to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction.

i) Interest Rate Risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At March 31, 2021, the Company was not subject to significant interest rate risk.

Note 13 Financial Instruments and risk – (cont'd)**d) Market Risk – (cont'd)**

ii) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As the Company is in the stage of identifying, evaluating, and negotiating the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction, the Company is not exposed to foreign currency risk at this time.

iii) Price Risk

The Company is not exposed to price risk with respect to commodity pricing.

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

The following table presents the financial instruments recorded at fair value in the statement of financial position, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial Assets				
Cash	\$ 2,599,377	\$ -	\$ -	\$ 2,599,377

Note 14 Capital Risk Management

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

Management reviews its capital management approach on an ongoing basis. The Company is not subject to any externally imposed capital requirements.

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)

Notes to Consolidated financial statements

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(Expressed in Canadian Dollars)

Note 15 Income Taxes

	First Hydrogen Canada	First Hydrogen UK	2022	2021
Income (Loss) for the year	\$ (3,864,091)	\$ (5,004,003)	\$(8,868,094)	\$ (2,461,014)
Tax rate	27.0%	19.0%		
Tax based on statutory tax rate	\$ (1,043,305)	\$ (950,761)	\$ (1,994,066)	\$(664,474)
Unrecognized benefit of non-capital losses	1,043,305	950,761	1,994,066	664,474
Total income taxes	\$ -	\$ -	\$ -	\$ -

First Hydrogen Corp. (Canada) has available non-capital losses of approximately \$4,846,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on varies dates up to 2042.

Pure Extraction Ltd. (Canada) has available non-capital losses of approximately \$1,417,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on varies dates up to 2042.

Pure Extraction Inc. (Canada) has available non-capital losses of approximately \$10,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on varies dates up to 2042.

First Hydrogen Limited (UK) has available non-capital losses of approximately \$5,004,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on 2042.

The Company's tax – effected deferred tax assets are estimated as follows:

	2022	2021
Potential future tax assets		
Non-capital losses carried forward	\$ 11,277,000	\$ 3,191,000
Tax value of equipment in excess of book value	-	-
	11,277,000	3,191,000
Potential tax recovery at substantially enacted rate 19% - 27.0% (2021 – 27.0%)	2,644,000	862,000
Net potential future income tax assets	2,644,000	862,000
Valuation allowance (100%)	(2,644,000)	(862,000)
Net future tax assets	\$ -	\$ -

These losses are unconfirmed subject to assessment of the Company's annual tax return by the tax authorities.

Note 16 Commitment

On August 30, 2021, Pure Extraction Ltd. entered into a short-term lease agreement for office and assembly floor space for future minimum operating lease commitments of \$30,000 for fifteen months ending September 30, 2022.

On October 1, 2021, First Hydrogen Limited and AVL Powertrain Limited entered into an agreement to proceed with the development and build of two hydrogen fuel-cell-powered light commercial demonstrator vans at AVL's facilities in the UK. The development and build phase are payable over the completion of certain milestones.

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Note 17 General and administrative

	For the Year ended March 31,	
	2022	2021
Office and administration	\$ 96,654	\$ 88,915
Computer and internet	14,761	3,728
Rent	154,818	73,905
Research and development	-	33,559
Transfer agent and regulatory fees	92,193	75,352
	<u>\$ 358,426</u>	<u>\$ 275,459</u>

Note 18 Segmented information

	Assets		Expenditures	
	2022	2021	2022	2021
U.K.	\$ 814,493	\$ -	\$ 5,004,003	\$ -
Canada	4,334,015	2,480,619	3,864,091	2,461,014
	<u>\$ 5,148,508</u>	<u>\$ 2,480,619</u>	<u>\$ 8,868,094</u>	<u>\$ 2,461,014</u>

The Company operates in one segment, being the engineering, research & development, manufacturing and selling equipment, in two geological areas, the U.K. and Canada.

Note 19 Subsequent Events

- a) On April 4, 2022, the Company received a VAT refund of \$524,620.
- b) On April 5, 2022, the Company received \$31,250 from the exercise of 25,000 finders' warrants.
- c) On April 7, 2022, the Company received \$106,275 from the exercise of 85,020 finders' warrants.
- d) On April 19, 2022, the Company granted 15,000 stock options exercisable at a price of \$3.30 expiring five years from the date of grant. The options vest over a three-year period.
- e) On April 25, 2022, the Company received \$49,000 from the exercise of 20,000 incentive stock options.
- f) On April 29, 2022, the Company closed a non-brokerage private placement for gross proceeds of \$6,062,099 consisting of 2,245,222 units at \$2.70 per unit. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant is exercisable at \$.370 into one common share for a period of two years from the date of closing. In connection with the financing, the Company paid finders' fees to arm's length third parties, consisting of \$484,968 cash and 179,618 finders' warrants. Each warrant is exercisable at \$2.70 into one common share for a period of two years.
- g) On May 3, 2022, the Company received \$49,000 from the exercise of 20,000 incentive stock options
- h) On May 10, 2022, the Company received \$24,500 from the exercise of 10,000 incentive stock options
- i) On May 16, 2022, convertible debentures in the amount of \$500,000 were converted into 1,250,000 shares and 625,000 warrants exercisable into common shares of the company at a price of \$0.90 per warrant. The warrants expire on April 30, 2023.
- j) On June 6, 2022, the Company granted 90,000 stock options exercisable at a price of \$2.70 expiring five years from the date of grant. The options vest over a three-year period.

Note 19 Subsequent Events – (cont'd)

- k) On July 1, 2022, the Company granted 15,000 stock options exercisable at a price of \$2.70 expiring five years from the date of grant. The options vest over a three-year period.
- l) On July 11, 2022, the Company granted 90,000 stock options exercisable at a price of \$2.70 expiring five years from the date of grant. The options vest over a three-year period.
- m) On June 14, 2022, the Company received a VAT refund of \$248,947 (\$160,115 GBP).
- n) On July 18, 2022, the Company granted 40,000 stock options exercisable at a price of \$2.70 expiring five years from the date of grant. The options vest over a three-year period.