HYDROGRAPH CLEAN POWER INC.
(formerly known as Carbon-2D Graphene Inc.)

(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2022 and 2021

(expressed in United States Dollars)

(unaudited)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim financial statements for the six months ended March 31, 2022.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

HYDROGRAPH CLEAN POWER INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2022 AND 2021

(Expressed in United States Dollars)

(unaudited)

	Note	March 31, 2022	September 30, 2021
		$	$
ASSETS			
Current Assets			
Cash		2,600,201	276,809
Restricted cash	11	–	5,146,981
Deposits		506,781	3,112
GST receivable		80,264	28,929
Accounts receivable		5,000	5,000
		3,192,246	5,460,831
Non-Current Assets			
Technology and development costs	4	3,172,285	2,344,701
Right-of-use asset	5	315,693	345,289
Fixed assets, net	6	554,680	123,124
		4,042,658	2,813,114
TOTAL ASSETS		7,234,904	8,273,945
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	8	898,005	500,653
Subscriptions received	11	–	5,141,123
Current portion of lease liability	5	50,689	61,083
		948,694	5,702,859
Non-Current Liabilities			
Lease liability	5	272,973	298,823
CEBA loan	7	20,617	19,423
		293,590	318,246
TOTAL LIABILITIES		1,242,284	6,021,105
SHAREHOLDERS’ EQUITY			
Share capital	9	8,576,708	3,857,765
Warrant reserve	10	110,500	47,500
Contributed surplus		619,000	253,000
Deficit		(3,313,588)	(1,905,425)
TOTAL SHAREHOLDERS’ EQUITY		5,992,620	2,252,840
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		7,234,904	8,273,945

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Approved on behalf of the Board of Directors:

“Stuart Jara”

Stuart Jara, CEO, Director

“Kjirstin Breure”

Kjirstin Breure, President, Director

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

HYDROGRAPH CLEAN POWER INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

(Expressed in United States Dollars)
(unaudited)

		Six Months Ended		Three Months Ended	
	Note	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		$	$	$	$
REVENUE		–	–	–	–
EXPENSES					
Consulting	8	413,904	146,585	253,307	93,317
Stock-based compensation	9	366,000	39,000	366,000	–
Professional fees		159,856	45,112	78,798	45,112
Research		117,726	–	68,736	–
Travel and promotion		115,908	21,035	61,903	19,356
License maintenance fees		52,418	5,000	46,491	2,500
Office and miscellaneous		40,698	1,781	8,554	1,159
Software license		33,594	–	33,594	–
Exchange and filing fees		10,440	–	2,406	–
Directors' and officers' insurance		10,254	–	10,254	–
Rent and occupancy	8	9,999	2,559	4,733	2,559
Transfer agent		6,584	168	5,253	17
Foreign exchange loss (gain)		(9,697)	(34,048)	(57,440)	(34,048)
Lease accretion	5	13,590	–	6,593	–
Finance costs	7	1,194	1,059	606	282
Depreciation	5,6	65,695	12,140	36,301	4,856
		1,408,163	240,391	926,089	135,110
Net loss and comprehensive loss for the period		(1,408,163)	(240,391)	(926,089)	(135,110)
Net loss per share, basic and diluted		$(0.01)	$(0.00)*	$(0.01)	$(0.00)*
Weighted average common shares outstanding		110,578,187	60,347,561	119,535,892	66,025,043

* Denotes a loss of less than $(0.01) per share.

HYDROGRAPH CLEAN POWER INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

(Expressed in United States Dollars)

(unaudited)

	Note	Shares Issued	Share Capital	Warrant Reserve	Contributed Surplus	Accumulated Deficit	Total
			$	$	$	$	$
Balance, September 30, 2020		53,677,100	1,432,200	–	22,500	(396,434)	1,058,266
Shares issued for cash	9	8,056,292	402,815	–	–	–	402,815
Units issued for cash	9	21,325,000	969,250	97,000	–	–	1,066,250
Share issue costs		–	(39,000)	39,000	–	–	–
Stock-based compensation	9	–	–	–	39,000	–	(39,000)
Net loss		–	–	–	–	(240,392)	(240,392)
Balance, March 31, 2021		83,058,392	2,765,265	136,000	61,500	(636,826)	2,325,939
Units issued for cash	9	4,025,000	712,000	18,000	–	–	730,000
Penalty warrants converted	9	2,182,500	106,500	(106,500)	–	–	–
Warrants exercised	9	4,250,000	274,000	–	(61,500)	–	212,500
Stock-based compensation	9	–	–	–	253,000	–	253,000
Net loss		–	–	–	–	(1,268,599)	(1,268,599)
Balance, September 30, 2021		93,515,892	3,857,765	47,500	253,000	(1,905,425)	2,252,840
Shares issued for cash	9	26,020,000	5,078,123	63,000	–	–	5,141,123
Share issue costs	9	–	(359,180)	–	–	–	(359,180)
Stock-based compensation	9	–	–	–	366,000	–	366,000
Net loss		–	–	–	–	(1,408,163)	(1,408,163)
Balance, March 31, 2022		119,535,892	8,576,708	110,500	619,000	(3,313,588)	5,992,620

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

HYDROGRAPH CLEAN POWER INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in United States Dollars)
(unaudited)

	March 31, 2022	March 31, 2021
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(1,408,163)	(240,391)
Add back non-cash items:		
Stock-based compensation	366,000	39,000
Unrealized foreign exchange loss	(9,697)	(34,048)
Depreciation	65,695	12,140
Finance costs	14,784	1,227
Changes in non-cash working capital balances:		
GST receivable	(51,335)	(10,704)
Deposits	(503,669)	(3,277)
Accounts payable and accrued liabilities	397,352	46,179
Cash used in operating activities	(1,129,033)	(189,874)
INVESTING ACTIVITIES		
Technology and development costs	(827,584)	(425,000)
Acquisition of fixed assets	(431,556)	–
Cash used in investing activities	(1,259,140)	(425,000)
FINANCING ACTIVITIES		
Shares issued for cash, net	4,781,943	1,469,065
Subscriptions received	(5,141,123)	–
Repayments of lease liability	(85,933)	(12,796)
Cash provided by financing activities	(445,113)	1,456,269
Foreign currency translation differences on cash	9,697	34,048
Increase (decrease) in cash	(2,823,589)	875,443
Cash, beginning	5,423,790	47,727
Cash, ending	2,600,201	923,170

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

1. NATURE AND CONTINUANCE OF OPERATIONS

HydroGraph Clean Power Inc. was incorporated under the Laws of the Province of British Columbia on June 26, 2017. On July 4, 2017, Carbon-2D Graphene Enterprises Inc. changed its name to Carbon-2D Graphene Inc. On March 3, 2021, Carbon-2D Graphene Inc. changed its name to HydroGraph Clean Power Inc. (the "Company"). The address of the Company's corporate office and its principal place of business is 1 King Street, Suite 4800-118, Toronto, Ontario, Canada.

The Company's principal business activity is the acquisition and development of graphene and hydrogen related products and services.

The Company has never generated profit or positive cash flows from operations. For the interim six-month period ended March 31, 2022, the Company reported a net loss of $1,408,163 (2021 – $240,391 negative cash flow from operating activities of $1,129,033 (2021 – $189,874), and an accumulated deficit of $3,313,588 (September 30, 2021 – $1,905,425). These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its development and operating costs.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated interim financial statements are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2021

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 30, 2022.

b) Measurement basis

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company measures the transactions using the currency of the primary economic environment in which it operates in. These condensed consolidated interim financial statements are presented in United States dollars which is the functional currency of the Company.

c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts on the Company and its wholly owned subsidiaries, Carbon-2D Graphene Corp., incorporated in the province of British Columbia and HydroGraph Clean Power Ontario Inc. incorporated in the province of Ontario.

(Expressed in United States Dollars) (unaudited)

As at March 31, 2022, the subsidiaries are inactive.

2. BASIS OF PRESENTATION (continued)

c) Basis of consolidation (continued)

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with the subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies with that of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS in effect as of May 30, 2022, the date the Board of Directors approved the condensed consolidated interim financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual Financial Statements as at and for the year ended September 30, 2021.

4. TECHNOLOGY AND DEVELOPMENT COSTS

The Company has executed a license agreement with Kansas State University Research Foundation ("KSURF") which grants the Company access to the technology developed including hydrogen and graphene detonation technology and certain applications of graphene technology (the "License Agreement"). The License Agreement carries several future commitments as disclosed in Note 13.

The Company has incurred the following technology acquisition and development costs:

	$
Balance, September 30, 2020	1,167,670
Additions	1,177,031
Balance, September 30, 2021	2,344,701
Additions	827,584
Balance, March 31, 2022	3,172,285

Technology and development costs will not commence being amortized until the assets are put into production. Accordingly, the Company performs an impairment test on an annual basis, or whenever there are indicators of impairment. As of March 31, 2022 and September 30, 2021, no write-down was necessary.

5. LEASE LIABILITY AND RIGHT OF USE ASSET

(a) Right of use asset

	March 31, 2022	September 30, 2021
	$	$
Balance, beginning of period	345,289	12,140
Additions	–	355,154
Depreciation charge for the period	(29,596)	(22,005)
Balance, end of period	315,693	345,289

(Expressed in United States Dollars) (unaudited)

5. LEASE LIABILITY AND RIGHT OF USE ASSET (continued)

(a) Right of use asset (continued)
During the year ended September 30, 2020, a lease addition related to the Vancouver office premises was capitalized under the IFRS 16 leasing standard.

During the year ended September 30, 2021, a lease addition related to the Kansas manufacturing premises was capitalized under the IFRS 16 leasing standard. A $355,154 right-of-use asset and corresponding lease liability was recorded on July 1, 2021.

(b) Lease liability

	March 31, 2022	September 30, 2021
	$	$
Balance, beginning of the period	359,906	12,628
Additions	–	355,154
Lease payments	(49,834)	(12,796)
Interest	13,590	4,920
Balance, end of period	323,662	359,906
Current portion	50,589	61,083
Balance, end of period, non-current portion	273,073	298,823

6. FIXED ASSETS

	Manufacturing Equipment	Leasehold Improvements	Furniture	Total
	$	$	$	$
Balance, September 30, 2021	–	107,781	15,343	123,124
Additions	201,006	266,650	–	467,656
	201,006	374,431	15,343	590,780
Depreciation charge for the period	17,028	17,738	1,334	36,100
Balance, March 31, 2022	183,978	356,693	14,009	554,680

Leasehold improvements are amortized over the expected term of the lease, including the two renewal options.

Manufacturing equipment and furniture is depreciated on a straight-line basis over 6 years.

7. CEBA LOAN

On September 20, 2020, the Company received a $30,068 Canada Emergency Business Account loan (“CEBA Loan”). The CEBA Loan bears 0% interest until December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest paid monthly, commencing January 1, 2023. $7,517 forgiveness is available, provided $22,551 is paid back before December 31, 2022, which the Company intends to do. Accordingly, the Company has recorded the $7,517 forgivable portion of the loan as a reduction of office expenses in 2020.

The loan was recognized at fair value on an estimated market interest rate of 12% and the expected repayment of $22,551 before December 31, 2022. The Company made no interest payments during the interim six-month period ended March 31, 2022. The difference between the repayable portion of the loan of $22,551 and the fair value of the repayable portion of the loan of $20,011 will be recognized over the term of the loan. During the interim six-month period ended March 31, 2022, $1,194 (2021 - $1,059) of accretion related to the CEBA loan was recorded and included in finance costs in the condensed consolidated interim statement of loss and comprehensive loss.

(Expressed in United States Dollars) (unaudited)

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the interim six-month period ended March 31, 2022, the Company incurred the following related party transactions:

(i) The Company has identified its directors and executive officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the interim six-month period ended March 31, 2022 and 2021.
(ii) The Company incurred consulting fees and salaries in the amount of $251,870 (2020 – $32,360) to officers and directors of the Company.
(iii) The Company incurred stock-based compensation in the amount of $366,000 (2020 – $32,000) to officers and directors of the Company.
(iv) The Company incurred consulting fees in the amount of $nil (2020 – $3,524) to a company with common officers and directors.
(v) The Company incurred rent in the amount of $14,313 (2020 – $2,559) to a company with a common director.
(vi) The Company incurred legal fees in the amount of $nil (2020 – $24,556) to a company controlled by an officer of the Company.

As at March 31, 2022, $36,821 (September 30, 2021 – $36,882) was due to related parties of the Company and has been included in accounts payable and accrued liabilities on the condensed consolidated interim statement of financial position.

9. SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and Outstanding Common Shares

		Number of Common Shares	Amount
			$
Balance, September 30, 2020		53,677,100	1,432,200
Issued for cash at $0.05 per share (i)		8,056,292	402,815
Issued for cash at $0.05 per unit (ii)		21,825,000	984,750
Issued for cash at $0.20 per unit (iv)		3,525,000	696,500
Penalty warrants converted (ii)		2,182,500	106,500
Warrants exercised at $0.05 per share	8(d)	4,250,000	212,500
Fair value of warrants exercised		–	61,500
Share issue costs (iii)		–	(39,000)
Balance, September 30, 2021		93,515,892	3,857,765
Subscription receipts converted (v)		26,020,000	4,718,943
Balance, March 31, 2022		119,535,892	8,576,708

(i) During the year ended September 30, 2021, the Company issued 8,056,292 common shares at a price of $0.05 per share for gross proceeds of $402,815.

(ii) During February 2021, the Company issued 21,825,000 units at a price of $0.05 per unit for gross proceeds of $1,091,250. Each unit consisted of one share and one Penalty Warrant. Each 10 Penalty Warrants automatically convert into one common share with no further consideration if the Company has not completed a Liquidity Event within 180 days from the date issued. The warrants were ascribed a value of $106,500 using the Black Scholes pricing model with the following inputs: volatility of 84%, share price on grant date of $0.05, interest rate of 0.74%, expected life of 0.5 years and 0% dividend yield. As the Company had not completed a Liquidity Event within 180 days, 2,182,500 common shares were issued pursuant to conversion of the penalty warrants.

9. SHARE CAPITAL (continued)

(b) Issued and Outstanding Common Shares (continued)

(iii) During the year ended September 30, 2021, the Company incurred share issue costs of $39,000 from the issuance of 1,492,750 broker warrants (2020 – $15,600 cash) related to the above private placements. The warrants have an exercise price of $0.05 expiring on December 2, 2023. The fair value was calculated as $39,000 using the Black Scholes pricing model with the following inputs: volatility of 84%, share price on grant date of $0.05, interest rate of 0.74%, expected life of 2.00 years and 0% dividend yield.

(iv) On September 10, 2021, the Company issued 3,525,000 units at a price of $0.20 per unit for total proceeds of $705,000. Each unit is comprised of one common share and one common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.60 per common share. The warrants were ascribed a value of $8,500 using the Black Scholes pricing model with the following inputs: volatility of 95%, share price on grant date of $0.20 interest rate of 0.74%, expected life of two years and 0% dividend yield. The warrants expire two years from date of issuance.

(v) On December 2, 2021, the Company converted 26,020,000 subscription receipts into units at a price of $0.20 per unit. Each unit is comprised of one common share and common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of $0.60 per common share. The warrants were ascribed a value of $63,000 using the Black Scholes pricing model with the following inputs: volatility of 95%, share price on grant date of $0.20 interest rate of 0.74%, expected life of two years and 0% dividend yield. The warrants expire two years from date of issuance. The Company incurred share issue costs of $359,180 comprised of cash commission related to the issuance of the subscription receipts. See Note 11.

(c) Stock Options

The Company has a stock option plan (the “Plan”) under which it is authorized to grant options to its directors, officers, employees, management companies and consultants enabling them to acquire up to 15% of the issued and outstanding shares of the Company. Under the Plan, the exercise price of options granted is determined by the Board of Directors, provided that the exercise price is not less than the price permitted by an exchange or a quotation system on which the Company’s shares may be listed or quoted for trading. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting, if any, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Company. Any options granted pursuant to the Plan will terminate generally within ninety days of the option holder ceasing to act as a director, officer, employees, or consultant.

On June 14, 2021 and June 30, 2021, the Company granted 8,700,000 and 4,350,000 stock options respectively. The stock options have an exercise price of $0.20 and expire 5 years from the date of grant. The options were fully vested at the date of grant. The fair value was calculated as $253,000 using the Black Scholes pricing model using the assumptions listed below. On January 14, 2022, 2,650,000 and 1,350,000 of the stock options were terminated per mutual agreement.

On January 14, 2022, the Company granted 1,000,000 options to a director and officer of the Company. The stock options have an exercise price of $0.25 and expire 5 years from the date of grant. The options vest 25% on the date of grant and 25% at each of 6 months, 12 months and 18 months from the date of grant. The fair value was calculated as $171,500 using the Black Scholes pricing model using the assumptions listed below.

On February 28, 2022, the Company granted 1,500,000 options to a director and officer of the Company. The stock options have an exercise price of $0.20 and expire 5 years from the date of grant. The options vest 25% on the date of grant and 25% at each of 6 months, 12 months and 18 months from the date of grant. The fair value was calculated as $194,500 using the Black Scholes pricing model using the assumptions listed below.

(Expressed in United States Dollars) (unaudited)

9. SHARE CAPITAL (continued)

(c) Stock Options (continued)

	June 14, 2021	June 30, 2021	January 14, 2022	February 28, 2022
Share price on grant date	$0.05	$0.05	$0.25	$0.20
Expected life (years)	5	5	5	5
Interest rate	0.74%	0.74%	0.74%	0.74%
Volatility	84%	84%	83%	83%
Dividend yield	0.00%	0.00%	0.00%	0.00%

As at March 31, 2022, the following stock options are outstanding:

	Options	Weighted average exercise price	Weighted average remaining contractual life (years)
Opening, September 30, 2020	–	–	–
Granted June 14, 2021	6,050,000	0.20	4.20
Granted June 30, 2021	3,000,000	0.20	4.25
Granted January 14, 2022	1,000,000	0.25	4.79
Granted February 28, 2022	1,500,000	0.20	4.92
Closing, March 31, 2022	11,550,000	0.20	4.36

(d) Warrants

The Company has issued warrants to management. Each warrant entitles the holder thereof to purchase one common share at a price of $0.05 per common share. The warrants have a weighted average term to expiry of 1.92 years.

The Company issued 250,000 warrants on October 1, 2020. The fair value was calculated as $7,800 using the Black Scholes pricing model using the assumptions listed below.

The Company issued 1,000,000 warrants on November 13, 2020. The fair value was calculated as $31,200 using the Black Scholes pricing model using the assumptions listed below.

	November 13, 2020	October 1, 2020
Share price on grant date	$0.05	$0.05
Expected life (years)	3	3
Interest rate	0.74%	0.74%
Volatility	80%	79%
Dividend yield	0.00%	0.00%

As at March 31, 2022, the following warrants are outstanding:

	Warrants	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, September 30, 2020	3,000,000	0.05	1.73
Granted	6,267,750	0.36	1.84
Exercised June 30, 2021	(4,250,000)	0.05	1.24
Balance, September 30, 2021	5,017,750	0.43	2.00
Granted	26,020,000	0.60	1.92
Closing, March 31, 2022	31,037,750	0.57	1.92

9. SHARE CAPITAL (continued)

(e) Shares held in Escrow

As at March 31, 2022 the Company has 77,064,758 common shares held in escrow (2020 –nil). These escrow shares are subject to escrow trading restrictions pursuant to the Escrow agreement and are released as follows: 17,425,678 6 months after the Company's securities are listed on a Canadian exchange ("Listing"), 15,708,178 9 months after Listing, 17,425,678 12 months after Listing, 19,635,223 15 months after Listing, 1,717,500 18 months after Listing, 1,717,500 24 months after Listing, 1,717,500 30 months after Listing and 1,717,500 36 months after Listing.

10. WARRANT RESERVE

The warrant reserve is used to record the fair value of warrants issued by the Company.

11. SUBSCRIPTION RECEIPTS

During the year ended September 30, 2021, the Company received $5,141,123 in exchange for 26,020,000 subscription receipts to acquire units at a price of $0.20 per unit. The cash received was restricted until they were converted into units on listing. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.60 per common share. The shares and warrants were issued on December 2, 2021, on listing of the Company's shares on a Canadian stock exchange.

12. INCOME TAXES

Future tax benefits which may arise as a result of these non-capital losses and other income tax pools have not been recognized in these condensed consolidated interim financial statements and have been offset by a valuation allowance.

No deferred income tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

13. COMMITMENTS

On June 1, 2021, the Company signed an Amendment to the KSURF MOA for Sponsored Research to amend the statement of work milestone payments. The Company has the following remaining future funding requirements from this amendment:

Phase 3: $1,517,376, due in 4 quarterly instalments of $600,000 due June 1, 2021, $305,792 due September 1, 2021, $305,792 due December 1, 2021 and $305,792 due March 1, 2022, plus a success fee of $300,000 due on achieving defined milestones – The first three installments of $600,000, $305,792 and $305,792 have been paid.

(Expressed in United States Dollars) (unaudited)

13. COMMITMENTS (continued)

The commitments of the Company related to the License Agreement with KSURF are as follows:

(i) The Company will pay annual maintenance fees of:
   i. $10,000 per active patent application for calendar years 2022 to 2024
   ii. $25,000 per active patent application for calendar years 2025
   iii. $35,000 per active patent application for calendar years 2026
   iv. $50,000 per active patent application for calendar years 2027 and subsequent years. The annual license maintenance fees in a given year will be credited against any running royalty payments due.

(ii) the Company will pay a running royalty of 4% of net sales by the Company or its affiliates (reduced to 3.5% if royalties are paid to third parties to achieve sales),

(iii) the Company will pay 20% of any non-royalty payments received by the Company from sub-licensed products,

(iv) the Company may purchase the 4% running royalty on the hydrogen patent for $16,000,000 in four annual 1% increments, commencing in 2022, and

(v) the Company may purchase the 4% running royalty on all the other patents for $12,000,000 in four annual 1% increments, commencing in 2022.

14. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at March 31, 2022, the Company had capital resources consisting of all components of shareholders’ equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

15. FINANCIAL INSTRUMENTS

Fair values

The Company’s consolidated interim financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and CEBA loan. The carrying amounts of cash, restricted cash, accounts receivable and accounts payable and accrued liabilities are a reasonable estimate of their fair values because of their current nature. The carrying value of the CEBA loan approximates its fair value as it has been discounted using a market rate of interest.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company’s financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
As at March 31, 2022:				
Cash and restricted cash	2,600,201	–	–	2,600,201
CEBA loan	–	20,617	–	20,617
As at September 30, 2021:				
Cash	5,423,790	–	–	5,423,790
CEBA loan	–	19,423	–	19,423

15. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*
The Company's expenses are denominated in United States Dollars. The Company's corporate office is based in Canada. At March 31, 2022, with other variables unchanged, a 1% movement in the US dollar against the Canadian dollar would have a $26,000 impact on the net loss and comprehensive loss.

(ii) *Interest rate risk*
The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*
Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and GST receivable. To minimize the credit risk on cash, the Company places the instrument with a chartered financial institution.

(iv) *Liquidity risk*
In the management of liquidity risk, the Company maintains a balance between continuity of funding and development activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

At March 31, 2022, the contractual maturities of the Company's obligations are as follows:

	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years
Accounts payable and accrued liabilities	898,005	898,005	898,005	–
CEBA loan	20,617	22,551	–	22,551
	918,622	920,556	898,005	22,551