FIRST HYDROGEN CORP.

(formerly Pure Extraction Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

FIRST HYDROGEN CORP.

(formerly Pure Extraction Corp.)

CONTENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note		**December 31, 2022**		March 31, 2022
Current Assets					
Cash		$	**1,967,242**	$	2,599,377
Receivables	3		**238,985**		887,267
Prepaid expenses			**215,627**		106,759
Inventory	4		**409,469**		563,980
			2,831,323		4,157,383
Intangible assets	5		**916,758**		991,125
Total Assets		$	**3,748,081**	$	5,148,508
Current Liabilities					
Accounts payable & accrued liabilities		$	**1,856,134**	$	2,056,947
Income taxes payable			**25,000**		25,000
Current portion of convertible debentures	7		**513,963**		118,675
Convertible debenture interest payable	7		**88,724**		110,758
Customer deposits	6		**396,048**		575,315
			2,879,869		2,886,695
Convertible debentures	7		**-**		1,113,228
Loans payable	8		**30,075**		27,906
Total Liabilities			**2,909,944**		4,027,829
Shareholders` Equity					
Share capital	9		**22,677,599**		12,070,510
Accumulated other comprehensive (loss) income			**(61,256)**		20,261
Contributed surplus			**2,450,326**		1,698,967
Accumulated deficit			**(24,228,532)**		(12,669,059)
Total Shareholder's Equity			**838,137**		1,120,679
Total Liabilities and Shareholder's Equity		$	**3,748,081**	$	5,148,508

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

APPROVED BY THE DIRECTORS:

"Balraj Mann"	Director	*"Alicia Milne"*	Director
Balraj Mann		Alicia Milne	

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

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Three and Nine Months Ended December 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

		For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	Note	**2022**	2021	**2022**	2021
Revenue		**$ -**	$ -	**$ 160,060**	$ -
Cost of Sales		**-**	-	**154,511**	-
Gross Profit		**-**	-	**5,549**	-
Expenses					
Accounting, audit, and legal		**104,970**	22,137	**202,916**	140,231
Accretion	7, 8	**29,666**	78,065	**129,131**	202,335
Advertising and marketing		**618,820**	583,300	**1,923,291**	825,018
Consulting and management fees	10	**377,022**	89,000	**824,329**	303,750
Depreciation		**24,811**	-	**74,367**	-
Foreign exchange		**(5,069)**	-	**(3,827)**	-
General and administrative	10,14	**82,517**	119,961	**373,522**	289,208
Insurance		**140**	-	**60,152**	25,066
Interest expense		**16,948**	44,329	**61,259**	113,755
Research and development		**653,215**	2,267,411	**4,268,128**	2,620,806
Salaries and benefits		**1,284,934**	-	**2,826,559**	-
Stock-based compensation	9	**239,537**	981,000	**677,939**	2,334,000
Travel		**52,398**	515	**147,256**	515
		3,479,909	4,185,718	**11,565,022**	6,854,684
Loss for the period		**(3,479,909)**	(4,185,718)	**(11,559,473)**	(6,854,684)
Other comprehensive loss					
Foreign currency translation differences for foreign operations		**(57,581)**	(34,657)	**(81,517)**	(36,517)
Total comprehensive loss for the period		**$ (3,537,490)**	$ (4,220,375)	**$ (11,640,990)**	$ (6,891,201)
Basic and diluted loss per share		**$ (0.06)**	$ (0.08)	**$ (0.20)**	$ (0.14)
Weighted average number of shares outstanding		**61,184,087**	54,572,443	**59,342,787**	47,757,476

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

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the Nine Months Ended December 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

		For the Nine Months Ended December 31, 2022		2021
Cash Flows provided by (used in) Operating Activities				
Net loss for the period	**$**	**(11,559,473)**	$	(6,854,684)
Items not affecting cash				
Stock-based compensation		**677,939**		2,334,000
Accretion		**129,131**		202,335
Depreciation		**74,367**		-
Changes in non-cash working capital items related to operations:				
Debenture interest payable		**61,259**		107,836
Receivables		**648,282**		(522,735)
Customer deposits		**(179,267)**		-
Inventory		**154,511**		-
Prepaid expenses		**(108,868)**		(158,054)
Accounts payable and accrued liabilities		**(200,812)**		1,052,167
Cash flow used in operating activities		**(10,302,931)**		(3,839,135)
Cash Flows provided by Financing Activity				
Proceeds on issuance of common shares		**6,062,099**		6,000,000
Share issuance costs		**(659,362)**		(480,000)
Proceeds of issuance of convertible debenture, net of issuance costs		-		1,840,000
Proceeds on exercise of options		**312,500**		-
Proceeds on exercise of warrants		**3,497,875**		5,625
Proceeds of exercise of broker's warrants		**622,494**		269,000
Payment of convertible debenture interests		**(83,293)**		-
Cash flow provided by financing activities		**9,752,313**		7,634,625
Effect of exchange rates on cash		**(81,517)**		-
Increase (decrease) in cash during the period		**(550,618)**		3,795,490
Cash, beginning of the period		**2,599,377**		1,637,380
Cash, end of the period	**$**	**1,967,242**	$	5,432,870
Non-cash Activities:				
Shares issuance from convertible debenture conversion	**$**	**844,902**	$	-

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

FIRST HYDROGEN CORP. (formerly Pure Extraction Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
For the Nine Months Ended December 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balance, March 31, 2022	**55,337,855**	**$ 12,070,510**	**$ 1,698,967**	**$ 20,261**	**$ (12,669,059)**	**$ 1,120,679**
Shares issued for cash	2,245,222	6,062,099	-	-	-	6,062,099
Share issuance costs - cash	-	(659,362)	-	-	-	(659,362)
Share issuance costs - broker's warrants	-	(854,005)	854,005	-	-	-
Warrants exercised	3,623,750	3,497,875	-	-	-	3,497,875
Broker's warrants exercised	289,638	1,114,195	(491,700)	-	-	622,495
Stock options exercised	250,000	507,500	(195,000)	-	-	312,500
Conversion of convertible debenture	2,062,500	938,787	(93,885)	-	-	844,902
Stock-based compensation	-	-	677,939	-	-	677,939
Other comprehensive loss	-	-	-	(81,517)	-	(81,517)
Net loss for the period	-	-	-	-	(11,559,473)	(11,559,473)
Balance, December 31, 2022	**63,808,965**	**$ 22,677,599**	**$ 2,450,326**	**$ (61,256)**	**$ (24,228,532)**	**$ 838,137**
Balance, March 31, 2021	**38,101,239**	**$ 4,037,511**	**$ 867,742**	**$ -**	**$ (3,800,965)**	**$ 1,104,288**
Shares issued for acquisition	3,249,590	991,125	-	-	-	991,125
Shares issued for cash – private placement	9,900,000	6,000,000	-	-	-	6,000,000
Share issuance costs	-	(480,000)	-	-	-	(480,000)
Share issuance costs - broker's warrants	-	(572,600)	572,600	-	-	-
Warrants exercised	6,250	5,625	-	-	-	5,625
Broker's warrants exercised	1,822,796	586,997	(317,997)	-	-	269,000
Convertible debenture issuance - equity portion	-	-	470,000	-	-	470,000
Stock-based compensation	-	-	2,334,000	-	-	2,334,000
Other comprehensive loss	-	-	-	(36,517)	-	(36,517)
Net loss for the period	-	-	-	-	(6,854,684)	(6,854,684)
Balance, December 31, 2021	**53,079,875**	**$ 10,568,658**	**$ 3,926,345**	**$ (36,517)**	**$ (10,655,9649**	**$ 3,802,837**

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

Note 1 Nature of Operations

First Hydrogen Corp. (the "Company") is a publicly listed company incorporated under the Business Corporations Act of British Columbia on June 20, 2007, as "Fitch Street Capital Corp". On June 13, 2008, the Company 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 12, 2020, the Company changed its name to Pure Extraction Corp., and again on October 7, 2021, to First Hydrogen Corp. The Company's trading symbol is "FHYD" trading on the 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.

The Company is a Vancouver Canada and London UK-based company focused on zero-emission vehicles, green hydrogen production, and distribution and supercritical carbon dioxide extractor systems in in UK, EU, and North America.

Going Concern

While the Company's condensed consolidated interim 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 nine months period ended December 31, 2022, the Company reported a net loss of $11,559,473 (2021 - $6,854,684**)** and as at that date had an accumulated deficit of $24,228,532 (March 31, 2022 - $12,669,059). As of December 31, 2022, the Company has a working capital deficiency of $48,549 (March 31, 2022 - $1,270,688 working capital). 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 condensed 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 condensed consolidated financial statements.

Note 2 Significant Accounting Policies and Basis of Preparation

(a) Statement of Compliance to International Financial Reporting Standards

These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these unaudited interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2022.

These condensed consolidated interim financial statements were authorized for issue on March 1, 2023 by the directors of the Company.

(b) Basis of Presentation and Consolidation

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

These condensed consolidated interim 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., First Hydrogen Automotive (USA) Inc., First Hydrogen Energy (USA) Inc., First Hydrogen (Quebec) Corp, NetzeroH2 Inc. and ZeronetH2 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.

Note 2 Significant Accounting Policies and Basis of Presentation – (cont'd)

(b) Basis of Measurement and Consolidation – (cont'd)

The condensed consolidated interim financial statements of the subsidiaries are including the condensed consolidated interim 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 condensed 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 condensed 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 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 are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(d) Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the period ended December 31, 2022, and have not been early adopted in preparing these condensed consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's condensed consolidated interim financial statements.

(e) Change in Accounting Policies

Intangible assets

Intangible assets consist of the costs associated with the assignment of the two non-binding letters of intent acquired from an arm's length company which were ratified into definitive agreements to design and develop a hydrogen fuel-cell powered light commercial vehicle. Intangible assets with a finite life are state at cost less accumulated amortization and accumulated write-downs for impairment. Amortization is provided over the estimated useful lives of the assets using the following methods and annual rates:

Asset	Basis	Rate
Non-binding letter of intent	Straight-line	10 years

(Expressed in Canadian Dollars)

Note 3 Receivables

	December 31, 2022	March 31, 2022
GST receivable	**$ 114,396**	$ 103,685
Other receivables	**130,214**	783,582
	$ 238,985	$ 887,267

Note 4 Inventory

Inventory comprised the following items:

	December 31, 2022	March 31, 2022
Work in progress - materials and labour	**$ 409,469**	$ 563,980

Note 5 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.

		December 31, 2022
Cost		
Balance, March 31, 2021	**$**	**-**
Issuance of 3,000,000 common shares at a fair value of $0.305		915,000
Issuance of 249,590 common shares at a fair value of $0.305		76,125
Balance, March 31, 2022	**$**	**991,125**
Depreciation		(74,367)
Balance, December 31, 2022	**$**	**916,758**

Note 6 Customer Deposits

As at December 31, 2022, the Company has received deposits for orders of $396,048 (March 31, 2022 - $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 7 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 debentures. The Company incurred transaction costs of $402,400. Transactions costs included the following:

(Expressed in Canadian Dollars)

Note 7 Convertible Debentures – (cont'd)

- broker's fees to arm's length third parties consisting of $160,000 cash; and

- issued 400,000 broker's warrants. Each broker's warrant is exercisable at $0.40 into one common share for a period of two years. The brokers' warrants are fair valued at $242,400 based on the 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.

During the year ended March 31, 2022, $500,000 of convertible debentures principal were converted into 1,250,000 units of the Company at a price of $0.40 per unit. Each unit includes 1,250,000 shares and 675,000 warrants at an exercisable price of $0.90. The Company recorded a fair value reduction in convertible debentures of $461,227 due to the conversion. The equity component of $56,901 was transferred to common shares for accounting purposes.

For the nine months ended December 31, 2022, $825,000 of convertible debentures principal were converted into 2,062,000 units of the Company at a price of $0.40 per unit. Each unit includes 2,062,000 shares and 1,031,000 warrants at an exercisable price of $0.90. The Company recorded a fair value of reduction in convertible debentures of $844,902 due to the conversions. The equity component of $93,885 was transferred to common shares for accounting purposes.

For the nine months ended December 31, 2022, the Company recorded the convertible debenture loan interest of $61,259 (2021 - $113,755). The Company made loan interests payment of $83,293 (2021 - $Nil).

As at December 31, 2022, the balance of the convertible debenture is $513,963 (March 31, 2022 - $1,231,903) and accrued interest payable $88,724 (March 31, 2022 - $110,758) (Note 16).

		December 31, 2022		March 31, 2022
Opening balance	$	**1,231,903**	$	-
Additions from Principal amounts		**-**		2,000,000
Redeem partial loan to common shares		**(938,787)**		(461,227)
Broker's fee		**-**		(160,000)
Equity component		**93,885**		(170,699)
Transaction costs		**-**		(242,400)
Accretion		**126,962**		266,199
	$	**513,963**	$	1,231,903
Current portion	$	**513,963**	$	118,675
Non-current portion		**-**		1,113,228
	$	**513,963**	$	1,231,903

Note 8 Loan Payable - Government Grants

On April 20, 2020, the Company obtained a Canada Emergency Business Account (the "CEBA") loan in the amount of $40,000 (face value) 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.

On January 12, 2022, the Department of Finance Canada announced the repayment deadline for the CEBA loan to qualify for partial loan forgiveness is being extended from December 31, 2022, to December 31, 2023, for all eligible borrowers in good standing. After January 1, 2023, the loan may be converted into a 3-year term loan at a fixed annual interest rate of 5%.

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 for the year ended March 31, 2021.

For the nine months December 31, 2022, the accretion expense of $2,169 (2021 - $1,960) was recorded on the loan. As at December 31, 2022, the balance of the loan is $30,075 (March 31, 2022 - $27,906).

(Expressed in Canadian Dollars)

Note 9 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 nine months ended December 31, 2022, and 2021.

c) Private Placement

Nine Months Ended December 31, 2022

- The Company completed a non-brokered private placement of units for gross proceeds of $6,062,099 The private placement consisted of 2,245,222 units at $2.70 per unit, where each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable at $3.70 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 $484,968 cash and issued 179,618 broker's warrants. Each broker's warrant is exercisable at $2.70 into one common share for a period of two years.

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 broker's warrants. Each broker's warrant is exercisable at $0.40 into one common share for a period of two years.

- 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.

d) Share Purchase Warrants

Share purchase warrants transactions during the nine months ended December 31, 2022 are summarized 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	6,756,250	$	1.29	1.20
Issued	1,031,250		0.90	0.33
Issued	2,245,222		3.70	1.33
Exercised	(3,623,750)		0.97	-
Balance, at December 31, 2022	**6,408,972**	**$**	**2.26**	**0.79**

(Expressed in Canadian Dollars)

Note 9 Share Capital – (cont'd)

d) Share Purchase Warrants – (cont'd)

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

Number of Warrants	Exercise Price	Expiry Date
1,978,750	$ 0.90	April 30, 2023
2,185,000	2.00	August 30, 2023
2,245,222	3.70	April 29, 2024
6,408,972		

e) Long-Term Incentive Plan ("LTIP")

The Company has a LTIP that provides for the issuance of restricted share units ("RSUs"), performance share units ("PSUs), deferred share units ("DSUs") and stock options ("Options") (collectively the "Awards") to its directors, officers, employees and consultants. The aggregate maximum number of outstanding Awards is 10% of the issued and outstanding common shares at any point in time. The exercise price of each Award equals the market price of the Company's shares on the date of the grant. The maximum term of the stock options is ten years. The fair value of each Award granted is estimated on the date of grant using the Black-Scholes option pricing model.

For the nine months ended December 31, 2022, the Company did not issue any RSUs, PSUs or DSUs.

During the nine months ended December 31, 2022, the Company granted 235,000 and 15,000 of stock options at an exercising price of $3.00 and $3.30, respectively, to employees of the Company, with an expiry of 5 years. These stock options vest over a three-year period. The fair value of each option granted during the period was estimated using the Black-Scholes Option Pricing Model based on the following assumptions:

	For the Nine Months Ended December 31, 2022	2021
Risk-free interest rate	2.70 – 3.16%	0.12 - .025%
Expected life	5 years	5 years
Volatility	103 – 105%	132 – 172%
Expected dividend yield	0.00%	0.00%

During the nine months ended December 31, 2022, the Company recorded stock-based compensation of $677,939 (2021 -$2,334,000).

Stock option transactions are summarized 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**
Granted	250,000	3.018
Exercised	(250,000)	1.883
Balance at December 31, 2022	**3,465,000**	**$ 1.255**

(Expressed in Canadian Dollars)

Note 9 Share Capital – (cont'd)

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

Expiry Date	Exercise price	Number of options outstanding	Weighted Average Remaining Years
July 19, 2024	$ 0.165	1,110,000	1.55
July 23, 2025	$ 0.300	400,000	2.56
March 3, 2026	$ 0.400	100,000	3.17
June 11, 2026	$ 2.350	620,000[(1)]	3.45
November 18, 2026	$ 1.700	615,000[(2)]	3.88
December 17, 2026	$ 1.700	150,000[(3)]	3.96
January 11, 2027	$ 2.250	30,000[(3)]	4.03
March 1, 2027	$ 2.800	150,000[(3)]	4.17
March 7, 2027	$ 2.550	40,000[(3)]	4.18
April 19, 2027	$ 3.300	15,000[(3)]	4.30
June 6, 2027	$ 3.000	90,000[(3)]	4.43
July 1, 2027	$ 3.000	15,000[(3)]	4.50
July 11, 2027	$ 3.000	90,000[(3)]	4.53
July 18, 2027	$ 3.000	40,000[(3)]	4.55
	$ 1.283	3,465,000	2.95

(1) 500,000 stock options vest over a three-year period.
(2) 350,000 stock options vest over a three-year period.
(3) stock options vest over a three-year period.

As at December 31, 2022, no RSUs, RSUs, PSUs or DSUs were outstanding.

f) Broker/Agent/Finder's warrants

Nine Months ended December 31, 2022
On April 30, 2022, the Company issued 179,618 finder's warrants as finders' fees from private placement (Note 9 c)). The finder's warrants allowed the holder to acquire for $2.70 per finder warrant, one common share for a period of 24 months. The fair value of these finder's warrants was calculated at $372,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 2.63% risk-free interest rate, expected life of 2 years, 136% annualized volatility and 0% dividend rate.

On September 28, 2022, the Company entered into an agreement with Canaccord Genuity Corp. ("CG") to assist in the exercise of the Company's outstanding share purchase warrants, commencing October 1, 2022 till October 31, 2022. CG will be compensated with a cash fee equal to 5% of the total gross proceeds raised from the exercise of the share purchase warrants. In addition, the Company will issue broker's warrants at an exercising price of $4.50 as part of compensation. Each warrant allows the holders to purchase one common share at a price of $4.50 for a period of two years from issuance. On November 1, 2022, the agreement was extended from October 31, 2022 to December 31, 2022.

During the nine months ended December 31, 2022, the Company made cash payments of $174,394 to CG as compensation for assisting in the exercising share purchase warrants. The Company issued a total of 180,938 broker's warrants to CG. The fair value of these finder's warrants was calculated at $482,005 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 3.65-3.76% risk-free interest rate, expected life of 2 years, 146.54-147.32% annualized volatility and 0% dividend rate.

	For the Nine Months Ended December 31,	
	2022	2021
Risk-free interest rate	2.63 – 3.76%	0.31 - 0.71%
Expected life	5 years	5 years
Volatility	136 – 147.32%	121 – 128%
Expected dividend yield	0.00%	0.00%

(Expressed in Canadian Dollars)

Note 9 Share Capital – (cont'd)

f) Broker/Agent/Finder's warrants – (cont'd)

Year Ended March 31, 2022
During the year ended March 31, 2022, the Company issued 1,000,000 finder's warrants as finders' fees for the unit financing of $3,000,000 at $0.40 per unit and $2,000,000 of convertible debentures. 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 nine months ended December 31, 2022, finder's warrants activity was as follows:

	Number	Weighted Average Price
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
Balance, at March 31, 2022	**110,020**	**$ 1.25**
Issued	179,618	$ 2.70
Issued	180,938	$ 4.50
Exercised	(289,638)	$ 2.15
Balance, at December 31, 2022	**180,938**	**$ 4.50**

As at December 31, 2022, the following broker's warrants were outstanding and exercisable:

Number of Broker's Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Years
60,688	$ 4.50	October 31, 2024	1.84
120,250	$ 4.50	December 30, 2024	2.00
180,938			1.94

g) Escrow Shares

As at December 31, 2022, 653,749 common shares (March 31, 2022 – 1,961,249) 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 December 31, 2022, 1,800,000 common shares (March 31, 2022 – 2,250,000) were subject to a voluntary escrow and pooling agreement released over a 36-month period (Note 5).

(Expressed in Canadian Dollars)

Note 10 Related Party Transactions

During the nine months ended December 31, 2022, the Company incurred $54,000 (2021 - $54,000**)** in rent expense to a company owned by a director and senior officer. As at December 31, 2022, $nil (March 31, 2022- $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 nine months ended December 31, 2022, the Company paid a total of $27,000 in directors' fees (2021 – nil).

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:

	December 31, 2022	December 31, 2021
CEO	**$ 360,000**	$ 195,000
CFO	**31,500**	22,500
Director Fees	**27,000**	Nil
Salaries	**280,126**	-
Rent	**54,000**	54,000
	$ 725,626	$ 271,500

Note 11 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 December 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.

Note 11 Financial Instruments and risk – (cont'd)

e) 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 December 31, 2022, the Company was not subject to significant interest rate risk.

f) Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk to the extent of expenditures incurred and funds received, and balances maintained by the Company are denominated in Pound Sterling (£), Euro (€) and Canadian dollars. The Pound Sterling and Euro are subject to fluctuations against the Canadian dollar.

g) 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	$ 1,967,242	$ -	$ -	$ 1,967,242

Note 12 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.

(Expressed in Canadian Dollars)

Note 13 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, 2023.

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.

Note 14 General and Administrative

	For the Three Months Ended December 31, 2022	2021	For the Nine months Ended December 31, 2022	2021
Office and administration	$ 20,834	$ 52,486	$ 71,543	$ 105,278
Computer and internet	16,388	-	57,080	-
Rent	39,020	57,383	172,495	112,591
Transfer agent and regulatory fees	6,275	10,092	72,404	71,339
	$ 82,517	$ 119,961	$ 373,522	$ 289,208

Note 15 Segmented Information

	Assets		Expenditures	
	December 31, 2022	March 31, 2022	December 31, 2022	December 31, 2021
U.K.	$ 1,266,035	$ 814,493	$ 7,216,007	$ 2,646,934
Canada	2,482,049	4,334,015	4,349,015	4,207,750
	$ 3,748,084	$ 5,148,508	$ 11,565,022	$ 6,854,684

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 16 Subsequent Events

a) The Company has received $1,046,150 from the exercise of 11,200 share purchase warrants at $2.00 per warrant and 1,137,500 share purchase warrants at a price of $0.90 per warrant.

b) In February 2023, $425,000 of convertible debenture principal were converted into 1,062,500 common shares and 531,250 share purchase warrants. Each warrant is exercisable price of $0.90. The warrants expire April 30, 2023.