Unaudited Interim Condensed Consolidated Financial Statements of

LOOP ENERGY INC.

(Expressed in thousands of Canadian dollars)

As at March 31, 2023 and for the three months ended March 31, 2023 and 2022

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	As at March 31, 2023 $	As at December 31, 2022 $
ASSETS		
Current assets:		
Cash and cash equivalents	13,163	24,524
Accounts receivable (note 3)	4,015	3,842
Inventory (note 4)	5,632	4,288
Prepaid expenses and advances	3,063	2,001
Total current assets	25,873	34,655
Non-current assets		
Accounts receivable (note 3)	186	239
Property, plant and equipment (note 5)	21,846	20,344
Total non-current assets	22,032	20,583
Total assets	47,905	55,238
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	4,684	3,939
Current portion of lease liabilities (note 7)	1,002	972
Current portion of long-term debt (note 8)	175	175
Deferred revenue and recoveries (note 9)	717	1,656
Warranty provision (note 11)	253	184
Total current liabilities	6,831	6,926
Non-current liabilities		
Lease liabilities (note 7)	2,569	2,764
Long-term debt (note 8)	3,993	3,928
Deferred revenue and recoveries (note 9)	1,430	1,737
Warranty provision (note 11)	391	373
Total non-current liabilities	8,383	8,802
Total liabilities	15,214	15,728
Shareholders' equity:		
Common shares (note 12)	127,183	126,828
Share-based payment reserve	8,015	7,966
Deficit	(102,567)	(95,284)
Foreign currency reserve	60	-
Total shareholders' equity	32,691	39,510
Total liabilities and equity	47,905	55,238

Commitments (note 18)

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts and share data)

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Revenues (note 14)	903	178
Cost of sales (note 4)		
Cost of goods sold	2,451	793
Change in allowance for inventory write-down	1,399	1,206
Gross margin	(2,947)	(1,821)
Expenses:		
General and administrative	2,356	2,398
Engineering	3,489	2,593
Business development	1,326	752
Technology development	259	427
	7,430	6,170
Cost recoveries:		
SDTC and JGF Program (note 9)	(3,085)	(33)
Other grants	(37)	(10)
	(3,122)	(43)
Operating expenses	4,308	6,127
Loss before the undernoted	(7,255)	(7,948)
Other income (expenses):		
Foreign currency exchange income	(19)	(123)
Interest income	172	86
Finance expense (note 10)	(181)	(62)
Net loss	(7,283)	(8,047)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	60	(17)
Total comprehensive loss	(7,223)	(8,064)
Loss per common share – basic and diluted	(0.21)	(0.24)
Weighted average number of common shares outstanding	34,040,856	33,687,524

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars, except share data)

	Common shares #	Common shares $	Share-based payment reserve $	Deficit $	Foreign currency reserve $	Total shareholders' equity $
Balance December 31, 2021	33,649,314	126,310	6,556	(57,797)	86	75,155
Exercise of stock options (note 13)	333,334	92	(38)	-		54
Share-based payments (note 13)	-	-	455	-	-	455
Net loss	-	-	-	(8,047)	-	(8,047)
Other comprehensive income (loss):						
Foreign currency translation	-	-	-	-	(17)	(17)
Balance, March 31, 2022	33,982,648	126,402	6,973	(65,844)	69	67,600
Balance December 31, 2022	34,005,791	126,828	7,966	(95,284)	-	39,510
Exercise of stock options (note 13)	183,333	217	(81)	-	-	136
Shares issued on RSU redemption	46,398	138	(145)	-	-	(7)
Share-based payments (note 13)	-	-	275	-	-	275
Net loss	-	-	-	(7,283)	-	(7,283)
Other comprehensive income (loss):						
Foreign currency translation	-	-	-	-	60	60
Balance, March 31, 2023	34,235,522	127,183	8,015	(102,567)	60	32,691

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Operating activities		
Net loss	(7,283)	(8,047)
Items not affecting cash:		
Depreciation (note 5)	653	331
Finance expense (note 10)	181	62
Inventory write-down (note 4)	2,308	1,376
Share-based payments (note 13)	275	455
Other	(88)	(19)
Changes in non-cash working capital and other items, net (note 17)	(5,057)	(1,997)
Net cash flows used in operating activities	(9,011)	(7,839)
Investing activities		
Purchase of property, plant and equipment (note 5)	(2,392)	(3,274)
Net cash flows used in investing activities	(2,392)	(3,274)
Financing activities		
Net proceeds from exercise of stock options (note 13)	136	20
Repayment of long-term debt (note 8)	(38)	(38)
Lease payments (note 7)	(189)	(169)
Net cash flows used in financing activities	(91)	(187)
Cash and cash equivalents		
Change during the period	(11,494)	(11,300)
Impact of foreign exchange on cash and cash equivalents	133	-
Cash and cash equivalents, beginning of the period	24,524	67,030
Cash and cash equivalents, end of period	13,163	55,730

Supplemental cash flow information (note 17)

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

1. Nature of Business:

Loop Energy Inc. (the "Company") and its wholly-owned subsidiaries are primarily involved in the development of fuel cell technology. The Company was incorporated under the laws of British Columbia, Canada on June 21, 2000 and trades on the Toronto Stock Exchange under the symbol "LPEN".

The registered office of the Company is 2900 - 550 Burrard Street, Vancouver, BC, V6C 0A3. The Company's head office is located at 660 - 2700 Production Way, Burnaby, BC, V5A 4V7.

2. Basis of presentation:

Statement of compliance:
These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2022.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company on May 10, 2022.

Basis of measurement:
The interim condensed consolidated financial statements have been prepared on the historical cost basis using the accrual basis of accounting, except for cash flow information.

Going Concern:
These interim condensed consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company realized a net loss of $7,283 for the three months ended March 31, 2023 (March 31, 2022 - $8,047) and had negative cash flows from operations of $9,011 (three months ended March 31, 2022 - $7,839). The Company expects to incur further losses in the development of its business and forecasts that it will need to seek additional financing within the next year to continue as a going concern and meet its ongoing expenditures and obligations. While the Company has been successful in securing financing in the past, there can be no assurances that it will be able to do so in the future. These conditions indicate a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

While the Company has incurred losses to date, its strategy to mitigate this uncertainty is to continue its drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on revenue growth, improving gross margins, maintaining discipline over operating expenses, managing working capital requirements, and securing additional financing to fund operations as needed until the Company does achieve profitable operations that are sustainable. As at March 31, 2023, the Company has working capital, being current assets less current liabilities, of $19,042.

These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

Functional and presentation currency:
These interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Basis of consolidation:
The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries are entities which the Company has exposure to, or has rights to, variable returns from its involvement with the entity and has the ability to use power over the investee to affect its returns. The accounts of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, transactions, revenues and expenses are eliminated in full in these unaudited interim condensed consolidated financial statements and unrealized gains or losses on transactions are eliminated upon consolidation.

Subsidiaries:
The following provides information about the Company's wholly owned consolidated subsidiaries as at March 31, 2023:

Name of Subsidiary	State or Jurisdiction of Incorporation	Proportion of Ownership Interest
1123640 B.C. Ltd	Canada	100%
1299502 B.C. Ltd	Canada	100%
Loop Energy Technologies (Shanghai) Co. Ltd.	China	100%

Estimation uncertainty
The significant estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Company's annual consolidated financial statements as at and for the year ended December 31, 2022. Actual results may differ from these estimates.

Material accounting policies:
There are no new standards or interpretations, not yet adopted, that are expected to have a material impact on the Company's financial statements.

The Company operates in one segment and as at March 31, 2023 $16,715 of the Company's non-current assets are located in Canada and $5,090 are located in China.

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2022.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

3. Accounts receivable:

	March 31, 2023 $	December 31, 2022 $
Customer receivables	1,771	2,086
GST receivable and other	1,832	1,399
Government grant receivable (note 9)	598	596
Accounts receivable	**4,201**	**4,081**
Current portion	4,015	3,842
Non-current portion	186	239
	4,201	**4,081**

Customer receivables including receivables from equity-accounted investment are recorded, net of an allowance for an expected credit loss of $971 (December 31, 2022 - $935), with credit losses recorded in general and administrative expenses.

4. Inventory:

	March 31, 2023 $	December 31, 2022 $
Raw materials	4,369	2,807
Finished goods	1,263	1,481
Inventory	**5,632**	**4,288**

As at March 31, 2023, inventory is presented net of an allowance for write-downs of $6,342 (December 31, 2022 - $4,943).

During the three months ended March 31, 2023, the Company recorded a total of $2,308 in write-downs of its inventory to its net realizable value (three months ended March 31, 2022 – $1,376).

Cost of sales for the three months ended March 31, 2023 (compared to three months ended March 31, 2022) comprised of the cost of inventories recognized as an expense of $1,841 (2022 - $327), overheads of $523 (2022 - $432), warranty costs of $87 (2022 - $34), and the change in allowance for write-downs of inventory of $1,399 (2022 - $1,206),

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

5. Property, plant and equipment:

	Equipment $	Leasehold improvements $	Computer hardware $	Computer software $	Right-of-use assets $	Total $
Cost						
Balance, December 31, 2022	**14,034**	**5,427**	**789**	**434**	**4,707**	**25,391**
Additions	1,924	501	3	-	-	2,428
Effect of movements in foreign exchange rates	2	(29)	-	-	3	(24)
Balance, March 31, 2023	**15,960**	**5,899**	**792**	**434**	**4,710**	**27,795**
Accumulated depreciation						
Balance, December 31, 2022	**1,794**	**1,383**	**332**	**216**	**1,322**	**5,047**
Depreciation	296	288	82	30	206	902
Balance, March 31, 2023	**2,090**	**1,671**	**414**	**246**	**1,528**	**5,949**
Carrying amounts						
December 31, 2022	**12,240**	**4,044**	**457**	**218**	**3,385**	**20,344**
March 31, 2023	**13,870**	**4,228**	**378**	**188**	**3,182**	**21,846**

Included in the cost of equipment is $2.4 million of assets under construction that are not being depreciated as they are not yet available for use and $3.3 million of deposits paid for equipment to be delivered in 2023.

The Company recognized depreciation expense for property, plant and equipment with allocations to the functional expense as follows:

	Three months ended March 31, 2023 $	Three months ended March 31, 2022 $
Cost of sales	146	167
Engineering	238	55
General and administrative	236	81
Business development	17	12
Technology development	16	16
	653	**331**

At March 31, 2023, $249 (March 31, 2022 - $71) of depreciation expense was recorded in inventory.

6. Accounts payable and accrued liabilities:

	March 31, 2023 $	December 31, 2022 $
Trade payables and accrued expenses	3,414	2,705
Trade and other payables due to related parties (note 15)	40	40
Payroll accruals	1,230	1,194
Accounts payable and accrued liabilities	**4,684**	**3,939**

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

7. Lease liabilities:

As at March 31, 2023, the Company leases premises for the Company's office and manufacturing space. The lease liabilities have been calculated using discount rates ranging from 8.0% - 10.55% per annum and the leases expire between June 2023 and July 2028.

The following table presents the changes in the balance of the Company's lease related items for which the Company was a lessee for the three months ended March 31, 2023 and the year ended December 31, 2022:

	March 31, 2023 $	December 31, 2022 $
Balance, beginning of year	3,736	2,065
Additions	-	2,270
Effect of movements in foreign exchange rates	1	(32)
Finance expense (note 10)	78	255
Lease payments	(244)	(822)
Balance, end of period	**3,571**	**3,736**
Current portion	1,002	972
Non-current portion	2,569	2,764
Balance, end of period	**3,571**	**3,736**

As at March 31, 2023 the undiscounted contractual obligations of the Company's lease liabilities were as follows:2023: $776; 2024: $988; 2025: $761; 2026: $775; 2027: $762 and $301 thereafter.

8. Long-term debt:

On March 31, 2022, the Company entered into an agreement with Pacific Economic Development Canada for funding, Job and Growth Fund-Innovation Program ("JGF Program"), of up to $9.75 million, to assist with project costs associated with increases in the Company's manufacturing capacity. Under the terms of the agreement the funding is repayable over 60 consecutive months commencing on April 1, 2025 and is non-interest bearing. The funds are to be received as certain milestones are accomplished over a period up to March 31, 2024. In accordance with the terms of the JGF Program agreement, the Company shall not dispose of any asset acquired or developed which is funded in whole or in part by the funding received without receipt of prior written consent and the Company shall not pay any distribution of retained earnings to shareholders until the loan contribution has been repaid in full.

The Company's long-term debt obligation is comprised of:

	March 31, 2023 $	December 31, 2022 $
Unsecured loan, maturing December 1, 2024, bearing no interest (a)	241	269
Unsecured promissory notes, with no maturity date, bearing no interest	23	23
Unsecured JGF Program loan, maturing March 31, 2030, bearing no interest (b)	3,904	3,811
Total long-term debt	4,168	4,103
Less current portion of long-term debt	175	175
Long-term portion	**3,993**	**3,928**

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

(a) During the three months ended March 31, 2023, the Company repaid $38 relating to this long-term debt facility and recorded non-cash finance expenses of $10 (three months ended March 31, 2022 - $14) (note 10) related to accretion of an associated discount on the loan.

(b) During the year ended December 31, 2022, the Company received a total of $5,970 relating to JGF Program funding in 2 different tranches. The Company applied an effective interest rate of 9.75% and 12.0% to discount the cash flows of the non-interest-bearing loan applicable to each tranche. The loan was valued at $3,070 and $652 for each tranche respectively on the payment receipt date. The remaining balance of the loan is classified as deferred revenue and recoveries (note 9). The Company recorded non-cash finance expenses of $93 during the three months ended March 31, 2023 related to accretion of the associated discount on the loan.

As at March 31, 2023 the contractual maturities of the Company's long-term debt were as follows: 2023: $137; 2024: $152; 2025: $895; 2026: $1,194; 2027: $1,194 and $2,687 thereafter.

9. Deferred revenue and recoveries:

	March 31, 2023 $	**December 31, 2022 $**
SDTC	101	1,213
Contracts with customers	21	-
JGF Program	1,498	1,617
Shanghai Industrial Zone Economic Development	527	563
Balance, end of period	**2,147**	**3,393**
Current portion	717	1,656
Non-current portion	1,430	1,737
Balance, end of period	**2,147**	**3,393**

Sustainable Development Technology Canada ("SDTC")

During 2017, the Company signed an agreement with SDTC to receive funding of $7,500 related to the development of the Company's technology and the Company received a first milestone payment of $1,204 in 2017. A follow-on payment of $667 related to purchases of equipment, which is amortized over a five-year period commensurate with the average depreciable life of the equipment, was received in 2018 and a second milestone payment of $1,372 was received in 2019. During 2020, SDTC increased the funding commitment to $7,875 and provided an additional payment of $375 with $66 recognized in relation to the first milestone. During 2021, SDTC increased the total funding commitment to $8,269 and provided an additional $394, with $224 being recognized as a cost recovery during 2021, relating to the completed first and second milestones, and the Company received a third milestone prepayment of $1,621 in 2021, which was recognized completely alongside additional funding of $182 in 2022 upon completion of the third milestone. During 2022, the Company received an advance payment of $782 related to fourth milestone project, which was recognized completely in the three months ended March 31, 2023 on completion of the fourth milestone.

During the three months ended March 31, 2023, the Company also received from SDTC a final payment of $1,854 in relation to completion of fifth milestone, which was recognized completely alongside additional funding of $297 upon completion of the fourth and fifth milestone.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

The following table presents the changes in the balance of the Company's SDTC deferred recoveries for the three months ended March 31, 2023 and the year ended December 31, 2022:

SDTC	March 31, 2023 $	December 31, 2022 $
Balance, beginning of year	1,213	2,366
Completion of third milestone	-	(1,621)
Receipt of prepayment for fourth milestone	-	782
Completion of fourth milestone	(782)	-
Receipt of payment for fifth milestone	1,854	-
Completion of fifth milestone	(1,854)	-
Amortization of equipment cost recovery	(33)	(132)
Recognition of additional funding received in relation to completed milestones	(297)	(182)
Balance, end of period	**101**	**1,213**

JGF Program

As disclosed in Note 8, the Company entered into an agreement with Pacific Economic Development Canada and received its JGF Program funding in two tranches of $4,863 and $ 1,107 during the year ended December 31, 2022. The loan was valued at $3,070 and $ 652 respectively on the payment receipt date of each tranche with the discount of $1,793 and $ 455 respectively being recorded as deferred cost recovery. During the three months ended March 31, 2023, the Company recognized $119 (three months ended March 31, 2022 – nil) for usage of the property, plant and equipment acquired with the remaining recovery to be recognized over the life of the property, plant and equipment acquired with such funds.

The following table presents the changes in the balance of the Company's JGF Program deferred recoveries for the three months ended March 31, 2023:

JGF Program	March 31, 2023 $
Balance, beginning of year	1,617
Capital costs recovery	(119)
Balance, end of period	**1,498**

Shanghai Jiading Industrial Zone

During 2021, the Company, through its subsidiary Loop Energy Technologies (Shanghai) Co. Ltd, entered into a lease agreement for an additional premise through March 31, 2027 (which includes the expected exercise of a three-year extension option by the Company). As part of the agreement, Shanghai Jiading Industrial Zone Economic Development Co., Ltd., a government entity, will reimburse the Company for the lease cost through March 31, 2024. At the inception of the lease, the total value of the government grant was $684, which the Company has recognized as a deferred recovery, and the future amounts receivable under the lease agreement are recorded in accounts receivable (note 3). The Company has obligations associated with the government grant such that the Company must reach a certain threshold of tax payments by March 31, 2024. If the Company is unable to meet this threshold, the Company is required to proportionately repay the government grant relative to the shortfall of the tax payments.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

10. Finance expense:

	Three months ended March 31, 2023 $	2022 $
Accretion of long-term debt (note 8)	103	14
Finance expense – lease liabilities (note 7)	78	48
Total	**181**	**62**

11. Warranty provision:

	March 31, 2023 $	December 31, 2022 $
Balance, beginning of period	557	305
Provisions made during the period, net	87	252
Balance, end of period	**644**	**557**
Current portion	253	184
Non-current portion	391	373
Long-term portion	**644**	**557**

The provisions for product warranty reflect the estimated costs of replacement and associated services costs that will be incurred by the Company with respect to the products sold.

For the three months ended March 31, 2023, the Company recorded warranty provisions of $87, and incurred nil in related expenses (March 31, 2022 $22 and nil respectively).

12. Share capital:

The Company has unlimited authorized common shares without par value.

Warrants:

The Company has issued warrants that allow the holder to acquire additional common shares of the Company. During the three months ended March 31, 2023 there were no transactions with respect to outstanding warrants.

As at March 31, 2023, warrants outstanding enabling holders to acquire common shares are as follows:

Number of Warrants Outstanding #	Exercise Price $	Expiry Date
66,667	1.50	January 10, 2024

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

13. Share-based payments:

The Company has a long-term incentive plan (the "Plan") to provide incentives to its officers, directors, employees and certain non-employees. Under the Plan, the Company has reserved up to 10% of the issued and outstanding common shares of the Company to be issued. The Plan allows for the grant of stock options, deferred share units, restricted share units ("RSUs"), performance share units and other share-based awards. As at March 31, 2023, the Company had only granted stock options and RSUs under the Plan.

The exercise price of each option is determined by the volume weighted average trading closing price of the Company's common shares on the TSX for the five trading days immediately preceding the date of grant and is set by the Board of Directors of the Company. The stock options have a maximum term of ten years and vesting periods as determined by the Board of Directors.

The fair value of each RSU grant is measured at the fair-value price at date of grant and generally vest annually in equal amounts over three years from the grant date, or as determined by the Board of Directors of the Company. Each RSU is equal in value to one of the Company's common shares. RSUs do not require the payment of any monetary consideration to the Company. Instead, they represent the right to receive common shares, or a payment representing common shares, following the attainment of vesting criteria determined at date of grant, notably a requirement that an individual remains eligible for awards for a specified period of time. The option to settle the RSUs in common shares or cash is at the Company's election, and the Company intends to settle the RSUs with common shares issued from treasury.

Stock options:

The following table presents the changes in the balance of the outstanding stock options under the Company's stock option plan:

	Number of Stock Options #	Weighted Average Exercise Price $
Balance, December 31, 2022	2,118,688	2.85
Forfeited	(32,122)	10.47
Exercised	(183,333)	0.74
Expired	(192,291)	0.75
Balance, March 31, 2023	**1,710,942**	**3.17**
Exercisable, March 31, 2023	**1,576,063**	**2.46**

The weighted average share price on the date of exercise for options exercised during the three months ended March 31, 2023 was $1.00 (December 31, 2022 - $2.33).

During the three months ended March 31, 2022, 323,334 stock options with an exercise price of $0.99 were exercised by a former employee and shareholder via a short-term loan payable by December 31, 2022 and secured by 290,000 common shares which were issued and held by the Company. For accounting purposes, the 290,000 common shares held by the Company were treated as treasury shares until the loan was settled in December 2022, which resulted in cancellation of 266,857 common shares and issuance of 23,143 common shares to the former employee at such time.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

RSUs:

The following table presents the changes in the balance of the outstanding RSUs:

	Number of RSUs #
Balance, December 31, 2022	675,353
Forfeited	(89,240)
Vested	(53,181)
Balance, March 31, 2023	**532,932**

The Company recognized share-based payments expense with respect to the vesting of stock options and RSUs, with allocations to the functional expense as follows:

	Three months ended March 31,	
	2023 $	**2022 $**
Engineering	46	77
General and administrative	167	294
Business development	53	83
Technology development	9	1
	275	**455**

14. Revenues:

The Company's primary source of revenues is the sale of its fuel cells to its customers. The Company's revenues during the three months ended March 31, 2023 all relate to goods transferred at a point in time and all of the Company's revenues relate to revenue from contracts with customers.

The following tables disaggregates revenues by the geographical region based on the location of the Company's customers:

	Three months ended March 31,	
	2023 $	**2022 $**
Europe	662	77
Asia-Pacific (excluding China)	-	101
Australia	241	-
	903	178

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

15. Related party transactions:

The Company considers a person or entity as a related party if they are a member of key management personnel including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are under common control or controlled by related parties. Transactions were incurred in the normal course of business and are recorded at amounts agreed upon by the related parties.

With the Company's joint venture
As at March 31, 2023, the Company had a receivable of $295 from In-Power Loop Energy Technology (Beijing) Co, Ltd (December 31, 2022 - $295) for sale of ancillary parts of the module for which an allowance for credit loss of $295 has been recorded. As at March 31, 2023, the Company owed to In-Power Loop Energy Technology (Beijing) Co, Ltd $40 in accounts payable and accrued liabilities (December 31, 2022 - $40).

Key management personnel compensation:
The key management of the Company includes the members of the Board of Directors and certain of the officers of the Company and their total compensation expenses were as follows:

	Three months ended March 31,	
	2023	2022
	$	$
Salaries and benefits	532	531
Share-based payments	232	267
Director fees	27	38
	791	836

16. Employee remuneration:

Employee benefit expense are classified in the consolidated statements of loss and comprehensive loss as follows:

	Three months ended March 31,	
	2023	2022
	$	$
Cost of Sales	354	249
Engineering	2,189	1,485
General and administrative	1,076	1,157
Business development	960	390
Technology development	136	186
Total	4,715	3,467

17. Supplemental cash flow information:

The changes in non-cash working capital and other items related to operating activities for the years ended March 31, 2023 and 2022 are as follows:

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

	Three months ended March 31,	
	2022 **$**	**2022** **$**
Accounts receivable	(116)	(370)
Inventory	(3,403)	(1,660)
Prepaid expenses and advances	(1,061)	(11)
Accounts payable and accrued liabilities	683	(275)
Deferred revenues and recoveries	(1,247)	297
Warranty provision	87	22
Total	(5,057)	(1,997)

The purchase of property, plant and equipment included in the Company's statement of cash flows includes deposits and advances for property, plant and equipment and is adjusted for property, plant and equipment included in accounts payable and accrued liabilities.

The following table presents the change in the balance of long-term debt arising from financing activities for the three months ended March 31, 2023 and 2022:

	March 31, 2023 **$**	**March 31, 2022** **$**
Balance, beginning of the period	4,103	394
Repayment of long-term debt	(38)	(38)
Accretion of long-term debt (note 10)	103	14
Balance, end of the period	**4,168**	**370**

18. Financial instruments and risk:

Fair value

The carrying value of cash and cash equivalents, accounts receivable, advances and accounts payable and accrued liabilities as at March 31, 2023 approximates their fair value given their short-term nature or the discount rates used in assessing the fair value. The fair value of long-term debt was less than its carrying value by $268 as a result of change in discount rate.

Fair value hierarchical levels

The Company does not have any financial instruments measured at fair value in the interim condensed consolidated statements of financial position and therefore there were no transfers between the levels of the fair value hierarchy during the three months ended March 31, 2023. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three months ended March 31, 2023.

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

Capital Management and Financial Risk Management

As at March 31, 2023, the capital structure of the Company consists of $36.9 million (December 31, 2022 - $43.6million) in shareholders' equity and debt. In accordance with the terms of the JGF Program (note 8), that the Company shall not pay any distribution of retained earnings to shareholders until the loan contribution has been repaid in full.

The Company manages its capital to ensure, as far as possible, that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity given the assumed risks of its operations. The Company considers shareholders' equity and debt as capital. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial updates to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

There were no changes to the Company's approach to capital management during the three months ended March 31, 2023.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains sufficient financial liquidity to be able to meet its current operating requirements. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at March 31, 2023, the Company had working capital, being current assets less current liabilities, of $19,042.

The Company's primary liquidity needs for the next twelve months are to pay existing committed capital expenditures, to make scheduled repayments of debt, to pay operating expenses and to manage its working capital.

The following contractual maturities of financial obligations (including interest) exist as at March 31, 2023:

	Carrying amount $	Contractual cash flows $	Within 1 year $	1 to 3 years $	thereafter $
Accounts payable and accrued liabilities	4,684	4,684	4,684	-	-
Lease liabilities	3,571	4,363	1,042	1,675	1, 646
Long-term debt	4,168	6,259	175	1,308	4,776
	12,423	**15,306**	**5,901**	**2,983**	**6,422**

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

In addition, as at March 31, 2023, the Company had committed to the following obligations that were not recognized as liabilities:

	Contractual cash flows $	Within 1 year $	1 to 3 years $	thereafter $
Property, plant and equipment	1,528	1,528	-	-
	1,528	**1,528**	**-**	**-**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's exposure to credit risk on customer accounts receivable is influenced mainly by the individual characteristics of each debtor. The Company currently only has a small number of customers and is therefore able to monitor credit risk on an individual account basis periodically and apply lifetime expected loss provisions where any uncertainty on collectability is identified.

For the three months ended March 31, 2023, the Company's largest customer accounted for approximately 61% of sales and the second largest accounted for 25% (three months ended March 2021 – 57% and 0%, respectively).

At March 31, 2023, two customers accounted for 85% of the outstanding customer receivable (December 31, 2022 – one customer accounted for 87%)

There have been no significant developments in the Company's financial risk factors as included in the Company's consolidated financial statements as at end for the year ended December 31, 2022.