The Engine Driving Zero-Emissions

LOOP ENERGY INC.

Management's Discussion and Analysis

For The Three Months Ended March 31, 2024

(in Canadian dollars, amounts expressed in thousands except number of shares, per share amounts and number of units)

Dated May 14, 2024

Loop Energy Inc. ("Loop", "Company", "we", "us" or "our") has prepared the following management's discussion and analysis ("MD&A") for the three months ended March 31, 2024, as of May 14, 2024. This MD&A has been prepared in accordance with National Instrument 51-102F1 and should be read in conjunction with the unaudited and unreviewed condensed consolidated interim financial statements of the Company (the "Q1/2024 Financial Statements") and the notes thereto for the three months ended March 31, 2024, and the consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and have been filed with the securities regulatory authorities on SEDAR at www.sedarplus.ca. All references to "$" are references to Canadian dollars, unless otherwise stated. The functional currency of certain of the Company's subsidiaries is the Renminbi and all balances have been translated to the presentation currency of the Company, the Canadian dollar.

Additional information relating to the Company, including our Annual Information Form for the year ended December 31, 2023, is available on SEDAR at www.sedarplus.ca and is also available on our website at www.loopenergy.com. The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "LPEN".

TABLE OF CONTENTS

1. OVERVIEW AND HIGHLIGHTS ... 3

1.1 Loop Energy ... 3

1.1.1 Our eFlow™ Technology ... 3

1.1.2 Commercial Strategy ... 4

1.1.3 Underlying Market Drivers ... 4

1.2 Recent Developments ... 5

2. MARCH 2024 FINANCIAL PERFORMANCE OVERVIEW ... 5

2.1 Revenues and Cost of Sales: ... 6

2.2 Operating Expenses ... 7

3. REVIEW OF QUARTERLY PERFORMANCE ... 7

3.1 Revenues and Cost of Sales ... 8

3.2 Operating Expenses ... 8

3.3 Net Loss ... 9

4. FINANCIAL POSITION ... 10

4.1 Assets ... 10

4.2 Liabilities ... 12

4.3 Liquidity and Working Capital ... 13

4.4 Shareholders' Equity ... 13

4.5 Related Party Transactions ... 14

4.6 Off Balance Sheet Arrangements ... 15

4.7 Selected Annual Financial Information ... 15

5. CRITICAL ACCOUNTING ESTIMATES, POLICIES AND RISK MATTERS ... 15

5.1 Key Sources of Estimation Uncertainty ... 15

5.2 Changes in Accounting Policies and Recent Accounting Pronouncements ... 16

5.3 Financial Instruments ... 16

5.4 Risks and Uncertainties ... 18

5.5 Management's Report on Internal Controls ... 18

5.6 Cautionary Statement Regarding Forward-Looking Information ... 18

5.7 Non-IFRS Financial Measures ... 20

1. OVERVIEW AND HIGHLIGHTS

1.1 Loop Energy

At Loop Energy, our mission is to accelerate the hydrogen revolution and power a cleaner future. We are committed to delivering high-performing and economical solutions for our customers to accelerate the global adoption of fuel cell technology.

Our primary business is the design, development, manufacture, sale and service of hydrogen fuel stacks and systems targeted for the electrification of commercial vehicles like trucks and buses, and stationary power applications. Our fuel cell stacks are manufactured in-house to ensure state-of-the-art performance and quality management. Our products feature the Company's proprietary eFlow™ technology in the fuel cell stack's bipolar plates, enabling customers to achieve superior performance and higher fuel efficiency when using Loop Energy's fuel cell stacks, lowering operating cost for end users, and enabling OEMs to achieve lower capital cost and faster time to market.

We are based in Burnaby, British Columbia, Canada, and were incorporated under the laws of British Columbia on June 21, 2000. Our headquarters in Burnaby include a head office, research and development, manufacturing, testing, and service facilities.

1.1.1 Our eFlow™ Technology

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen to produce electricity. There are approximately 20 established manufacturers of fuel cells in the market today; however, only Loop Energy's products feature our patented eFlow™[1] fuel cell architecture.

When incorporated into mobility and stationary power applications, Loop Energy's eFlow™ fuel cell stacks deliver up to 16% lower fuel consumption, up to 90% more peak power, and up to 10x better uniformity of current density[2], lowering Total Cost of Ownership and improving performance. At the core of this innovation is its signature trapezoid plate design that ensures improved uniform current density across the entire active area and increases gas velocity throughout the plate to deliver superior performance and water management.

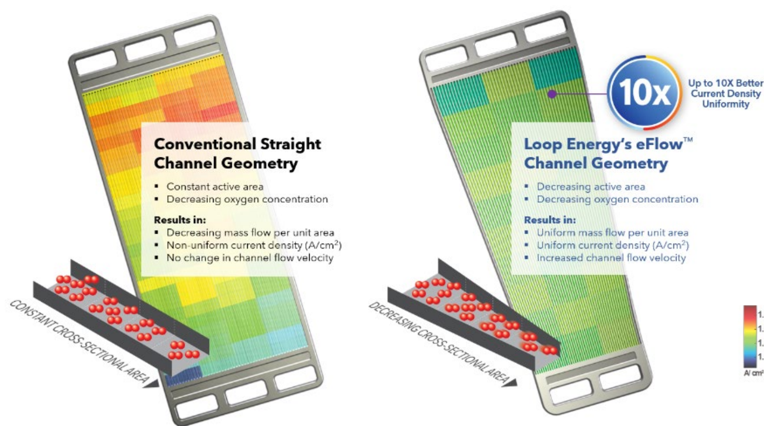

Figure 1: Conventional vs. eFlow™ Fuel Cell Bipolar Plate

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[1] This trademark is protected under applicable intellectual property laws and is the Company's property. The Company's trademark may appear without the ™ symbol in this MD&A, but such absence is not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company's rights to this trademark. All other trademarks and trade names used in this MD&A are the property of their respective owners.

[2] Based on Loop's internal testing and comparisons of published studies of the performance of fuel cells from other manufacturers and competitors.

While the primary focus for eFlow™'s patented modified geometry continues to be fuel cells, we continue to investigate the potential positive impact that eFlow™ can have on Polymer Electrolyte Membrane ("PEM") Electrolyzers. Third-party validation testing with Fraunhofer Institute for Solar Energy Systems ISE in partnership with Fraunhofer USA, demonstrated that eFlow™'s trapezoid flow field design can increase green hydrogen production. The Company continues to invite expressions of interest for strategic partners to complete commercial trials of the use of its patented eFlow™ technology in PEM electrolyzers.

1.1.2 Commercial Strategy

We create value for our shareholders and customers by designing, developing manufacturing, selling and servicing of hydrogen fuel cell stacks and systems targeted for the electrification of commercial vehicles like trucks and buses, and stationary power applications in our target markets. eFlow is embedded in the design of bipolar plates that are the fundamental building components of every fuel cell stack. Our commercial strategy is two-fold:

1. Use eFlow technology and our fuel cell stack design expertise to develop and license custom bipolar plate and fuel cell stack solutions to large OEM customers with in-house fuel cell balance of plant design and manufacturing capabilities; and

2. Design, manufacture and sell eFlow bipolar plate and fuel cell stack products to fuel cell module and system manufacturers.

1.1.3 Underlying Market Drivers

The decarbonization of transportation and stationary power via electrification and fuel switching has the potential to greatly impact global emissions. The movement towards electrification has grown as countries take action to achieve commitments made in the Paris Agreement. These actions include the banning of diesel vehicles in major city centers and the progressive phasing out of internal combustion engine vehicles ("ICEVs").

In the transportation sector, this movement is apparent in the recent growth in the number of electric vehicles ("EVs"), most commonly battery-powered ("BEVs"). Several governments around the world are combining regulatory changes with financial support for the transition to zero emission vehicle technologies. Recent examples include REPowerEU in Europe and the Inflation Reduction Act in the USA. With expanding e-commerce freight demands, we believe that zero emission vehicles are one of the only viable options for a sustainable future. Commercial vehicles powered solely by lithium-ion batteries are a part of the solution.

However, electrification is not winner-take-all. Fully battery-powered commercial vehicles are currently unable to economically meet many of the critical functional characteristics required for mass-market adoption. Commercial EVs and medium and heavy-duty BEVs currently suffer from reduced operating performance as the substantial weight, and the dimensions of battery packs limit range, reduce payload capacity and necessitate long re-charging times - all increasing total cost of ownership ("TCO").

We continue to believe hydrogen fuel cells combined with lithium-ion batteries ("FCEV") are a vital component of the overall electrification solution. In this hybrid, hydrogen fuel cells act as on-board chargers and address BEV's shortcomings. While smaller deployments of FCEVs and hydrogen refueling infrastructure are costlier, benefits are compounded when fleets are deployed at scale. We believe that when FCEV fleet sizes increase, hydrogen infrastructure becomes less costly per vehicle than BEV recharging infrastructure. Given the level of enquiries, we believe that major fleet operators of commercial vehicles are beginning to recognize the potential benefits of this hybrid approach.

In stationary power this movement is apparent in the recent adoption of fuel cells by some of the worlds largest companies to provide reliable off-grid power to businesses, telecommuniations networks, utilities and other idustrial applications. Stationary fuel cell systems are zero emmission, quiet, and can be installed nearly anywhere. In addition, they take up a fraction of the space required for other clean energy technologies like solar and wind. According to the Fuel Cell and Hydrogen Energy Association (https://www.fchea.org), as of January 2020 there were more than 550 megawatts of stationary fuel cells installed in the USA.

1.2 Recent Developments

The following highlights the significant corporate, financial events and announcements of the Company since December 31, 2023:

- On February 12, 2024, we announced that the Company, a wholly-owned subsidiary of the Company, 1465123 B.C. Limited, and H2 Portable Power Corp. ("H2P") had entered into an amalgamation agreement dated February 9, 2024 (the "Amalgamation Agreement"). The Amalgamation Agreement outlined a three-cornered amalgamation structure pursuant to which H2P would amalgamate with a subsidiary of Loop. Loop would acquire all of the issued and outstanding common shares of H2P, and H2P shareholders would receive common shares of Loop. The proposed transaction (the "Transaction") would constitute a backdoor listing of H2P under Toronto Stock Exchange policies. The Transaction was subject to a number of approvals and risks. In conjunction with the signing of the Amalgamation Agreement, Ben Nyland resigned as President and CEO of Loop and Paul Cataford was appointed interim CEO, and Daryl Musselman was appointed Interim CFO and COO. Mr. Cataford remained Corporate Secretary and Director and Ben Nyland remained a Director of Loop. In February 2024, George Rubin resigned from his role as CCO of the Company and continued to support the Company in his capacity as a contractor.
- On February 29, 2024, Loop Energy Technologies (Shanghai) Co. Ltd. exited the Loop manufacturing facility in Shanghai and terminated outstanding lease obligations in a negotiated three-way agreement between the landlord Qiuqiao Industry & Trade Co., Ltd., and the local industrial zone Shanghai Jiading Industrial Zone Economic Development Co., Ltd.
- On April 30, 2024 the Company announced the termination of the Amalgamation Agreement since the Transaction could not be completed. As the Company is unable to conclude a sale transaction, a strategic combination or raise additional funds, the Company is required to consider strategic alternatives that may not see the Company continue as a going concern (refer note 2 of the Q1/2024 Financial Statements).
- For full details on the risks and uncertainties affecting the Company, please refer to the Company's AIF (see section entitled "Risk Factors") for the year ended December 31, 2023, a copy of which is available on SEDAR at www.sedarplus.ca.

2. MARCH 2024 FINANCIAL PERFORMANCE OVERVIEW

The following table highlights key financial information for the three months ended March 31, 2024, as compared to the prior comparative periods.

Table 1: Selected Interim Financial information (in thousands of CAD dollars, except per share amounts)	**Three months ended March 31,**		**Variance**	
	2024	**2023**	**$**	**%**
Revenues	$ 120	$ 903	783	(87)
Cost of Sales				
Cost of goods sold	138	2,451	(2,313)	(94)
Change in allowance for inventory write-down	208	1,399	(1,191)	(85)
Gross margin	(226)	(2,947)	2,721	(92)
Expenses:	6,237	7,430	(1,193)	(16)
Less cost recoveries:	(290)	(3,122)	2,832	(91)
Net expenses	5,947	4,308	(1,639)	38
Loss before the undernoted	(6,173)	(7,255)	1,082	(15)
Other income (expenses):	1,620	(28)	1,648	(5,886)
Net loss for the period	(4,553)	(7,283)	2,730	(37)
Other comprehensive income	(22)	60	(82)	(137)
Total comprehensive loss for the period	(4,575)	(7,223)	2,648	(37)
Loss per common share – basic and diluted	(0.13)	(0.21)	0.08	(38)

2.1 Revenues and Cost of Sales:

Table 2: Revenues and Cost of Sales (in thousands of CAD dollars, except units sold)	**Three months ended March 31,**		**Variance**	
	2024	**2023**	**$**	**%**
Revenues	$ 120	$ 903	783	(87)
Units sold	2	15	(13)	(87)
Cost of sales				
Cost of goods sold	138	2,451	(2,313)	(94)
Change in inventory write-down allowance	208	1,399	(1,191)	(85)
Gross margin	(226)	(2,947)	2,721	(92)

The Company's primary source of revenues is the sale of its fuel cell modules. As the Company continues to commercialize its fuel cell stacks, it is expected that revenue will vary from period to period.

Revenues were $0.1 million for the three months ended March 31, 2024 (2023- $0.9 million), due to the sale of 2 (2023: 15) fuel cell units. The average price per unit in Q1/2024 is similar to 2023.

Cost of sales includes the cost of materials, direct and indirect labour and overheads incurred in the manufacturing of our products, in addition to a warranty provision for products sold, inventory write-downs as required, and the cost of parts and components sold as part of the integration process as follows:

Table 3: Cost of sales (in thousands of CAD dollars)	**Three months ended March 31,**		**Variance**	
	2024	**2023**	**$**	**%**
Cost of goods sold*	$ 138	$ 2,451	(2,313)	(94)
Change in inventory write-down allowance	208	1,399	(1,191)	(85)
Cost of sales	346	3,850	(3,504)	(91)

*Net of warranty provision reversals of $99.

Cost of sales decreased to $0.3 million for the three months ended March 31, 2024 (2023- $3.9 million), primarily due to a decrease in quantity of units sold to 2 (2023:15) and due to decrease in inventory write-down allowance related to lower inventory levels.

A warranty provision, dependant upon the warranty period, is recorded for each applicable fuel cell unit sold. As the Company does not have a detailed warranty history, the warranty provision is a significant accounting estimate.

Due to the Company's current scale of production, our cost per unit currently exceeds our selling price and we have a negative gross margin. We record our finished goods at the lower of costs and their net realizable value (estimated selling price less the estimated cost of completion and selling costs) recording a write down allowance when required, and also record a provision against our raw materials on hand.

The inventory write-down allowance increased by $0.2 million during the three months ended March 31, 2024 (Q1 2023: $1.4 million), mostly due to an increase in inventory on-hand and lower net realizable value. On March 31, 2024, the Company had inventory of $0.9 million in raw materials and $1.5 million in finished goods recorded at their net realizable value. As the inventory write-down allowance is based on the amount of inventory on hand at period end, this amount can significantly vary period over period.

2.2 Operating Expenses

Table 4: Operating expenses (in thousands of CAD dollars)	**Three months ended March 31,**		**Variance**	
	2024	**2023**	**$**	**%**
General and administrative	$ 1,189	$ 2,356	(1,167)	(50)
Engineering	1,287	3,489	(2,202)	(63)
Business development	48	1,326	(1,278)	(96)
Technology development	97	259	(162)	(63)
Impairment loss	3,616	-	3,616	100
Cost recoveries	(290)	(3,122)	2,832	(91)
Operating expenses	5,947	4,308	(1,639)	(38)

Operating expenses in general have decreased across most functions since Q1/2023, after reductions in headcount and associated expenses, the Company is streamlining its costs and focusing on conserving cash. A quarter-by-quarter comparison for the last eight quarters is included in section 3.

G&A expenses were $1.2 million (2023: $2.4 million) for the three months ended March 31, 2024, as headcount and activity decreased in the period.

Engineering expenses were $1.3 million (2023: $3.5 million) in the three months ended March 31, 2024. The decrease is primarily related to reduced product development and plate manufacturing activities and reduced headcount, as the Company keeps focusing on key initiatives in order to conserve cash.

Business development costs decreased to $0.05 million (2023: $1.3 million) in the three months ended March 31, 2024, primarily due to decreased headcount and no tradeshow participation.

Technology development costs decreased to $0.1 million (2023: $0.3 million) in the three months ended March 31, 2024 as the Company has significantly reduced its work in technology research and new material development.

During the three months ended March 31, 2024, the Company assessed that indicators of impairment existed due to the termination of the Amalgamation Agreement and the decline in market capitalization of the Company. As a result of the preceding indicators of impairment, the Company has fully reduced the cost of assets that are either under construction or not yet delivered as these assets are no longer expected to be used to generate cash flows. As a result, the Company recorded an impairment loss of $3.6 million (Q1/2023: nil) in the period as disclosed in note 5 to the Q1/24 Financial Statements.

$0.3 million in cost recoveries were recognized in the three months ended March 31, 2024, which includes $0.07 million of cost recovery related to the Company's agreement with Pacific Economic Development Canada pursuant to which the Company had received $8.86 million of Job and Growth Fund-Innovation Program ("JGF Program") funding and $0.23 million of cost recovery related to rent subsidy pursuant to termination agreement of lease in China.

Net loss decreased to $4.6 million (2023: $7.3 million net loss) in the three months ended March 31, 2024, mostly driven by the reduction in headcount and the lower operating expenses in order to conserve cash. The Company also recognized a one-time gain on settlement after the elimination of the lease liability in China, and also booked a gain on the settlement of receivables disclosed in note 3 of the Q1/2024 Financial Statements.

Revenue and operating costs are further analyzed and discussed in section 3.1 and 3.2.

3. REVIEW OF QUARTERLY PERFORMANCE

The following tables highlights key financial performance for the last eight quarters and year-to-date for the past three years:

3.1 Revenues and Cost of Sales

Table 5: Quarterly and Annual Revenue and Cost of Sales (in thousands of CAD dollars)

	Quarter								YTD		
	Q124	**Q423**	**Q323**	**Q223**	**Q123**	**Q422**	**Q322**	**Q222**	**2024**	**2023**	**2022**
Revenues	$ 120	$ 451	$ 416	$ 334	$ 903	$ 681	$ 1,404	$ 1,065	$ 120	$ 903	$ 178
Units sold	2	5	6	4	15	9	22	16	2	15	2
Cost of sales											
Cost of goods sold	138	1,551	1,199	1,335	2,451	2,421	3,283	3,685	138	2,451	793
Inventory write-down allowance	208	(301)	2,941	1,662	1,399	1,360	736	(159)	208	1,399	1,206
Cost of sales	346	1,250	4,140	2,997	3,850	3,781	4,019	3,526	346	3,850	1,999
Gross margin	(226)	(799)	(3,724)	(2,663)	(2,947)	(3,100)	(2,615)	(2,461)	(226)	(2,947)	(1,821)

Revenues

The Company's primary source of revenues is the sale of its fuel cell modules and systems, with 2 units sold in the three months ended March 31, 2024 (2023: 15).

Cost of sales

Our cost of goods sold varies with the number of units sold and the product mix, our average cost of goods sold per unit will also vary based on the volumes and type of units and models being sold.

The inventory write-down allowance described above represents the movement in the write-down of raw materials and finished goods on hand during the period. As this is based on the amount of inventory on hand at period end, this amount can vary significantly period over period.

3.2 Operating Expenses

Table 6: Quarterly and Annual Operating Expenses (in thousands of CAD dollars)

	Quarter								YTD		
	Q124	**Q423**	**Q323**	**Q223**	**Q123**	**Q422**	**Q322**	**Q222**	**2024**	**2023**	**2022**
G&A	$ 1,189	$ 1,480	$ 2,561	$ 1,971	$ 2,356	$ 2,372	$ 3,329	$ 2,633	$ 1,189	$ 2,356	$ 2,398
Engineering	1,287	1,233	2,458	2,381	3,489	3,089	4,126	3,168	1,287	3,489	2,593
BD	48	473	859	998	1,326	1,237	1,794	1,643	48	1,326	752
Tech Dev	97	100	150	254	259	439	290	215	97	259	427
Impairment loss	3,616	-	4,810	-	-	-	-	-	3,616		
Cost recoveries	(290)	(141)	(107)	(188)	(3,122)	(594)	(2,051)	53	(290)	(3,122)	(43)
Operating expenses	5,947	3,145	10,731	5,416	4,308	6,543	7,488	7,712	5,947	4,308	6,127

General & Administrative (G&A) Expenses

The increase in Q322 compared to prior periods includes a credit loss charge of $0.7 million. The decrease in Q422, Q123 and Q223 is in line with the Company's effort to streamline costs. The increase in Q323 is mostly due to the booking of a credit loss provision of $0.5M, payment of severance and retention packages and additional legal fees. The decrease in Q423 and Q124 is mostly due to reduced headcount, lower activity and reversal of share based compensation expense on expiry and forfeitures of RSUs and options.

Engineering Expenses

Engineering expenses are associated with the expansion of the Company's product lines, the evolution of the Company's fuel stack technology and initiatives to optimize product design and costs. The increase in Q322 is mostly due to increased headcount, to support the larger plate design and the 120kW product launched in September 2022. The increase in Q123 is mostly due to work related to a new 60kW product design and plate manufacturing activities. Q323 slight increase is due to payment of severance and retention packages and the increased costs of materials and prototypes. The decrease in Q223, Q423 and Q124 reflects the impact of reduced headcount and activities.

Business Development Expenses

Q322 and Q222 saw an increased focus on tradeshows along with growth in technical service team to support customer integration of fuel cell modules as well as an increase in the sales team. Business Development expenses in Q422 and Q123 dropped off slightly due to reduced activity and headcount compared to previous quarters. The decrease in Q223 is mostly due to reduced tradeshow activity and cost optimization. Decrease in Q323, Q423 and Q124 is related to lower activity and reduced headcount.

Technical Development Expenses

Technical development expenses are comprised of the Company's advanced development research. The Company engaged in initiatives related to early-stage technology research and new material development, and in particular how the benefits of eFlow™'s patented modified geometry applied to electrolyzers and the potential to produce more hydrogen in a more cost-efficient manner. The increase in Q422 is associated with such additional efforts. The decrease in Q123 reflects the fact that most of the electrolyzers' work was already finished, with Q223 staying at a similar level. Q323, Q423 and Q124 decrease is due to reduced headcount and lower activity in line with the Company's efforts to conserve cash.

Impairment Loss

During the year ended December 31, 2023, the Company assessed that indicators of impairment existed due to the Company's decision to execute operating cost reductions including closure of production in China and shift the Company's focus to the sale of fuel cell stacks.

As a result of the above indicators of impairment, the Company estimated the recoverable amount of the certain assets being the higher of their fair value less costs of disposal ("FVLCD") and their value-in-use. Since the recoverable amounts of the assets were less than the carrying amounts, the Company recognized a total impairment loss of $4.8 million at September 30, 2023 on respective asset classes as disclosed in note 7 to the FY2023 financial statements.

During and subsequent to the three months ended March 31, 2024, the Company assessed that indicators of impairment existed due to decline in market capitalization of the Company and the termination of the Amalgamation Agreement. In determining the impairment loss, the Company has fully impaired the cost of assets that are either under construction or not yet delivered as these assets are no longer expected to be used to generate cash flows. As a result, the Company recorded a Q1/2024 impairment loss of $3.6 million (year ended 2023: $4.8 million) in the period as disclosed in note 5 to the Q1/2024 Financial Statements.

Cost Recoveries

Cost recoveries primarily relates to Sustainable Development Technology Canada ("SDTC") credits, which are recognized only when milestones are completed and approved. During each of Q322 and Q123 the Company recognized $1.8 million and $3.0 million, respectively, of cost recoveries, mostly related to achieving and finalizing SDTC milestones. From Q322 onwards the Company has also recorded recoveries in relation to the JGF loan. $0.3 million in cost recoveries during Q124, includes $0.07 million related to JGF loan and $0.23 million related to reversal of rent grant subsidy pursuant to lease termination agreement in China.

3.3 Net Loss

Table 7: Quarterly and Annual Net Loss in thousands of CAD dollars except per share amount)

	Quarter								YTD		
	Q124	**Q423**	**Q323**	**Q223**	**Q123**	**Q422**	**Q322**	**Q222**	**2024**	**2023**	**2022**
Net loss	$(4,553)	$(3,933)	$ (14,722)	$(8,217)	$(7,283)	$(9,653)	$ (9,864)	$ (9,923)	$ (4,553)	$ (7,283)	$ (8,047)
Loss per common share - basic and diluted	(0.13)	(0.11)	(0.43)	(0.24)	(0.21)	(0.28)	(0.29)	(0.29)	(0.13)	(0.21)	(0.24)

After a significant drop in Q123, as a result of cost recoveries of $3.1 million and cost reduction actions defined at the end of 2022 and beginning of 2023, Net Loss increased in Q223 due to lower cost recoveries compared to Q123, and

Q323 as a result of the increase of inventory write down allowances and impairment loss. Q423 and Q124 decrease is mostly due to reduced operational expenses, offset by impairment loss.

4. FINANCIAL POSITION

The following tables summarize the financial position for the Company as at the end of each of the last eight quarters.

4.1 Assets

Table 8: Total Assets (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Current assets:								
Cash and cash equivalents	$ 2,312	$ 2,935	$ 5,611	$ 9,927	$ 13,163	$ 24,524	$ 36,949	$43,325
Accounts receivable	153	136	306	1,661	4,015	3,842	3,237	2,914
Tax credit receivable	-	-	-	-	-	-	182	1,329
Inventory	2,406	1,356	2,306	5,255	5,632	4,288	3,927	1,591
Prepaid expenses and advances	501	647	1,003	2,555	3,063	2,001	7,105	7,748
Total current assets	5,372	5,074	9,226	19,398	25,873	34,655	51,400	56,907
Non-current assets:								
Accounts receivable	18	36	-	122	186	239	289	345
Property, plant and equipment	12,600	16,868	17,494	23,054	21,846	20,344	13,659	10,301
Total non-current assets	12,618	16,904	17,494	23,176	22,032	20,583	13,948	10,646
Total assets	17,990	21,978	26,720	42,574	47,905	55,238	65,348	67,553

The reduced cash burn in Q322 is attributed to the draw down of non-dilutive government funding in the form of tax credits and an interest free loan from JGF, similarly in Q223 the Company received an additional $2.1 million from JGF, and GST refunds of $1.8 million. In Q323, cash burn reduced as a result of cost reduction activities and an additional $0.8 million in funding received from JGF. Q423 and Q124 cash burn decreased due to lower activity, limited purchases and reduced headcount.

The decrease in accounts receivable in Q323 is mostly due to a decrease in revenue, and a credit loss provision of $0.5 million. The decrease in Q423 is due to collections on sales during the quarter.

During the three months ended March 31, 2024, the Company reached settlements with customers with respect to overdue outstanding accounts receivable balances. In certain cases, settlements resulted in the acquisition of inventory with a value of $1.2 million. Since the receivables had been fully provided for in 2023, settlement agreements resulted in a gain of $1.3 million. As part of the settlements, the Company also issued credit notes in the amount of $0.1 million for future purchases by customers, which is included in accounts payable and accrued liabilities.

In Q323, the decrease in inventory is related to additional write-downs, whereas, the decline in property, plant and equipment is primarily related to impairment losses previously described. The decrease in inventory in Q423 is primarily due to sales of finished goods, inventory write-downs and reduced purchases. The increase in Q124 is due to the acquisition of inventory pursuant to settlements with customers.

The following table summarises the net cash flow from operating, investing, and financing activities:

Table 8.1: Cash Flow (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Net operating cash flow	$ (2,042)	$ (2,226)	$ (4,176)	$ (3,463)	$ (9,011)	$ (6,226)	$ (8,458)	$ (10,654)
Net investing cash flow	129	28	(719)	(1,432)	(2,392)	(7,605)	(2,542)	(1,541)
Net financing cash flow	1,284	(284)	523	1,845	(91)	940	4,568	(99)
Foreign exchange	6	(194)	56	(186)	133	466	56	(111)
Net change in cash and cash equivalents	(623)	(2,676)	(4,316)	(3,236)	(11,361)	(12,425)	(6,376)	(12,405)

The change in net operating cash outflow is generally consistent with the change in net loss (refer to section 3.3). In each of Q322, Q223, Q323 and Q423, net operating cash outflow was higher than the net loss primarily due to the timing of inventory purchases. Q423 and Q124 decreases in cash outflow are due to lower activity and reduced headcount.

Cash used in investing activities relates entirely to the purchase of capital assets and leasehold improvements. Capital assets include testing and manufacturing equipment to continue growing the Company's manufacturing, product development, testing and prototyping capabilities. As at March 31, 2024, outstanding commitments related to purchases of property, plant, and equipment were $0.2 million.

In Q322, Q422, Q223 and Q323 the Company received $4.9 million, $1.1 million, $2.1 million and $0.8 million, respectively, related to its agreement with Pacific Economic Development Canada for the JGF program.

Fluctuations in accounts receivable relate to the timing and quantum of sales of fuel cell modules by quarter and the timing of receipt of payments on such sales. The timing of collection of GST receivables has also resulted in fluctuations in receivables.

In Q322, the Company completed and submitted filings and received $1.1 million of Scientific Research and Experimental Development (SR&ED) credits in cash, with an additional and final cash payment of $0.2 million received in October 2022.

Inventory increased in most quarters as the Company continued to build its inventory balance to meet the anticipated demand of its customers. The increases in Q322 and Q123 are consistent with the build up of raw materials and finished goods to meet production requirements associated with the fulfillment of purchase orders. The reduction in inventory in Q323 is the result of an increase in the allowance for inventory write-down during the period reflecting the Company's change in focus away from its fuel cell module business. The decrease in Q423 is due to sales of inventory assets and reduced purchasing activities. The increase in Q124 is due to the acquisition of inventory pursuant to settlements with customers. The amounts recorded in the Company's statement of financial position are the estimated net realizable value of inventory. As of March 31, 2024, not including write down allowance, the Company has $9.4 million in inventory, out of which over 62% is raw materials.

Prepaid expenses and advances are comprised of deposits for property, plant and equipment, inventory, software and corporate G&A expenses. Increases in Q222 and Q123 are due to increases in refundable deposits made for inventory and property, plant, and equipment, as the Company continued to expand its manufacturing capabilities to continue to meet customer demands. The decrease in Q422 is mostly due to a reclassification of $3.9 million to property, plant and equipment for deposits paid for equipment to be delivered in 2023 that were no longer refundable, and in Q323 and Q423 due to the receiving of equipment and raw materials for inventory. Decrease in Q124 is due to write off of prepaid balances not expected to be recovered.

Non-current accounts receivable primarily relates to the installment receivable from H2 Portable Power Corp.

Property, plant and equipment ("PPE"), which includes right-of-use assets associated with leases, increased to expand the Company's testing and manufacturing capabilities, as well as during Q223 when the Company entered into new office lease in Canada and during Q322 as a result of new office and facility leases in Canada and the UK. The decrease in Q323 reflects the impact of impairment of PPE. The decrease in Q124 is mainly due to impairment loss and disposal of leasehold improvement and computer software in China.

4.2 Liabilities

Table 9: Liabilities (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Current liabilities:								
Accounts payable and accrued liabilities	$ 2,661	$ 2,615	$ 3,412	$ 4,641	$ 4,684	$ 3,939	$ 5,312	$ 2,416
Short term loan	1,505	-	-	-	-	-	-	-
Current portion of lease liabilities	906	1,169	1,237	1,214	1,002	972	900	708
Current portion of long-term debt	132	166	175	175	175	175	175	175
Deferred revenue and recoveries	791	417	686	447	717	1,656	666	2,453
Warranty provision	184	322	290	281	253	184	427	310
Total current liabilities	6,179	4,689	5,800	6,758	6,831	6,926	7,480	6,062
Non-current liabilities:								
Lease liabilities	2,103	2,236	2,410	3,092	2,569	2,764	2,983	2,190
Long-term debt	6,243	6,085	5,953	5,347	3,993	3,928	3,226	170
Deferred revenues and recoveries	1,918	2,154	2,006	2,324	1,430	1,737	2,275	757
Warranty provision	289	449	420	410	391	373	471	185
Total non-current liabilities	10,553	10,924	10,789	11,173	8,383	8,802	8,955	3,302
Total liabilities	16,732	15,613	16,589	17,931	15,214	15,728	16,435	9,364

Accounts payable increased in Q322 and Q123 mostly due to increase in purchases for inventory and equipment and consulting services, and the difference in timing between the receipt of the goods and services and payment of the invoices. The decrease in Q323 and Q423 reflect reduced payroll accruals and purchasing activity, with no material changes in Q124.

Lease liabilities increased in Q223 as a result of a new lease entered into in Canada, in Q322 due to new leases in Canada and the UK, and in Q222 due to an extension of a facility lease in Canada. The decrease in Q323, includes remeasurement of lease liability in China, as the Company no longer expected to utilize the lease extension option. The decrease in Q124 is due to termination of China lease.

Long-term debt increased in Q322, Q422, Q223 and Q323 as a result of the recording of the fair value of the loan payable to Pacific Economic Development Canada from funding received under the JGF program.

Deferred revenues and recoveries include SDTC credits received for which milestones to recognize the cost recoveries had yet to be achieved and the government grant value associated with the interest free JGF funding received from Pacific Economic Development Canada. The balance of deferred revenue and recoveries will fluctuate period to period based on the timing of receipt of grants and the timing of recognition of recoveries associated with such grants.

On March 31, 2022, the Company entered into an agreement with Pacific Economic Development Canada for JGF funding of up to $9.75 million in cash to assist with project costs associated with increases in the Company's manufacturing capacity. Subsequent to December 31, 2023, the maximum JGF Program funding was adjusted to $8.86 million being the amount already received by the Company. 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. The Company received advances of JGF funding in four tranches of $4.9 million, $ 1.1 million, $2.1 million and $0.8 million during Q322, Q422, Q223 and Q323 respectively. These advances were valued at $3.1 million, $0.7 million, $1.3 million and $0.5 million respectively on the applicable payment receipt date with the discount of $1.8 million, $0.5 million, $0.8 million and $0.3 million respectively being recorded as deferred cost recovery. The Company recognized $0.1 million in each Q123, Q223 and Q423, $0.2 million in Q323 and $0.07 million in Q124 as a cost recovery.

The increase in the non-current portion of deferred revenues and recoveries during Q322 and Q223 is related to the non-current portion of the JGF loans from Pacific and Economic Development Canada and all other movements are due to the timing of customer deposits and the recognition of revenues.

Since 2021, the Company records a warranty provision for the estimated costs of replacement and associated services costs that will be incurred by the Company with respect to the products sold. The decrease in warranty provision in Q124 represents expiry of warranty.

4.3 Liquidity and Working Capital

Table 10: Liquidity and Working Capital (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Cash and cash equivalents	$2,312	$2,935	$5,611	$9,927	$13,163	$24,524	$36,949	$43,325
Working capital	(807)	385	3,426	12,640	19,042	27,729	43,920	50,845

The Company's working capital position, being its current assets less its current liabilities, keeps declining as we have spent a majority of the funds received during the Company's IPO in Q121 on the development of our business.

The Company realized a net loss of $4.6 million in Q124 and had negative cash flows from operations of $2.0 million. The Company forecasts it will need to seek additional financing within 2 monthsto 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. As at March 31, 2024, the Company has negative working capital of $0.8 million.

The table below outlines the contractual maturities (including interest) of our financial obligations as at March 31, 2024:

Table 10.1: Obligations (In thousands of CAD dollars)	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	thereafter
Accounts payable and accrued liabilities	$ 2,661	$ 2,661	$ 2,661	$ -	$ -
Short term Loan	1,505	1,505	1,505	-	-
Lease liabilities	3,009	3,776	1,094	1,622	1, 060
Long-term debt	6,375	9,030	175	3,099	5,756
	$ 13,550	$ 16,972	$ 5,435	$ 4,721	$ 6,816

In addition, as at March 31, 2024, the Company had committed to the following obligations that were not recognized as liabilities:

Table 10.2: Commitments (In thousands of CAD dollars)	Contractual cash flows $	Within 1 year $	1 to 3 years $	thereafter $
Property, plant and equipment	176	176	-	-
	176	**176**	**-**	**-**

4.4 Shareholders' Equity

Table 11: Shareholders' equity (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Common shares	$ 127,673	$ 127,672	$ 127,641	$ 127,591	$ 127,183	$ 126,828	$ 126,517	$ 126,517
Share-based payments reserve	7,778	8,311	8,178	7,954	8,015	7,966	8,090	7,511
Accumulated deficit	(133,992)	(129,439)	(125,506)	(110,784)	(102,567)	(95,824)	(85,631)	(75,767)
Foreign currency reserve	(201)	(179)	(182)	(118)	60	-	(63)	(72)
Total shareholders' equity	1,258	6,365	10,131	24,643	32,691	39,510	48,913	58,189

As of March 31, 2024, and at the date of this MD&A the following equity instruments were outstanding:

Table 12: Equity Instruments	May 14, 2024	March 31, 2024
Common shares	34,436,998	34,395,495
Stock options	541,187	654,312
Restricted Share Units	613,457	679,614

In the prospectus filed in connection with the IPO, the Company stated that it intended to use the net proceeds from the IPO for product and technology development, sales, general and administrative expenses and capital assets, as set forth in the table below. The Company's product and technology development, sales and general and administration expenses are working capital in nature.

Table 13: Use of proceeds (in thousands of CAD dollars)

Shares	Price (per share)	Net Proceeds	Intended Use	Intended use	Actual use
6,250,000	$16.00	$91,801	Product and Technology development	$19,000	$26,950
			Sales General and Administration	7,200	35,180
			Capital Assets	66,000	24,340
			Unallocated working Capital	-	4,660
			Total	**92,200**	**91,130**

The variance between the anticipated use of proceeds described in the prospectus for the Company's IPO and the actual use of proceeds from the IPO is principally the result of the impact of the COVID-19 pandemic and geopolitical events in Europe.

As a consequence of these developments, the Company focused its efforts on building its product portfolio and the sales and support team needed to achieve its growth targets, and in optimizing its production capacity needs. The unallocated working capital is mostly related to expenses associated with inventory and production costs. In 2023, the Company reduced its headcount and operating expenses, and expects to use the remaining proceeds to support the updated business strategy.

4.5 Related Party Transactions

The Company has related party relationships, as defined by IFRS, with its key management personnel, which includes the members of the Board of Directors and the officers of the Company. In addition to their salaries, key management personnel also participate in the Company's share-based compensation plan. Related party transactions with key management personnel were as follows:

Table 14: Related Party Transactions (in thousands of CAD dollars)	Q124	Q423	Q323	Q223	Q123	Q422	Q322	Q222
Salaries and benefits	$ 678	$ 308	$ 357	$ 416	$ 532	$ 388	$ 377	$ 400
Share-based payments	81	153	371	81	232	191	409	341
Director fees	29	58	115	99	27	41	44	38
	788	519	843	596	791	620	830	779

The increase during Q123 is related to costs associated with the departure of the Company's Chief Financial Officer at the time. The decrease in Q223 is mostly due to removal of options that were cancelled in Q123. The increase in Q323 is related to expense associated with RSUs granted during Q223. The increase in Q124 represents severance costs which is partially offset by forfeiture of RSUs and options.

As at March 31, 2024, the Company has $0.3 million (December 31, 2023 - $0.3M) in accounts receivable for which an allowance for credit losses has been fully provided, and Nil in accounts payable and accrued liabilities (December 31, 2022 – $0.04 million) from transactions with a joint venture. The transactions were carried out in the normal course of operations and have been measured at their exchange value.

Related party transactions and balances are disclosed in note 16 of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024.

4.6 Off Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

4.7 Selected Annual Financial Information

Not applicable

5. CRITICAL ACCOUNTING ESTIMATES, POLICIES AND RISK MATTERS

The Company's management uses its judgement when applying the Company's accounting policies in the preparation of its audited consolidated financial statements. The preparation of financial information requires management to make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and on the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant in the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

5.1 Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, revenues and expenses within the next financial year.

Determination of the carrying value of inventory:

In determining the lower of cost and net realizable value of inventory, the Company estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand recoverable at less than the recorded value. The Company performs regular reviews to assess the impact of changes in technology and design, sales pricing and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate write-down is made.

If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory write-downs, or reversals of previous write-downs being required. During the three months ended March 31, 2024, the Company recorded a $0.2 million write down of its inventory to its net realizable value (three months ended March 31, 2023 - $1.4 million).

Impairment of financial assets

In determining the expected credit loss on the Company's trade receivables, the Company has elected to measure loss allowances for trade receivables using a provision matrix which specifies fixed provision rates depending on the number of days that a trade receivable is past due, using reference to past default experience of the debtor and an analysis of the debtor's current financial position, which also forms a basis for the Company's future expectations for potential defaults of the debtor. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

As at March 31, 2024 the Company has recorded an allowance for an expected credit loss of $1.2 million (December 31, 2023 - $1.8M).

Warranty provision

A provision for warranty costs is recognized when the underlying products are sold. In establishing the warranty provision, the Company estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, taking into account the nature of the contract and past and projected experience with the products, and applying a weighting of possible outcomes against the associated probabilities that the product will experience warranty claims. In making such determinations, the Company uses estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, the Company may incur costs different from those provided for in the warranty provision, which would impact cost of sales in the Company's consolidated statements of loss and comprehensive loss. The Company reviews the warranty assumptions and adjusts the provision at each reporting date based on the latest information available, including the expiry of contractual obligations.

As at March 31, 2024, the Company had recorded warranty provisions of $0.5 million (December 31, 2023 - $0.8 M).

Share-based payments:

To calculate the fair value of stock options and warrants, the Company uses the Black-Scholes option pricing model. This inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the statements of loss and comprehensive loss and to share-based payment reserves in a given period.

The Company recognized share-based payments expense, net of recoveries on cancellations of unvested options, during the three months ended March 31, 2024 and 2023 with allocations to functional expense as follows:

Table 15: Share-Based Payments (in thousands of CAD dollars)	**Three months ended March 31,**	
	2024 **$**	**2023** **$**
Engineering	(10)	46
General and administrative	(318)	167
Business development	(211)	53
Technology development	6	9
	(533)	**275**

5.2 Changes in Accounting Policies and Recent Accounting Pronouncements

The Company's material accounting policies are detailed in Note 3 to the Company's annual financial statements for the year ended December 31, 2023. The Company did not adopt any new accounting policies in the current period. There are no significant accounting pronouncements which are anticipated to impact the Company's financial reporting.

5.3 Financial Instruments

As at March 31, 2024, the Company's financial instruments consists of cash and cash equivalents, accounts receivable, accounts payable, lease liabilities, a short-term loan and long-term debt.

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities as at March 31, 2024 approximates their carrying values because of the short-term nature or the discount rates used in assessing the fair value of the instrument. The fair value of long-term debt was less than its carrying value by $0.3 million as a result of increases in discount rate during the period.

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, 2024. 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, 2024.

Capital Management and Financial Risk Management

As at March 31, 2024, the capital structure of the Company consists of $7.6 million (December 31, 2023 - $12.6million) in shareholders' equity and debt. In accordance with the terms of the JGF Program (note 9 to the Company's unaudited condensed consolidated interim financial statements), the Company shall not pay any distribution of retained earnings to shareholders until the loan contribution has been repaid in full.

The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. 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 prepares 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, 2024.

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's intent is to maintains sufficient financial liquidity to be able to meet its current operating requirements (see note 2, Going Concern in the Q12024 unaudited condensed consolidated interim financial statements). 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, 2024, the Company had working capital deficit of $807, being current assets less current liabilities. The Company will need to seek additional funds within the next two months to continue as a going concern and meet its ongoing expenditures and obligations.

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.

Contractual maturities of financial obligations (including interest) and the commitments that were not recognized as liabilities that exist as at March 31, 2024 are shown in section 4.3 in Tables 10.1 and 10.2 respectively.

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 carrying value of the Company's cash and cash equivalents and accounts receivable, totaling $2.5 million, represents the Company's maximum exposure to credit risk. The Company does not believe it has a significant credit risk associated with its cash and cash equivalents as such funds are on deposit with major credit worthy financial institutions and thus credit risk arises principally from the Company's receivables from customers. 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.

At March 31, 2024, two customers accounted for 99% of the outstanding customer receivable (December 31, 2023 – Two customers accounted for 98%).

For the three months ended March 31, 2024, the Company's only customer accounted for 100% of sales (three months ended March 31, 2023 – first and second largest customer accounted for 61% and 25%, respectively).

As at March 31, 2024, the Company has an expected credit loss provision of $1.2 million (December 31, 2023 - $1.8 million) relating to certain historic receivables that have been fully provided for.

The Company attempts to limit its exposure to credit risk from accounts receivables by contracting prepayments from certain customers when possible.

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, 2023.

5.4 Risks and Uncertainties

Risk is inherent in all business activities and cannot be entirely eliminated. As a global company, we are subject to the risks arising from adverse changes in global economic and political conditions. Political conditions such as government commitments and policies towards environmental protection and renewable energy may change over time. Economic conditions in leading and emerging economies have been, and remain, unpredictable. These macroeconomic and geopolitical changes could result in decreased or delayed revenue recognition, increased costs and other potential material impacts to our business.

For full details on the risks and uncertainties affecting the Company, please refer to the Company's AIF (see section entitled "Risk Factors") for the year ended December 31, 2023, a copy of which is available on SEDAR at www.sedarplus.ca. The risks and uncertainties described in our AIF are not the only ones that we face. Additional risks and uncertainties, including those that we do not currently know of or that we deem immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

5.5 Management's Report on Internal Controls

We have designed disclosure controls and procedures, as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that material information is identified and communicated to senior management, including the Chief Executive Officer and Chief Financial Officer, in a timely manner to allow decisions regarding required disclosures.

We have also designed internal controls over financial reporting ("ICFR"), as defined in NI 52 109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected. The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO framework") as the basis for assessing its ICFR.

During the three months ended March 31, 2024, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5.6 Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain "forward-looking statements" within the meaning of Canadian securities legislation that involve risks, uncertainties and assumptions and relate to the Company's current expectations and views of future events.

In certain cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "project", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, statements regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information, including:

- our liquidity needs and our ability to secure financing within the next 2 months to meet our ongoing expenditures and obligations;

- our future growth prospects and business outlook including without limitation the expected demand for our products, the planned growth of our customer base and the expected growth of our operations globally;
- our ability to secure future firm order commitments or develop further market opportunities under existing and future customer and/or partner agreements;
- our ability to meet manufacturing cost reduction targets;
- our plans to integrate certain upstream activities to drive further cost out;
- the expected rollout and timing of our planned field deployment of our next generation fuel cell stacks and the belief that the larger e-flow plate will result in significant cost reductions;
- the expected performance, durability and total cost of operation of our fuel cell stacks and systems;
- our expected manufacturing capacity and production capability;
- the timing of expected integration, testing and commissioning of our products in customer vehicles or other customer applications;
- our goal to become a leader across the entire fuel cell market;
- the estimated future TAM for hydrogen fuel cells and for our current target market;
- our anticipated completion of milestones with Pacific Economic Development Canada and receipt of associated funds as applicable;
- our belief that zero emission vehicles are one of the only viable options for a sustainable future and that hydrogen fuel cell systems (combined with Lithium-ion batteries) are the optimal solution for the commercial mobility market;
- our expectation that our patents will adequately protect our intellectual property now and in the future; and
- the realization of electrification of transportation, elimination of diesel fuel and ongoing government support of such developments.

Forward-looking statements are based on certain assumptions and analyses made by the Company based upon management's experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. Although the Company believes that the assumptions underlying these statements are reasonable, if any assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those anticipated in those forward-looking statements and there can be no assurance that actual results will be consistent with these forward-looking statements. Material assumptions underlying forward-looking statements in this MD&A include future expectations and assumptions regarding:

- our ability to secure adequate financing to implement our business plan and strategy on favourable terms or at all;
- our belief of the value of the total assessable market today and by 2030;
- our intention to become the market leader and moving to adjacent market applications;
- our expectation that eFlow™-equipped fuel cells will continue to offer performance improvements over time and the increased offerings for uniformity of current, increased flow velocity and water removal;
- our expectation that total cost of ownership will decrease and demand for our products will increase;
- our expectation that we will continue to scale production and decrease average unit cost;
- our belief that our market visibility will increase;
- the demand for, and supply of, hydrogen fuel cells for the commercial mobility and stationary power markets;
- the realization of electrification of transportation, elimination of diesel fuel and ongoing government support of such developments;
- our belief that hydrogen fuel cells combined with lithium-ion batteries are the optimal solution for the commercial mobility market;
- our belief that hydrogen fuel cells combined with lithium-ion batteries are the optimal solution for the stationary power market;

- our ability to increase capacity, enhance our supply chain and reduce delivery time;
- our ability to reduce costs through scale purchasing and minimize inflation impact;
- our expectation that the write-down of inventory will decrease or will no longer be required in the future;
- our expectation that revenue will vary period to period;
- the timely availability of key equipment and components required in the manufacture of our products;
- our expectation that there are no significant unmitigated safety risks associated with the use of hydrogen;
- the availability of sufficient skilled human resources and financial capital required to meet our sales, product development and production growth aspirations.

In addition, forward-looking-statements, by their nature, involve risks and uncertainties. Certain of these risks are included in "*Risks and Uncertainties*" in this MD&A and "Risk Factors" in the Company's Annual Information Form dated March 21, 2024 ("AIF"), which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A. Given these risks, uncertainties and assumptions, readers should not place undue reliance on forward-looking statements and the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by forward-looking statements contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statement that is made in this AIF speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

5.7 Non-IFRS Financial Measures

None