DYNACERT INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditors' Report

To the Shareholders of dynaCERT Inc.

Opinion

We have audited the consolidated financial statements of dynaCERT Inc. and its subsidiaries (the "Group" or the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern,* we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

1. *Provision for Write-down of Excess, Slow Moving and Obsolete Inventory*

Description of the key audit matter

The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. The Company has performed its review and has recognized a total provision of $1,521,100 in the consolidated statement of loss and comprehensive loss for the year then ended. It includes amounts with respect to excess, slow moving and obsolete inventory of raw materials and finished goods.

Why the matter is a key audit matter

The valuation of the Company's inventory was significant to our audit due to the magnitude of the write-down, the significant judgment and estimation uncertainty in assessing recoverability, and the resulting significant auditor effort and judgment in evaluating this matter.

How our audit addressed the key audit matter

The following are the primary procedures we performed to address this key audit matter:

- Discussing with management the items that were no longer in use due to engineering changes, historical and forecasted usage and sale of items, potential for technological and other changes affecting recoverability of the cost of inventory.
- Obtaining evidence related to the raw material items in use by virtue of their inclusion in the bill of materials for finished products and sub-assemblies.
- Evaluating forecasted usage with reference to and actual and estimated sales.
- Evaluating management's judgment regarding the obsolescence and excess/slow-moving nature of inventory items.
- Reviewing management's determination of the recoverability and net realizable value of inventory and the resulting provision for write-down.
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates, and separate presentation of the provision recognized in the consolidated statements of loss and comprehensive loss for the year then ended.

2. *Provision for Warranty and Replacement*

Description of the key audit matter

The Company frequently provides replacement and upgraded units to its customers under warranty and records a provision for the estimated warranty expenses on current year revenue, based on historical experience. The Company has performed its review of the actual units replaced or upgraded under warranty over the past three years, and has recognized a provision for estimated warranty in the amount of $404,592 in the consolidated statement of financial position for the year then ended.

Why the matter is a key audit matter

The recognition and measurement of warranty provision and expense was significant to our audit due to the magnitude of the amount, the significant judgment and estimation uncertainty in assessing accuracy and completeness of warranty, and the resulting significant auditor effort and judgment in evaluating this matter.

How our audit addressed the key audit matter

The following are the primary procedures we performed to address this key audit matter:

- Discussing with management the circumstances in which replacement or upgrade units are provided to customer, whether under warranty or otherwise.
- Reviewing history of such replacements and upgrades provided to customers free of charge in the past three years, and the percentage of units provided free of charge relative to total units sold.
- Evaluating estimated warranty expense for current year sales based on historical averages.
- Reviewing the adequacy of disclosures in the consolidated financial statements, including separate presentation of the warranty provision in the consolidated statement of financial position for the year then ended.

3. Related Party Transactions

Description of the key audit matter

The Company had numerous related party transactions that occurred during the year, including commission to directors with respect to certain sales contracts, and consulting fees to key consultants of the Company, who were also directors of another company with whom a collaboration agreement was entered into during the year.

Why the matter is a key audit matter

This matter is a key audit matter because of the issues around the valuation and frequency of transactions. Valuation is a key audit matter because the related party transactions should be at fair market value, and the high frequency of transactions involve key employees and directors of the Company.

How our audit addressed the key audit matter

The following are the primary procedures we performed to address this key audit matter:

- Reviewing the schedules of related party transactions, identifying the ones that were higher risk, and higher frequency in nature.
- Reviewed the supporting documentation for the related party transactions, and inquired with management to confirm that the exchange amounts approximated the fair market values and were in the normal course of business.
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgements and estimates, the related party nature of the transactions where applicable.

Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2023.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2023 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, base on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Harpreet Dhawan.

HDCPA Professional Corporation
Chartered Professional Accountants,
Authorized to practice public accounting by CPA Ontario

Mississauga, ON
March 28, 2024

DynaCERT INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at,		December 31, 2023		December 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**247,268**	$	156,499
Accounts and other receivable (note 6)		**264,197**		182,833
Sales tax receivable		**122,287**		77,662
Inventory (note 7)		**1,962,392**		2,635,696
Prepaid expenses		**36,205**		123,667
Deposits		**79,873**		166,182
Total current assets		**2,712,222**		3,342,539
Non-current assets				
Property and equipment (note 8)		**1,252,430**		1,619,232
Intangible assets (note 9)		**789,106**		885,502
Right-of-use asset (note 10)		**875,084**		1,277,742
Total assets	**$**	**5,628,842**	$	7,125,015
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 21)	**$**	**2,785,072**	$	1,168,238
Customer deposits		**475,791**		111,973
Lease obligation (note 11)		**441,132**		436,670
Warranty provision		**404,592**		329,330
Loans payable (note 14)		**908,368**		-
Total current liabilities		**5,014,955**		2,046,211
Non-current liabilities				
Lease obligation (note 11)		**552,536**		967,639
Total liabilities		**5,567,491**		3,013,850
Shareholders' equity				
Share capital (note 16)		**94,764,020**		90,462,830
Warrant reserve		**63,062**		1,119,998
Share-based payments reserve		**9,705,697**		10,998,823
Deficit		**(104,471,428)**		(98,470,486)
Total shareholders' equity		**61,351**		4,111,165
Total liabilities and shareholders' equity	**$**	**5,628,842**	$	7,125,015

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 23)
Subsequent event (note 25)

Approved on behalf of the Board:

"Jim Payne" — *Director*

"Wayne Hoffman" — *Director*

DynaCERT INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, **2023**	2022
Revenue	**$ 446,823**	$ 1,149,061
Operating expenses		
Cost of goods sold (note 7)	**1,055,929**	2,290,050
Inventory impairment write down	**1,521,100**	1,192,844
Provision for warranties	**138,835**	402,171
Accretion (note 14 and 15)	**528,072**	-
Business development and marketing	**1,057,191**	1,136,933
General and administrative	**1,475,114**	1,618,272
Interest expense (income)	**239,123**	(34,086)
Legal and audit	**327,236**	868,906
Research and development	**438,508**	1,345,287
Share-based compensation (note 14 and 17)	**-**	1,792,474
Wages, benefits, and third-party consultants (note 21)	**2,056,087**	1,784,334
Total operating expenses	**8,837,195**	12,397,185
Other items		
Foreign exchange loss	**11,973**	7,459
Loss on settlement of debt (note 14 and 16)	**167,156**	-
Provision for credit losses (note 6 and 24)	**60,000**	240,000
Reversal of loss on loans, investment and prepayments (note 24)	**-**	(539,238)
Total loss and comprehensive loss	**$ (8,629,501)**	$ (10,956,345)
Basic and diluted net loss per share (note 20)	**$ (0.02)**	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted (note 20)	**382,307,759**	381,580,334

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

DynaCERT INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2023	2022
Operating activities		
Net loss for the year	**$ (8,629,501)**	$ (10,956,345)
Adjustments for:		
Accretion on loans payable	**528,072**	-
Accrued interest	**83,480**	-
Amortization of intangible assets	**152,055**	168,804
Amortization of right-of-use asset	**413,035**	423,234
Depreciation of property and equipment	**366,802**	439,391
Interest paid	**217,826**	98,969
Share-based compensation	**-**	1,792,474
Loss on settlement of debt	**167,156**	-
Inventory impairment write down	**1,521,100**	1,192,844
Provision for warranties	**138,835**	402,171
Reversal of loss on loan, investment, and prepayments	**-**	(539,238)
Write off of property and equipment	**-**	48,937
Provision for credit losses	**60,000**	240,000
Changes in non-cash working capital items:		
Sales tax receivable, and accounts and other receivables	**(185,989)**	(55,041)
Inventory	**(847,796)**	(1,051,678)
Prepaid expenses	**87,462**	128,129
Accounts payable and accrued liabilities	**2,024,294**	(97,652)
Customer deposits	**363,818**	(48,151)
Deposits	**86,309**	70,502
Warranty provision	**(63,573)**	(134,955)
Net cash used in operating activities	**(3,516,615)**	(7,877,605)
Investing activities		
Acquisition of intangible assets	**(55,659)**	(96,734)
Net cash used in investing activities	**(55,659)**	(96,734)
Financing activities		
Proceeds from issuance of private placement	**984,450**	-
Proceeds from issuance of convertible note	**2,000,000**	-
Proceeds from issuance of loans	**500,000**	-
Proceeds from related party loans	**883,076**	-
Repayment of shareholder loan and related party loan	**(207,885)**	199,238
Proceeds from exercise of options	**-**	100,000
Lease obligation expense	**(496,598)**	(505,906)
Net cash provided by (used in) financing activities	**3,663,043**	(206,668)
Decrease in cash and cash equivalents	**90,769**	(8,181,007)
Cash and cash equivalents, beginning of year	**156,499**	8,337,506
Cash and cash equivalents, end of year	**$ 247,268**	$ 156,499

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

DynaCERT INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital	Warrants reserve	Share-based reserve	Equity component of convertible note	Deficit	Total
Balance, December 31, 2021	**$ 90,629,495**	**$ 1,403,573**	**$ 12,531,242**	**$ -**	**$ (91,049,274)**	**$ 13,515,036**
Exercise of stock options	173,335	-	(73,335)	-	-	100,000
Reversal of impairment related to option loan	(340,000)	-	-	-	-	(340,000)
Share-based compensation	-	-	1,792,474	-	-	1,792,474
Expiry of options	-	-	(1,181,054)	-	1,181,054	-
Expiry of warrants	-	(283,575)	-	-	283,575	-
Forfeiture of options	-	-	(2,070,504)	-	2,070,504	-
Net loss for the year	-	-	-	-	(10,956,345)	(10,956,345)
Balance, December 31, 2022	**$ 90,462,830**	**$ 1,119,998**	**$ 10,998,823**	**$ -**	**$ (98,470,486)**	**$ 4,111,165**
Units issued in private placement	984,450	-	-	-	-	984,450
Finance costs	(1,987)	1,987	-	-	-	-
Cancellation of shares (note 16)	708,312	-	-	-	-	708,312
Loan receivable (note 16)	(708,312)	-	-	-	-	(708,312)
Stock options issued for financing costs	-	-	215,435	-	-	215,435
Expiry of options	-	-	(1,027,476)	-	1,027,476	-
Expiry of warrants	-	(1,119,998)	-	-	1,119,998	-
Forfeiture of options	-	-	(481,085)	-	481,085	-
Issuance of convertible note (note 15)	-	61,075	-	280,788	-	341,863
Conversion of convertible note (note 15)	2,421,611	-	-	(280,788)	-	2,140,823
Settlement of related party loan (note 14)	396,000	-	-	-	-	396,000
Settlement of debt (note 16(ii))	501,116	-	-	-	-	501,116
Net loss for the year	-	-	-	-	(8,629,501)	(8,629,501)
Balance, December 31, 2023	**$ 94,764,020**	**$ 63,062**	**$ 9,705,697**	**$ -**	**$(104,471,428)**	**$ 61,351**

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

1. Nature of operations and going concern

Nature of business

DynaCERT Inc. (“dynaCERT” or the “Company”) was incorporated under the laws of the Province of Ontario. The address of the Company’s head office is 501 Alliance Avenue – Suite 101, Toronto, Ontario. The Company’s shares were listed on the TSX-V under the trading symbol DYA until July 7, 2020, at which point the common shares of the Company commenced trading on the Toronto Stock Exchange ("TSX") under the same trading symbol and were concurrently delisted from the TSX-V. On June 9, 2020, the common shares of the Company were listed on the USA OTCQX under the symbol “DYFSF” and delisted from the OTCQB. These consolidated financial statements include the results of DynaCERT and its wholly owned subsidiaries, DynaCERT GmbH Inc., its wholly owned German subsidiary, and DynaCERT International Strategic Holdings Inc. ("DISH").

The Company is engaged in the design, engineering, testing, manufacturing and distribution of a patent pending transportable hydrogen generator aftermarket product. The system is a patent pending aftermarket retrofit product that provides performance enhancements by injecting hydrogen and oxygen into the air intake manifold, resulting in improved fuel efficiency and reduced carbon emissions.

Going concern uncertainty

At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements do not include any adjustments to amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the year ended December 31, 2023, the Company incurred a net loss of $8,629,501 (December 31, 2022 - $10,956,345) and had negative operating cash flows of $3,516,615 (December 31, 2022 - $7,877,605). Although the Company has generated revenue from customer sales, the sales volumes achieved to date have not been sufficient to generate the margins required to cover the Company’s operating costs and research and development costs. The Company has an accumulated deficit of $104,471,428 since inception (December 31, 2022 - $98,470,486).

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate cash flows from operations and to complete negotiations to obtain and successfully close additional funding from debt financing, equity financings or through other arrangements. Management has determined that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

While the Company has been successful in arranging financing in the past, there can be no assurance that any debt financing or any equity offerings will be sufficient to create cash flow runway in light of the impact of the current state of the capital markets.

2. Basis of preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these consolidated financial statements are based on IFRS, which have been applied consistently to all periods presented. These consolidated financial statements were issued and effective as of March 28, 2024, the date the Board of Directors approved the statements.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s presentation currency. The functional currency of each individual entity is measured using the currency of the primary economic environment in which the entity operates.

Basis of consolidation

These consolidated financial statements include the results of DynaCERT and its wholly-owned subsidiaries, which include DynaCERT GmbH Inc., its wholly-owned German subsidiary, and DISH.

These consolidated financial statements incorporate the assets, liabilities and results of operations of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group have been eliminated.

Use of estimates and judgments

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

Significant areas requiring the use of estimates and assumptions include the determination of the useful lives of property and equipment and intangible assets with finite lives, provisions, recoverability of deferred tax assets, valuation of share-based payments, recoverability of investments in associate, estimation of credit loss from associate, and the determination of impairment of long-lived assets.

2. Basis of preparation (continued)

Use of estimates and judgments (continued)

The critical judgments management has made in the process of applying the Company's accounting policies, apart from those involving estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are in relation to the assumption that the Company will continue as a going concern. The most significant accounts that require estimates as the basis for determining the stated amounts include the following:

Share-Based Payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option pricing model. In assessing the fair value of equity-based compensation, estimates have been made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Inventory Valuation

The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Provisions

A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or whether a contingent liability is in existence at the reporting date.

Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management's estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount. Provisions and contingencies can vary materially from management's initial estimate and affect future consolidated financial statements.

The other items subject to judgment or significant estimates are detailed in the corresponding disclosures.

Impairment of Investment in Associates

At the end of each financial reporting period, the Company's management evaluates whether there is impairment of its investments in associates based on objective evidence, which includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operation. When such objective evidence is discovered, the Company writes down the value of its investment to its recoverable amount, which is the higher of fair value less cost to sell and value in use. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

2. Basis of preparation (continued)

Credit Loss Provision

Management uses judgement to estimate expected credit losses based on its historical credit loss experience, forward-looking factors specific to the note receivable from the associate and the economic environment.

Impairment of long-lived assets

Long-lived assets consist of intangible assets, and property and equipment.

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

New accounting standards adopted

There were no new accounting standards adopted during the year.

New accounting standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

3. Material accounting policy information

(a) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid short-term investments held in the form of high quality money market investments with a maturity date of less than three months at acquisition.

(b) Financial instruments

Below is a summary showing the classification and measurement bases of the Company's financial instruments:

Classification	**IFRS 9**
Cash and cash equivalents	FVTPL
Accounts and other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

<u>Financial assets</u>

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost
Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

ii. Financial liabilities recorded at FVTPL
Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

3. Material accounting policy information (continued)

(b) Financial instruments (continued)

Transaction costs
Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model
The Company applies a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(c) Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. Inventory overhead includes the direct labour cost and variable manufacturing overheads are allocated to inventory.

(d) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

3. Material accounting policy information (continued)

(d) Leases

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under any residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Shares issued by the Company are recorded at the value of proceeds received. When the Company issues units consisting of shares and warrants, the residual value method is used to allocate value to the shares and warrants. If and when warrants are exercised, the applicable amounts from warrants reserve are transferred to capital stock. If warrants expire, the related amounts from warrants reserve and transferred to deficit.

3. Material accounting policy information (continued)

(f) Share based compensation

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share based compensation to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged to operations, with the offset credit to share-based payments reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share based payments reserve are transferred to capital stock. If options expire, the related amounts from share-based payments reserve are transferred to deficit.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(g) Warranty provision

A provision is recognized for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold.

(h) Revenue recognition

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer at the time when the Hydrogen generator system is shipped, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(i) Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. Material accounting policy information (continued)

(j) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statements of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Property and equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and impairment, if any.

Property and equipment are depreciated on a declining balance method to their residual value over their estimated useful lives commencing from when available for their intended use. The estimated useful lives and amortization method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. The various components of an item of property or equipment are recognized separately when their estimated useful lives, and thus their depreciation period, are significantly different. Residual values and estimated useful lives are reviewed annually with the effect of any property changes in estimate being accounted for on a prospective basis.

Depreciation rates are as follows:

Plant equipment	20% declining balance basis
Office equipment	20% declining balance basis
Furniture and fixtures	20% declining balance basis
Vehicle	five years straight-line
Leasehold improvements	Straight-line over lease term
Tooling equipment	Straight-line over five years

All property and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable.

3. Material accounting policy information (continued)

(l) Impairment of long-lived assets

The carrying amount of property and equipment is reviewed at each consolidated statements of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to the recoverable amount. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized whenever the carrying amount of an asset or the asset's cash-generating unit, exceeds its recoverable amount. Impairment losses are recorded in the consolidated statements of loss and comprehensive loss. Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years, net of accumulated amortization and depreciation.

At December 31, 2023 and 2022, the Company assessed whether there were indicators of impairment primarily due to (i) slower than-expected ramp-up of commercial activities (i) significant adverse changes in the business climate, and (ii) current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the assets. The Company determined that there was no impairment as at December 31, 2023 and 2022, based on cash flow projections, and forecasted sales. In arriving at its forecast the Company considered the deals in the current pipeline, distribution channels, and governments green incentives. Additionally, the Company also considered current industry and market trends.

Expected future cash flows used to determine the value in use are inherently uncertain and could materially change over time. Any significant change in these assumptions could result in a fair value that is less than the carrying value. Asset impairment testing is subject to numerous assumptions, inherent risks and uncertainties, and the risk that these assumptions may not be realized.

(m) Intangible assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. All intangible assets with finite lives are reviewed for impairment where there are indicators that the carrying value may not be recoverable. In addition, intangible assets with indefinite useful lives are reviewed to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate. Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists.

Patents and patents pending held by the Company, which will be used in the manufacture of the HydraGEN products, are carried at cost and once the patents are put into use are amortized on a straight-line basis over their useful lives, being 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

Computer software is amortized at 30% per year using the declining balance method.

3. Material accounting policy information (continued)

(n) Research and development costs

Expenditures on research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

(o) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Company has one joint operation, as described in Note 13.

When a group entity undertakes its activities under joint operations, the Company as a joint operator recognizes in relation to its interest in the joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Company's consolidated financial statements only to the extent of other parties' interests in the joint operation.

(p) Investments in Associates

An associate is an entity over which the Company has significant influence but not control and is not a subsidiary or joint venture. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise when the Company has power to be actively involved and influential in financial and operating policy decisions of the entity even though Company has less than 20% of voting rights.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of profit and loss of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's loss that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of comprehensive income or losses attributable to shareholders of associates are recognized in consolidated statements of loss and comprehensive loss during the period. The carrying amount of the Company's investments in associates also include any long-term debt interests which in substance form part of the Company's net investment. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

3. Material accounting policy information (continued)

(p) Investments in Associates (continued)

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use. An impairment loss is recognized if the recoverable amount is less than its carrying amount. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. Impairment losses and reversal of impairment losses, if any, are recognized in consolidated statements of loss and comprehensive loss in the period in which the relevant circumstances are identified.

4. Capital risk management

The Company defines its capital under management as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its HydraGEN products and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital structure to consist of capital stock, contributed surplus (reserves) and deficit, which at December 31, 2023 totaled $61,351 (December 31, 2022 - $4,111,165). When managing capital, the Company's objective is to ensure the Company continues as a going concern, to identify a new project as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management reviews and adjusts its capital structure on an ongoing basis. There can be no assurance that the Company will be able to continue to meet its funding requirements in this manner.

The Company is dependent on external financing to fund its activities. In order to identify a new project and pay for administrative costs, the Company will spend its existing working capital and may issue new shares to facilitate the management of its capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2023 (December 31, 2022 - no change). The Company is not subject to any externally imposed capital requirements.

5. Financial instruments

Fair value

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and,

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The carrying values of cash and cash equivalents, accounts and other receivables, and accounts payables and accrued liabilities approximate their fair value due to their short-term nature, and are classified at amortized cost that would be categorized as Level 1 in the fair value hierarchy above.

The carrying values of long term receivables note receivables from related party and promissory note is approximately equal to its carry value as future payments or receivables from instalments have been discounted and that would be categorized as Level 3 in the fair value hierarchy above.

The investment in Galaxy Power Inc. is an investment in a private company that would be categorized as Level 3 in the fair value hierarchy above. The Company valued the investment in Galaxy Power Inc. using the value in use approach.

At December 31, 2023, and 2022, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 2 in the fair value hierarchy above.

There were no transfers between Level 1, Level 2, and Level 3 during the years ended December 31, 2023, and 2022.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable and other receivables. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to cash and receivables is remote as it maintains accounts with highly rated financial institutions.

Expected credit loss (“ECL”) analysis is performed at each reporting date using an objective approach to measure expected credit losses on its accounts receivable. The provision amounts are based on direct management interactions with the dealer and information regarding the end customer. The calculations reflect the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecast of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, but are not limited to, business failure, failure of a debtor to engage in a repayment plan, and a failure to make contractual payments.

(Expressed in Canadian Dollars)

5. Financial instruments (continued)

Liquidity risk (see note 1 - Going Concern)

Liquidity risk is the risk that the Company may encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2023, the Company had current liabilities of $5,014,955 (December 31, 2022 - $2,046,211) and cash and receivables of $633,752 (December 31, 2022 – $416,994). Based on the current funds held, the Company may need to raise additional funds to meet its obligations.

The maturity analysis of financial liabilities as at December 31, 2023 is as follows:

	Less than 1 year	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Accounts payable and accrued liabilities	$ 2,785,072	$ -	$ -	$ -	**$ 2,785,072**
Customer deposits	475,791	-	-	-	**475,791**
Lease obligations	454,017	535,816	3,835	-	**993,668**
Total	**$ 3,714,880**	**$ 535,816**	**$ 3,835**	**$ -**	**$ 4,254,531**

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The Company is not exposed to any significant interest risk volatility.

6. Accounts and other receivables

	As at December 31, 2023	As at December 31, 2022
Accounts receivables (note 13)	**$ 304,223**	$ 202,859
Subscription receivables (note 16 and 21) [(2)]	**40,000**	-
Allowance for expected credit losses [(1)]	**(80,026)**	(20,026)
	$ 264,197	$ 182,833

[(1)] The expected credit loss provision arose due to the nature of applying the ECL model on the trade receivables.
[(2)] The Company closed a financing in December 2023, these amounts were received after year end.

7. Inventory

	As at December 31, 2023	As at December 31, 2022
Raw materials	**$ 600,621**	$ 1,656,114
Work in process	**475,714**	240,726
Finished goods	**886,057**	738,856
	$ 1,962,392	$ 2,635,696

During the year ended December 31, 2023, $1,055,929 of inventory has been included in cost of goods sold (December 31, 2022 - $2,290,050).

The amounts presented are net of inventory write-down provision.

(Expressed in Canadian Dollars)

8. Property and equipment

	December 31, 2023			December 31, 2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Plant equipment	$ 1,713,873	$ 1,372,199	$ 341,674	$ 1,713,873	$ 1,286,796	$ 427,077
Tooling equipment	390,274	310,238	80,036	390,274	235,881	154,393
Office equipment	243,760	239,812	3,948	243,760	238,825	4,935
Furniture and fixtures	603,902	551,234	52,668	603,902	538,705	65,197
Leasehold improvements	1,557,624	819,582	738,042	1,557,624	635,072	922,552
Vehicles	61,983	25,921	36,062	61,983	16,905	45,078
	$ 4,571,416	$ 3,318,986	$ 1,252,430	$ 4,571,416	$ 2,952,184	$ 1,619,232

During the period ended December 31, 2022, the Company expensed $48,937 of construction in progress related to third party testing for research and development.

9. Intangible assets

	December 31, 2023			December 31, 2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	$ 1,037,188	$ 481,102	$ 556,086	$ 988,833	$ 398,722	$ 590,111
Trademarks	165,611	53,962	111,649	158,307	38,537	119,770
Software	599,403	478,032	121,371	599,403	423,782	175,621
	$ 1,802,202	$ 1,013,096	$ 789,106	$ 1,746,543	$ 861,041	$ 885,502

10. Rights-of-use assets

Balance, January 1, 2022	**$ 1,700,976**
Amortization	(423,234)
Balance, December 31, 2022	**1,277,742**
Additions	10,377
Amortization	(413,035)
Balance, December 31, 2023	**$ 875,084**

Right-of-use assets consist of office equipment amortized over 48 months, and office lease is amortized over 60 months.

Maturity analysis - contractual undiscounted cash flows	
As at December 31, 2023	
Less than one year	$ 454,017
Greater than one year	536,980
Total undiscounted lease obligation	$ 990,997

(Expressed in Canadian Dollars)

11. Lease obligations

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 6.5% (2022 - 6.5%) which was the incremental borrowing rate when the lease liability was incurred. The lease liabilities are operating-type leases for office equipment and its premises. The continuity of the lease liabilities is presented in the table below:

Balance, January 1, 2022	**$ 1,811,246**
Interest expense	98,969
Lease payments	(505,906)
Balance, December 31, 2022	**1,404,309**
Additions	10,377
Interest expense	75,318
Lease payments	(496,336)
Balance, December 31, 2023	**$ 993,668**

As at December 31, 2023	
Less than one year	$ 441,132
Greater than one year	552,536
Total lease obligation	$ 993,668

12. Investment in associate

Galaxy Power

In July 2021, the Company acquired 20% of the shares of Galaxy Power Inc. ("Galaxy Power"), a private Canadian corporation for $250,000, as the investment represents a 20% holding in issued and outstanding common shares of Galaxy. Two directors of the Company are also directors in Galaxy Power, however the Company has accounted for the investment in accordance with IFRS 9 as the Company does not have significant influence over the investment. During the year ended December 31, 2021, a full loss was recognized on the investment. There was no impact to the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023 and 2022.

KarbonKleen Inc

During the year ended December 31, 2020, the Company purchased 2,000 shares in KarbonKleen Inc ("KK"), a private Delaware corporation, for $516,479 (US$367,000) in cash payments. The Company has granted to KK, dynaCERT's Preferred Service Provider, the exclusive Dealership rights in the trucking industry in the United States of America until December 31, 2024, subject to certain conditions. The investment represents a 20% holding in the issued and outstanding common shares of KK, and, as a result, the Company has accounted for the investment under the equity method. During the year ended December 31, 2020, the Company advanced $1,020,293 (US$725,000) to KK as a note receivable. The note bears interest at 10% per annum calculated monthly and matured on December 31, 2021. The fair value of the loan on the date of purchase was determined to be $750,522, and the fair value of the investment in associate was determined to be $786,249.

During the year ended December 31, 2021, a full loss was recognized on the investment. There was no impact to the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023 and 2022.

(Expressed in Canadian Dollars)

12. Investment in associate (continued)

Summarized financial information of associate

The following table summarized, in aggregate, the financial information of KK in USD:

	As at December 31, 2023 $	As at December 31, 2022 $
Total current assets	**239,965**	239,965
Total assets	**277,976**	277,975
Current liabilities (excluding accounts payable)	**736,813**	737,048
Total current liabilities	**1,311,848**	1,312,084

	For the Year Ended December 31, 2023 $	For the Year Ended December 31, 2022 $
Loss from continuing operations	136	58,246
Total comprehensive loss	136	58,246

13. Joint Operation as defined by IFRS 11

In February 2023, the Company entered into a Collaboration Agreement with Cipher Neutron Inc. ("CN"), a privately held Ontario based company, to further jointly develop, produce and market state-of-the-art Hydrogen technology, including AEM Electrolyser technology, that is designed to produce Green Hydrogen for world-wide large infrastructure projects. The Collaboration Agreement takes the form of a joint operation as defined by IFRS 11, and each Company is responsible for its own liabilities incurred to develop the technologies outlined above.

Statement of Financial Position of Joint Operation as defined by IFRS 11

	As at December 31, 2023
Total assets	$ -
Total liabilities related to the joint operation	$ -
Net assets	$ -
Net share of assets	$ -

Statements of Net Income of Joint Operation as defined by IFRS 11

For the period ended February 17, 2023 to December 31, 2023	**Amount**
Revenues from the joint operation	$ -
Operating costs incurred by the Company	$ -
Net income	$ -

During the year ended December 31, 2023, CN was provided office space within the Company's offices at no additional cost.

As at December 31, 2023, the Company had a receivable outstanding from CN of $20,000 (2022 - nil) (note 6 and 21).

13. Joint Operation as defined by IFRS 11 (continued)

Under the Collaboration Agreement, the Company has been provided with options to acquire common shares of CN (the "CN options") at various expiry dates up to July 31, 2025, which, if fully exercised, could result in the Company obtaining up to a 50% ownership of CN (as at the date of the Collaboration Agreement). The total exercise price of such CN options is $17,500,000. The Company has committed to exercise certain of its CN options in amounts ranging up to 50% of the net proceeds of any financing raised by dynaCERT up to a maximum of $5,000,000 at favourable seed capital exercise prices of CN equity to dynaCERT. When dynaCERT exercises such options, dynaCERT may then own 25% of CN on an undiluted basis. During the year ended December 31, 2023, the Company received a waiver from CN regarding the commitment for past financing. Additional financing activities by dynaCERT are expected to be necessary in order to facilitate the exercise by dynaCERT of the foregoing CN options. As of December 31, 2023, the Company is in default of this agreement (note 23).

14. Loans

Loans from a shareholder

On February 8, 2023, the Company received loan of $350,000 from a shareholder of the Company. The loan bears interest at 1% per month and is due upon the Company receiving $3,500,000 in equity funding from any source including the exercise of any options by the Lender. As part of the loan agreement, the Company agreed to issue 6,000,000 stock options with an exercise price of $0.175, and a fair value of $151,000 (note 17(v)). During the year ended December 31, 2023, the Company recorded accretion of $121,595 on the loan, and as at December 31, 2023, the loan remains outstanding.

On March 22, 2023, the Company received short-term loan of $150,000 from a shareholder of the Company. The loan bears no interest and was due on April 30, 2023. As part of the loan agreement, the Company agreed to issue 1,500,000 stock options with an exercise price of $0.175 and a fair value of $64,435 (note 17(vi)). During the year ended December 31, 2023, the Company recorded accretion of $64,435 on the loan, and as at December 31, 2023, the loan remains outstanding.

Loans from a related party

During the year ended December 31, 2023, the CEO and director of the Company provided in aggregate $883,076 in cash advances to the Company. The cash advances bears interest at 12% per annum, and are payable upon demand. During the year ended December 31, 2023, the Company repaid $207,885 of the advances provided, and recorded accrued interest expense of $41,724 on the loan. During the year ended December 31, 2023, the CEO and director agreed to settle $322,500 of the principal balance of the loan for 2,150,000 Units at a price of $0.15 per Unit, and recorded a loss on settlement of the debt of $73,500 (note 16 and 21). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of $0.20 per Share on or before December 4, 2026, and December 20, 2026. As at December 31, 2023, the balance outstanding including interest was $394,415 (2022 - $nil).

15. Convertible note

On April 11, 2023, the Company issued a $2,000,000 convertible note to third party arm's length company, and 666,667 common share purchase warrants. The note will bear interest at 10% per annum with a maturity date December 31, 2023. The principal amount is convertible, at the option of the holder, in whole or in part, at any time following the issue date but on or before maturity, into common shares of the Company at $0.30 per common share. Each share purchase warrant entitles the holder to purchase one additional common share at a price of $0.30 per share until March 31, 2026.

The fair value of the equity portion of the convertible note was determined to be $280,788 using a net present value calculation assuming a discount rate of 19.10% per annum.

The fair value of the warrants issued with the convertible note was determined to be $61,075 using the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.59%; expected life in years – 3; expected volatility 86.13%; and expected forfeiture rate – 0%. The Company recorded accretion of $341,863. During the year ended the Company repaid the loan and paid interest of $140,823 for the year ended December 31, 2023.

On December 4, 2023, the loan and interest of $2,140,823 was converted into 14,272,155 Units at a price of $0.15 per Unit (note 15), with each Unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of $0.20 per Share on or before December 4, 2026.

16. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

(i) As at December 31, 2022, there were $708,312 of unpaid capital relating to loans granted to employees, officers, and directors of the Company for the exercise of options and warrants. These shares were originally issued in accordance with options and warrant loans granted in years ended December 31, 2020, and December 31, 2021. Included within the unpaid capital amount was $550,000 related to officers and directors of the Company (note 21). The amount was recorded as a reduction of capital represents loans to employees secured by their respective unpaid shares. During the year ended December 31, 2023, the 1,305,000 common shares were returned for cancellation, and upon cancellation all option and warrant loans were settled. As at December 31, 2023, there are no option or warrant loans outstanding (note 24).

(ii) During the year ended December 31, 2023, the Company agreed to settle debt which was included within accounts payable of $407,460 for 2,716,400 Units at a price of $0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant, the Company recorded a loss on settlement of debt of $93,656. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of $0.20 per Share on or before December 4, 2026 or December 20, 2026.

(iii) During the year ended December 31, 2023, the Company issued 1,300,000 Units at a price of $0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant for gross proceeds of $195,000. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of $0.20 per Share on or before December 4, 2026. In conjunction with the private placement 5,000 broker warrants were issued.

(Expressed in Canadian Dollars)

16. Share capital (continued)

b) Common shares issued (continued)

(iv) During the year ended December 31, 2023, the Company issued 5,263,000 Units at a price of $0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant for gross proceeds of $789,450. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of $0.20 per Share on or before December 20, 2026. In conjunction with the private placement 18,150 broker warrants were issued

(v) As at December 31, 2023, the Company has $40,000 (2022 - $nil) outstanding from certain investors, which were received after year end.

	Number of common shares	Amount
Balance, December 31, 2021	381,484,180	$ 90,629,495
Exercise of stock options (note 17(i))	333,335	173,335
Reversal of impairment related to option loan (note 24)	-	(340,000)
Balance, December 31, 2022	381,817,515	$ 90,462,830
Cancellation of shares related to option and warrant loans (i)	(1,305,000)	708,312
Cancellation of option and warrant loans (i)	-	(708,312)
Conversion of convertible note (note 15)	14,272,155	2,421,611
Settlement of related party loan (note 14)	2,150,000	396,000
Settlement of debt (ii)	2,716,400	501,116
Units issued on private placement (iii)(iv)	6,563,000	984,450
Finance costs (iii)(iv)	-	(1,987)
Balance, December 31, 2023	406,214,070	94,764,020

17. Stock options

(i) During the year ended December 31, 2022, exercised 333,335 stock options with a Black-Scholes value of $73,335, and exercise price of $0.30.

(ii) During the year ended December 31, 2022, 2,516,000 stock options with a Black-Scholes value of $1,181,054 expired with exercise prices between $0.58 and $0.71, and 5,424,710 stock options with a Black-Scholes value of $2,070,504 were forfeited with exercise prices between $0.25 and $0.70.

(iii) During the year ended December 31, 2022, the Company granted 7,593,335 stock options to its employees, consultants, directors and officers, with an exercise price of $0.30. Included within the 7,593,335 stock option grant was 2,825,000 stock options granted to directors and officers (note 21). The options vested immediately and expire on August 25, 2027. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.23%; expected life in years – 5; expected volatility 101.39%; and expected forfeiture rate – 0%.

(iv) During the year ended December 31, 2022, the Company granted 700,000 stock options to its employees, and consultants, with an exercise price $0.30. The options vested immediately, and expire on October 23, 2027. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.71%; expected life in years – 5; expected volatility 115.73%; and expected forfeiture rate – 0%.

(Expressed in Canadian Dollars)

17. Stock options (continued)

(v) During the year ended December 31, 2023, the Company granted 6,000,000 stock options in connection with a loan. The stock options have an exercise price of $0.175 (note 14), vest immediately, and expire on February 7, 2028. The stock options were valued using a relative fair value basis, where the relative fair value of the loan payable and stock options were estimated by using the share price at the time of financing and the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.20%; expected life in years – 5; expected volatility 99.86%; and expected forfeiture rate – 0%.

(vi) During the year ended December 31, 2023, the Company granted 1,500,000 stock options in connection with a loan. The stock options have an exercise price of $0.175 (note 14), vest immediately, and expire on March 28, 2028. The stock options were valued using a relative fair value basis, where the relative fair value of the loan payable and stock options were estimated by using the share price at the time of financing and the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.71%; expected life in years – 5; expected volatility 99.37%; and expected forfeiture rate – 0%.

(vii) During the year ended December 31, 2023, 3,054,096 stock options with a Black-Scholes value of $1,027,476 expired with exercise prices between $0.25 to $0.50, and 1,410,000 stock options with a Black-Scholes value of $481,085 were forfeited with exercise prices between $0.25 and $0.70.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2021	31,895,806	$ 0.54
Issued (iii)(iv)	8,293,335	0.30
Exercised (i)	(333,335)	(0.30)
Expired (ii)	(2,516,000)	(0.63)
Forfeited (ii)	(5,424,710)	(0.52)
Balance, December 31, 2022	31,915,096	$ 0.47
Issued (v)(vi)	7,500,000	0.175
Expired (vii)	(3,054,096)	(0.49)
Forfeited (vii)	(1,410,000)	(0.46)
Balance, December 31, 2023	**34,951,000**	**$ 0.41**

(Expressed in Canadian Dollars)

17. Stock options (continued)

The following table reflects the stock options issued and outstanding as of December 31, 2023:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding
March 1, 2024	0.38	0.17	3,150,000
May 15, 2024	0.35	0.37	250,000
July 30, 2024	0.50	0.58	600,000
September 11, 2024	0.50	0.70	300,000
October 11, 2024	0.50	0.78	50,000
November 12, 2024	0.50	0.87	811,000
December 9, 2024	0.52	0.94	1,725,000
December 17, 2024	0.55	0.96	400,000
July 2, 2025	0.70	1.50	4,210,000
August 4, 2025	0.70	1.59	1,105,000
October 30, 2025	0.55	1.83	100,000
January 8, 2026	0.55	2.02	850,000
May 30, 2026	0.50	2.41	6,370,000
August 25, 2027	0.30	3.65	6,830,000
October 23, 2027	0.30	3.81	700,000
February 7, 2028	0.175	4.11	6,000,000
March 28, 2028	0.175	4.24	1,500,000
Total	**0.41**	**1.66**	**34,951,000**

18. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	21,650,260	$ 0.75
Expired	(6,750,260)	(0.97)
Balance, December 31, 2022	**14,900,000**	**$ 0.65**
Issued (note 14, 15 and 16b (iii)(iv))	13,540,594	0.20
Expired	(14,900,000)	(0.65)
Balance, December 31, 2023	**13,540,594**	**$ 0.20**

The following table reflects the share purchase warrants issued and outstanding as of December 31, 2023:

Expiry date	Remaining contractual life (years)	Number of warrants outstanding	Exercise price ($)
December 4, 2025	1.93	5,000	0.15
December 20, 2025	1.97	18,150	0.18
March 31, 2026	2.25	666,667	0.30
December 4, 2026 (1)	2.93	9,669,277	0.20
December 20, 2026 (1)	2.97	3,181,500	0.20
		13,540,594	

(Expressed in Canadian Dollars)

18. Warrants (continued)

(1) If at any time after the date that is four months and one day after the date hereof, the closing trading price of the Common Shares on the TSX Venture Exchange is greater than $0.35 per Common Share for a period of ten consecutive Business Days, then the Company may, at its discretion give notice of the acceleration of some or all of the Warrants to the Holder and, in such case, the Expiry Time shall be 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is deemed to have been given by the Company to the Holder.

19. Income taxes

A reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic rate is as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Loss before income taxes	**$ (8,629,501)**	$ (10,956,345)
Statutory tax rate	**26.50%**	26.50%
Expected income tax recovery	**(2,286,818)**	(2,903,431)
Permanent differences	**93,324**	479,475
Impact of foreign income tax rate differential	**(16,804)**	(31,971)
Taxable benefits not recognized	**2,210,298**	2,455,927
Income tax expense	**$ -**	$ -
Current tax expense	**$ -**	$ -
Deferred tax expense	**$ -**	$ -

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefit of the following unused tax losses and other deductible temporary differences have not been recognized in the consolidated financial statements due to the unpredictability of future earnings:

	December 31, 2023 Canada	December 31, 2023 Germany	December 31, 2022 Canada	December 31, 2022 Germany
Non-capital losses	**$ 20,190,719**	**$ 583,225**	$ 18,247,280	$ 562,063
Reserves	**107,217**	**-**	31,532	-
Financing costs	**40,721**	**-**	83,110	-
Capital losses	**725,753**	**-**	189,660	-
Intangible assets	**175,817**	**-**	135,498	-
Right-of-use assets	**31,425**	**-**	33,540	-
Loan payable	**7,955**	**-**	-	-
Loan receivable and other receivable	**2,213**	**-**	2,147	-
Property, plant, and equipment	**780,566**	**-**	683,363	-
	$ 22,062,386	**$ 583,225**	$ 19,406,130	$ 562,063

(Expressed in Canadian Dollars)

19. Income taxes (continued)

As at December 31, 2023, the Company has non-capital losses of $76,191,391 (2022 - $68,857,659) available to reduce taxable income in future years expiring as follows:

Year of expiry		
	2026	$ 1,782,006
	2027	812,043
	2028	2,856,336
	2029	4,049,000
	2030	3,775,886
	2031	184,495
	2032	1,060,097
	2033	2,246,505
	2034	665,802
	2035	1,079,764
	2036	1,989,879
	2037	5,193,380
	2038	8,993,907
	2039	6,933,969
	2040	9,224,072
	2041	9,695,086
	2042	8,315,432
	2043	7,333,732
		$ 76,191,391

The Company also has $2,200,849 (2022 - $2,107,028) of tax loss carry-forwards in Germany that do not expire. The Company also has capital loss carry-forward amounts of $2,738,692 that do not expire in Canada.

20. Loss per share

For the year ended December 31, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $8,629,501 (December 31, 2022 - $10,956,345) and the weighted average number of common shares outstanding of 382,307,759 (December 31, 2022 - 381,580,334). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

21. Related party transactions

Key management includes directors and other key employees, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

The Company paid or accrued the following amounts to directors, companies controlled by directors, or companies having common directors during the year ended December 31, 2023 and December 31, 2022:

	Year Ended December 31, 2023	**Year Ended December 31, 2022**
Consulting fees paid to directors	**$ 571,980**	$ 633,093
Short-term benefits	**264,000**	264,000
Share based compensation	**-**	621,500
	$ 835,980	$ 1,518,593

(Expressed in Canadian Dollars)

21. Related party transactions (continued)

Included in consulting fees to directors above for the year ended December 31, 2023, are commissions of is $9,930 (2022 - $206,580) in connection with certain sales contracts, $66,720 (December 31, 2022 - $66,720) for business development services, $243,145 (December 31, 2022 - $243,100) for executive VP services. As at December 31, 2023, officers and directors were owed $258,500 (December 31, 2022 - $nil) with respect to services provided.

Included in research and development for the year ended December 31, 2023, is $110,637 (2022 - $285,000) paid to key consultants for research and development work. These key consultants are also directors of Cipher Neutron Inc. See note 13.

See notes 13, 14, and 16(b)(i).

As at December 31, 2022, the Company had loans to officers, and directors of the Company in the aggregate amount of $550,000 relating to share capital (note 16). The loans were non-interest bearing and due on demand. During the year ended December 31, 2023, the shares were returned to the Company and the loans were cancelled.

During the year ended December 31, 2023, the Company paid for certain expenses on behalf of CN. As at December 31, 2023, the Company has a receivable amount of $20,000 (2022 - $nil) owed from CN (note 13).

22. Segmented information

The Company currently has one business segment, being the development, production and sale of hydrogen generating systems. As at, and for the year ended, December 31, 2023, the Company held $83,371 of cash (December 31, 2022 - $66), and incurred $327,740 (December 31, 2022 - $489,220) of expenses in Germany through its German subsidiary. The Company's subsidiary, DISH, holds the shares in the Company's investment in KK (note 12).

Revenue by geographical location:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Europe	**$ 103,772**	$ 56,476
Canada and other	**343,051**	1,092,585
	$ 446,823	$ 1,149,061

23. Commitments and Contingencies

The Company received a purchase order of 3,000 HydraGEN™ Units (“Units”) brokered through a director of the Company where he acts as a conduit for the purchase of the Units on behalf of dynaCERT for the purchaser (Note 21). The recipient of these Units is a company located in Guyana (the “Recipient”). The Company previously delayed deliveries of Units under this order pending further notice by either the Recipient or its representatives, that certain outstanding issues were resolved to everyone’s satisfaction. Most notably, the Company was obliged to delay the delivery of all but two such Units and the Company was awaiting from the Recipient, through representatives, certain usual information regarding the specifications of these Units, and other data pertaining to the vehicles and equipment on which the Units are to be installed. The Company was also previously advised by representatives of the Recipient that the two Units that were delivered in 2023 are still awaiting clearing from Guyanese customs by an agent of the Recipient.

(Expressed in Canadian Dollars)

23. Commitments and Contingencies (continued)

Despite continued ongoing dialogue with representatives of the Recipient of these Units over past months, none of the aforementioned issues have been resolved to date. Further, the Company has been made aware of litigation among various parties, including the Company and a director of the Company, claiming damages in the amount of $3,815,297 that appears to involve the purchase order in question. The Company has also received a third-party claim in connection with litigation requesting the return of the initial deposit of $350,000 that the Company received in May 2023. Management has evaluated both of these claims as without merit against the Company. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been recognized in the consolidated financial statements.

Subsequent to December 31, 2023, the Company has also received a statement of claim from a former consultant of the Company and an associated corporate entity alleging wrongful (constructive) dismissal and breach of contract in addition to damages in the amount of $679,400 and other incidental relief including benefits, unpaid vacation pay and rights to his unexercised options. Management believes that this litigation has no merit against the Company. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been recognized in the consolidated financial statements.

24. Loss on loans, investments, and prepayments

The Company incurred the following losses on loans, investments, and prepayments during the fiscal year ended December 31, 2021. Such losses were recorded after consultation with the Company's previous auditors, who noted questions regarding recoverability and cited insufficient audit evidence as the principal bases for recording such losses. Such assessments were made as of December 31, 2021.

During the year ended December 31, 2022, a loan due from an employee of the Company, in the principal amount of $199,238 was repaid. During the year ended December 31, 2022, the Company reversed the impairment on the Option Loans in the amount of $340,000. During the year ended December 31, 2023, the shares were given back for cancellation (note 16b(i)).

The following table reflects the loss allowance by class of financial instrument:

	For the year ended December 31, 2023	For the year ended December 31, 2022
12 month expected credit losses	$ -	$ -
Lifetime ECL for increase credit risk	-	-
Lifetime ECL for trade receivables, contract assets or lease receivables (note 6)	60,000	240,000
ECL for credit-impaired financial assets (note 6)		
Option loans	-	(539,238)
Total	**$ 60,000**	**$ (299,238)**

25. Subsequent events

On January 19, 2024, the Company announced that it has obtained the approval of the Toronto Stock Exchange to extend its non-brokered private placement (the Offering") announced in December 2023 of units for a further thirty (30) days, as the Company is continuing to procure subscriptions and further expressions of interest to participate in the Offering. In February 2024, the Company announced that it has completed an additional round of its non-brokered private placement of units.