ALKALINE FUEL CELL POWER CORP.

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company’s independent auditor has not performed a review of these financial statements.

ALKALINE FUEL CELL POWER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Note	September 30, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash		**1,577,907**	5,869,082
Amounts receivable		**254,144**	185,143
Prepaid expenses	5	**429,107**	512,611
		2,261,158	6,566,836
Long-term assets			
Right-of-use asset	10	**119,617**	183,752
Property and equipment	6	**1,267,302**	157,884
Deposit for acquisition	4	**-**	2,060,000
Intangible asset	7	**457,417**	-
Goodwill	4	**3,901,246**	-
TOTAL ASSETS		**8,006,740**	8,968,472
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8, 12	**511,577**	326,871
Promissory note	4,9	**972,255**	80,000
Lease liabilities – current portion	10	**52,565**	47,348
Total current liabilities		**1,536,397**	454,219
Lease liabilities	10	**77,375**	142,622
TOTAL LIABILITIES		**1,613,772**	596,841
SHAREHOLDERS' EQUITY			
Share capital	11	**29,995,151**	27,605,686
Reserves	11	**5,561,788**	5,437,930
Deficit		**(28,673,248)**	(24,441,504)
Accumulated other comprehensive loss		**(490,723)**	(230,481)
TOTAL SHAREHOLDERS' EQUITY		**6,392,968**	8,371,631
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,006,740**	8,968,472

Nature and continuance of operations (Note 1)

Approved on behalf of the Board on November 14, 2022

"Maciej Lis" — Director

"Troy Grant" — Director

ALKALINE FUEL CELL POWER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

		For the three months ended		For the nine months ended	
		September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
	Note	**$**	$	**$**	$
Revenues		**88,103**	-	**134,616**	-
Expenses					
Management and consulting fee	12	**433,350**	648,394	**1,428,217**	1,838,035
Gas expenses		**79,257**	-	**110,480**	-
General and administrative	12	**249,753**	138,115	**568,014**	257,967
Interest expense	9,10	**32,848**	13,884	**68,093**	14,305
Marketing and advertising	12	**79,091**	2,275,162	**209,543**	2,293,265
Operations and maintenance		**12,685**	-	**37,191**	-
Professional fees	12	**113,971**	242,319	**453,665**	343,638
Regulatory and filing fees		**9,980**	33,880	**59,013**	139,899
Rent	12	**33,537**	40,579	**94,533**	40,579
Share-based compensation		**83,716**	48,959	**123,858**	2,972,701
Wages and salaries		**437,026**	117,396	**1,015,785**	117,396
Amortization	6,7	**86,606**	25,019	**197,968**	28,452
Operating expenses		**(1,651,820)**	(3,583,707)	**(4,366,360)**	(8,046,237)
Other income					
Write-off of accounts payable		**-**	-	**-**	15,342
Net loss for the period		**(1,563,717)**	(3,583,707)	**(4,231,744)**	(8,030,895)
Other comprehensive loss					
Exchange differences on translating foreign operations		**(22,635)**	12,034	**(260,242)**	(79,711)
Total comprehensive loss for the period		**(1,586,352)**	(3,571,673)	**(4,491,986)**	(8,110,606)
Loss and comprehensive loss per share – basic and diluted		**(0.01)**	(0.02)	**(0.02)**	(0.05)
Weighted average number of common shares outstanding - basic and diluted		**168,627,054**	168,227,136	**173,015,329**	146,642,255

ALKALINE FUEL CELL POWER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Share capital					
	Number of shares \#	Amount $	Reserves $	Foreign currency translation reserve $	Deficit $	Total $
Balance at December 31, 2020	11,618,177	12,853,398	1,983,409	-	(15,128,138)	(291,331)
Private Placement	135,939,394	16,100,000	-	-	-	16,100,000
Share issuance costs	-	(1,565,159)	530,767	-	-	(1,034,392)
Shares for services	20,500,000	102,500	-	-	-	102,500
Shares issued upon the exercise of options	200,000	114,947	(48,947)	-	-	66,000
Share-based compensation	-	-	2,972,701	-	-	2,972,701
Net loss for the period	-	-	-	-	(8,030,895)	(8,030,895)
Exchange differences on translating foreign operations	-	-	-	(79,711)	-	(79,711)
Balance at September 30, 2021	**168,257,571**	**27,605,686**	**5,437,930**	**(79,711)**	**(23,159,033)**	**9,804,872**

Balance at December 31, 2021	168,257,571	27,605,686	5,437,930	(230,481)	(24,441,504)	8,371,631
Shares issued for acquisition	22,757,758	2,389,565	-	-	-	2,389,565
Return to treasury	(18,000,000)	(100)	-	-	-	(100)
Share-based compensation	-	-	123,858	-	-	123,858
Net loss for the period	-	-	-	-	(4,231,744)	(4,231,744)
Exchange differences on translating foreign operations	-	-	-	(260,242)	-	(260,242)
Balance at September 30, 2022	**173,015,329**	**29,995,151**	**5,561,788**	**(490,723)**	**(28,673,248)**	**6,392,968**

ALKALINE FUEL CELL POWER CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

	Nine Months ended	
	September 30, 2022 $	September 30, 2021 $
Operating activities		
Loss for the period	**(4,231,744)**	(8,030,895)
Items not affecting cash:		
Accretion	**63,520**	7,672
Accrued interest	**-**	470
Amortization	**197,968**	28,452
Foreign exchange	**-**	1,245
Share-based compensation	**123,858**	2,972,701
Shares issued for management and consulting fee	**-**	102,500
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	**(32,679)**	(107,085)
Prepaid	**158,962**	(603,769)
Increase in trade payables and accrued liabilities	**132,684**	68,602
Net cash used in operating activities	**(3,587,431)**	(5,560,107)
Investing activities		
Cash acquired from AI Renewables acquisition	**44,655**	-
Equipment purchase	**(361,492)**	(120,993)
Net cash used in Investing activities	**(316,837)**	(120,993)
Financing activities		
Repayment of notes payable	**(80,000)**	-
Lease liability payments	**(63,642)**	(23,269)
Repurchase of common shares	**(100)**	-
Proceeds from share issuances	**-**	15,131,607
Net cash provided by financing activities	**(143,742)**	15,108,338
Effects of foreign exchange on cash	**(243,165)**	(79,749)
Change in cash	**(4,291,175)**	9,347,489
Cash, beginning of the year	**5,869,082**	14,395
Cash, end of the period	**1,577,907**	9,361,884

1. Nature and continuance of operations

Alkaline Fuel Cell Power Corp. (the "Company") is incorporated under the laws of the province of British Columbia, Canada, and its principal activity is the development, production, sale, maintenance of renewable energy and fuel cells. The Company received approval from the TSX Venture Exchange ("TSX-V") to delist all its common shares from the TSX-V, effective at the close of business on November 30, 2018. On July 16, 2021, the Company's common shares were listed for trading on the NEO Exchange Inc. ("NEO") under the symbol "PWWR".

The head office and registered office of the Company are located at 810 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

These interim condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company is not able to finance day to day activities through operations. The Company has working capital at September 30, 2022 of $724,761 (December 31, 2021 –$6,112,617) and a deficit of $28,673,248 (December 31, 2021 - $24,441,504). The Company's continuation as a going concern is dependent upon its ability to develop renewable energy and fuel cell technology and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs and fund its renewable energy and fuel cell development activities over the next twelve months with existing cash, private placements of common shares and/or loans from directors and companies controlled by directors. These interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern and the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Statement of compliance and significant accounting policies

These unaudited condensed interim consolidated financial statements were authorized for issue on November 14, 2022 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim consolidated financial statements be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021.

2. Statement of compliance and significant accounting policies (continued)

Basis of presentation

These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiary are included in the financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation. The Company has two wholly owned subsidiaries, Fuel Cell Power NV in Belgium, Fuel Cell Power s.r.o in the Czech Republic and FCP Fuel Cell Power UNIP LDA in Portugal that are in the business of development, production, sale and maintenance of renewable energy and fuel cells. During the period ended September 30, 2022, the Company acquired AI Renewable 2018-I LP (dissolved), AI Renewable Subco 2018 Ltd. (dissolved), AI 2191 Yonge Ltd., AI 1275 McPherson Ltd., AI 2181 Ltd. and AI Renewable GP Ltd. (dissolved) as described in Note 4. Controlled entities are as follows:

	Jurisdiction of	Interest at:	
Name	**incorporation**	**September 30, 2022**	**December 31, 2021**
Fuel Cell Power NV in Belgium	Belgium	100%	100%
Fuel Cell Power s.r.o	Czech Republic	100%	100%
FCP Fuel Cell Power UNIP LDA	Portugal	100%	0%
AI 2191 Yonge Ltd.	Canada	100%	0%
AI 1275 McPherson Ltd.	Canada	100%	0%
AI 2181 Ltd.	Canada	100%	0%
PWWR Flow 83 Borough Corp.	Canada	100%	0%

The functional currency of the Company's subsidiaries are the Canadian dollar except for Fuel Cell Power NV, Fuel Cell Power s.r.o, FCP Fuel Cell Power UNIP LDA whose functional currency is the European Euro. The assets and liabilities of these entities are translated into Canadian dollars using the period-end exchange rate and the operations and cash flows are translated using the average rates of exchange over the period. Exchange differences arising when net assets and profit or loss are translated into Canadian dollars are recognized in other comprehensive loss and recorded in the Company's accumulated other comprehensive loss.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the statement of comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

2. Statement of compliance and significant accounting policies (continued)

Revenue Recognition

The Company earns revenue from by generating and delivering electricity and heat to a condominium complex. Revenue is earned when the Company has fulfilled its obligation of generating the electricity and heat and delivering uninterrupted such utilities to the condominium complex.

Significant estimates and assumptions

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- Determining whether lease contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.
- The assessment of whether expenditures qualify as intangible assets under IAS 38 Intangible Assets. No such costs have been capitalized as at September 30, 2022.
- Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position. In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. Significant judgement and estimation is also required in the determination of the fair value of the consideration paid for the acquisition. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

3. Accounting standards issued but not yet effective

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim consolidated financial statements.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

4. Business Combination

On March 4, 2022, the Company entered into agreements to acquire 100% of the Combined Heat and Power (CHP) generation business (the "AI Business") of AI Renewable 2018-I Limited Partnership, AI Renewable 2020-I Limited Partnership and 2191 Yonge Ltd. (collectively, “AI”).

Pursuant to the terms of the definitive agreements, the consideration for the acquisition (the "Purchase Price") consisted of 22,757,758 common shares of the Company (the "Consideration Shares") and $3,000,000 in cash consideration. In connection with the execution of the definitive agreements, the Company advanced a $2,000,000 loan to the vendors, which was applied against the cash consideration on closing. The Company issued a $1,000,000 non-interest bearing promissory note maturing January 2, 2023 for the remaining cash consideration.

In addition to the Purchase Price payable on closing, the Company shall pay to the vendors additional consideration upon the achievement of certain milestones described below:

- Milestone #1 - If the AI Business obtains “Green Loans” and/or government grants for the AI Business and/or their customers of $2,500,000 more for the installation of CHP units in buildings within 18 months following the closing ("Milestone #1"), the vendors will be compensated with additional common shares in the capital of the Company (the "Common Shares") equal to the greater value of 1,000,000 Common Shares or the number of Common Shares worth $1,000,000 (each a "Milestone #1 Common Share"). The deemed value of each Milestone #1 Common Share being the 5 day volume weighted average price (the "VWAP") of the common shares of the Company calculated from the date that the Milestone #1 payment has been earned.
- Milestone #2 - If the AI Business signs contracts to install CHP units in buildings containing not less than 2,000 additional residential units over a minimum of 7 buildings (excluding 2181 Yonge and 2191 Yonge) within 24 month period following the closing (the "Milestone #2"), the vendors will be rewarded with additional Common Shares equal to the greater value of Common Shares worth $2,000,000 or 2,000,000 Common Shares (each a “Milestone #2 Common Share”). The deemed value of each Milestone #2 Common Share shall be based on the 5 days VWAP of the Common Shares calculated from the date that the Milestone #2 payment has been earned.

The purchase price allocation is still preliminary and subject to change as management has not fully determined the fair values of the net assets acquired. The AI Business had inputs, as well as substantial processes in place generating outputs. As a result, the acquisition of AI Business constituted a business combination as AI Business met the definition of a business under IFRS 3 - Business Combinations.

Purchase price:	**$**
22,757,758 common shares	2,389,565
Cash consideration	2,000,000
Promissory note	924,735
Total consideration paid	**5,314,300**
Cash	44,655
Amounts receivable	36,322
Prepaid expenses	15,458
Equipment	869,641
Intangible asset – customer contracts	499,000
Accounts payable and accrued liabilities	(52,022)
Net assets acquired	1,413,054
Goodwill	3,901,246
Total	**5,314,300**

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

4. Business Combination (continued)

The Company determined that AI Business' technology and business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of certain key individuals and the future economic potential of AI Business.

During the period ended from April 23, 2022 to September 30, 2022, the Company recorded a net loss of $121,169 in the Consolidated Statement of Loss and Comprehensive Loss in connection with the financial performance of AI Business.

5. Prepaid expenses

	September 30, 2022 $	December 31, 2021 $
Consulting fees	**213,521**	410,589
Insurance	**112,577**	47,396
Shareholder communication	**35,933**	13,125
Regulatory fees	**11,370**	-
Deposits	**36,952**	41,501
Other	**18,754**	-
	429,107	512,611

6. Property and Equipment

	Office Equipment $	Machinery $	Combined Heat & Power Unit $	Land $	Total $
Cost					
Balance, December 31, 2020	-	-	-	-	-
Additions	102,362	79,824	-	-	182,186
Foreign exchange	(2,145)	(1,672)	-	-	(3,817)
Balance, December 31, 2021	**100,217**	**78,152**	**-**	**-**	**178,369**
Additions	278,304	68,437	869,641	13,383	1,226,381
Foreign exchange	(12,383)	(6,794)	-	-	(15,793)
Balance, September 30, 2022	**366,138**	**139,795**	**869,641**	**13,383**	**1,388,957**
Accumulated amortization					
Balance, December 31, 2020	-	-	-	-	-
Amortization	14,980	5,944	-	-	20,924
Foreign exchange	(314)	(125)	-	-	(439)
Balance, December 31, 2021	**14,666**	**5,819**	-	-	**20,485**
Amortization	36,289	26,440	41,085	-	103,814
Foreign exchange	(1,727)	(917)	-	-	(2,644)
Balance, September 30, 2022	**49,228**	**31,342**	**41,085**	**-**	**121,655**
Net book values					
December 31, 2021	**85,551**	**72,333**	-	-	**157,884**
September 30, 2022	**316,910**	**108,453**	**828,556**	**13,383**	**1,267,302**

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

7. Intangible Assets

As part of the acquisition of AI Renewables, the Company acquired two customer contracts.

	Customer contracts $
Cost	
Balance, December 31, 2021	**-**
Additions	499,000
Balance, September 30, 2022	**499,000**
Accumulated amortization	
Balance, December 31, 2021	**-**
Amortization	41,583
Balance, September 30, 2022	**41,583**
Net book values	
December 31, 2021	**-**
September 30, 2022	**457,417**

8. Account payables and accrued liabilities

The components of account payables and accrued liabilities are as follows:

	September 30, 2022 $	December 31, 2021 $
Account payables	**472,462**	**192,618**
Amounts due to related parties (Note 10)	**26,722**	**128,852**
Accrued liabilities	**12,393**	**5,401**
	511,577	**326,871**

9. Promissory and loan payable

	September 30, 2022 $	December 31, 2021 $
Balance, beginning of the year	**80,000**	86,961
Repayments	**(80,000)**	(7,431)
Promissory note issued	**924,735**	-
Interest	**47,520**	470
Balance, end of period	**972,255**	80,000

During the year ended December 31, 2018, the Company received arm's length short term advances ("Loan") of $30,000 and a further of $50,000 during the year ended December 31, 2019. The Loan is non-interest bearing, due on demand and has no fixed date of repayment. During the nine months ended September 30, 2022, the balance of the loan of $80,000 was repaid (December 31, 2021 - $80,000).

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

9. Promissory and loan payable (continued)

As described in Note 4, the Company issued a $1,000,000 non-interest-bearing promissory note maturing on January 2, 2023 as part of the consideration for the purchase of the AI Business. The Company recorded the present value of the promissory note of $924,735 on the acquisition date and will record accretion of $75,265 from the issuance date to maturity.

10. Right-of-use assets and lease liabilities

The Company's primary leases consist of a research and development facility and an office space. The Company used an incremental borrowing rate of 15% to estimate the fair value of lease liabilities.

The following is a continuity schedule of right-of-use assets for the nine months ended September 30, 2022:

Right-of-use assets	Office Lease $
Balance, December 31, 2020	-
Additions	225,222
Amortization	(37,537)
Foreign exchange	(3,933)
Balance, December 31, 2021	**183,752**
Amortization	(52,272)
Foreign exchange	(11,863)
Balance, September 30, 2022	**119,617**

The following is a continuity schedule of lease liabilities for the nine months ended September 30, 2022:

Lease liabilities	Office Lease $
Balance, December 31, 2020	-
Additions	225,222
Interest	14,516
Payments	(45,702)
Foreign exchange	(4,066)
Balance, December 31, 2021	**189,970**
Interest	16,000
Payments	(63,642)
Foreign exchange	(12,388)
Balance, September 30, 2022	**129,940**
Less: current portion	52,565
Non-current portion	77,375

The undiscounted lease liabilities are as follows:

Year ended December,	**$**
2022	20,805
2023	83,221
2024	41,610
Total lease payments	**145,636**

10. Right-of-use assets and lease liabilities (continued)

On July 1, 2021, August 1, 2021, and August 7, 2022 the Company entered into leases for additional space with 12 month terms in consideration for lease payments of $4,668 (€3,488), $2,482 (CZK45,000) and $1,071 (€800) per month, respectively. The Company has elected not to recognize right-of-use assets and lease liabilities for leases with lease terms of 12 months or less and the Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

11. Share capital and reserves

Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consist only of common shares and are fully paid.

Issued share capital

As at September 30, 2022, the Company had 173,015,329 (December 31, 2021 – 168,257,571) shares outstanding.

Escrowed shares

As at September 30, 2022, Nil (December 31, 2021 – 13,500,000) common shares are held in escrow.

During the nine-month period ended September 30, 2022

On April 22, 2022, the Company issued 22,757,758 shares of common stock as part of the business combination described in Note 4.

On May 16, 2022, 18,000,000 common shares of the Company were returned to treasury and cancelled. The cost of reacquiring the shares was $100.

During the nine-month period ended September 30, 2021

On January 14, 2021, the Company closed a non-brokered private placement for the sale of 16,000,000 common shares of the Company at a price of $0.005 per common share for gross proceeds of $80,000. The Company recorded share issuance costs of $2,569.

On January 14, 2021, the Company issued 2,500,000 common shares at a value of $0.005 per share for total value of $12,500 pursuant to a finder's fee agreement with a non-arm's length party for services regarding the finding of the new CEO for the Company. This was recorded to consulting fees in the statement of comprehensive loss (Note 12).

On January 14, 2021, the Company issued 18,000,000 common shares of the Company to the incoming CEO pursuant to a consulting agreement entered with the incoming CEO. The 18,000,000 common shares were issued at a value of $0.005 per share for total value of $90,000, which was recorded to consulting fees in the statement of comprehensive loss (Note 12).

On January 14, 2021, the Company closed a separate non-brokered private placement for the sale of 76,000,000 common shares of the Company at a price of $0.02 per common share for gross proceeds of $1,520,000. The Company recorded share issuance costs of $3,811.

11. Share capital and reserves (continued)

On April 1, 2021, the Company closed a non-brokered private placement for the sale of 19,085,383 units of the Company at a price of $0.33 per unit for gross proceeds of $6,298,176. Each unit consisted of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of $0.75 per warrant share for a period of two years from the date of issuance, subject to an accelerated expiry if the closing price of the Company's shares is greater than $1.50 per share for a minimum of 10 consecutive trading days. The Company will give notice to the holders of the warrants of such accelerated expiry and the warrants will expire 30 days thereafter.

In connection with the private placement, the Company paid finders' fees and share issuance costs of $568,833 cash and issued 1,335,976 finder's warrants with a fair value of $229,960. The warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.33; exercise price - $0.33; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.23%.

On April 9, 2021, the Company closed a non-brokered private placement for the sale of 21,651,715 units of the Company at a price of $0.33 per unit for gross proceeds of $7,145,066. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of $0.75 per warrant share for a period of two years from the date of issuance, subject to an accelerated expiry if the closing price of the Company's shares is greater than $1.50 per share for a minimum of 10 consecutive trading days. The Company will give notice to the holders of such accelerated expiry and the warrants will expire 30 days thereafter. On May 7, 2021, the Company announced that it will be extending the expiry date of a total of 40,737,098 share purchase warrants and 257,112 finder's share purchase warrants, all of which are exercisable at $0.75 per share for a period of two years (collectively, the "Warrants"). The Warrants previously expired on March 31, 2023, and were subject to an accelerated expiry if the closing price of the Company's shares is greater than $1.50 per share for a minimum of 10 consecutive trading days. The Company modified the expiry date of the warrants to May 7, 2023, and the warrants will remain subject to an accelerated expiry if the closing price of the Company's shares is greater than $1.50 per share for a minimum of 10 consecutive trading days.

In connection with the private placement, the Company paid finders' fees and share issuance costs of $385,011 cash and issued 1,515,620 finder's warrants with a fair value of $260,978. The warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.33; exercise price - $0.33; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.27%. Upon the modification of the 257,112 finder's share purchase warrants the Company recorded additional share issuance costs of $1,227 related to the increase in fair value of the warrants.

On May 7, 2021, the Company closed a non-brokered private placement for the sale of 3,202,296 units of the Company at a price of $0.33 per unit for gross proceeds of $1,056,758. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of $0.75 per warrant share for a period of two years from the date of issuance, subject to an accelerated expiry if the closing price of the Company's shares is greater than $1.50 per share for a minimum of 10 consecutive trading days. The Company will give notice to the holders of such accelerated expiry and the warrants will expire 30 days thereafter.

In connection with the private placement, the Company paid finders' fees and share issuance costs of $74,169 cash and issued 224,160 finder's warrants with a fair value of $38,602. The warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.33; exercise price - $0.33; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.28%.

On July 14, 2021, the Company issued 200,000 common shares pursuant to option exercises for gross proceeds of $66,000. The Company transferred $48,947 from reserves to share capital.

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

11. Share capital and reserves (continued)

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, officers, employees and consultants to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

On May 10, 2022, the Company granted incentive stock options to the CEO of the Company to purchase an aggregate of 2,000,000 common shares at an exercise price of $0.12 per common share for up to five years. The options vest 25% every six months following the date of grant. The grant date fair value of the options was measured at $177,355. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.10; exercise price - $0.12; expected life – 5 years; volatility – 143%; dividend yield – $0; and risk-free rate – 2.77%.

On May 10, 2022, the Company granted incentive stock options to a company controlled by the former Chief Executive Officer ("CEO") of the Company to purchase an aggregate of 600,000 common shares at an exercise price of $0.12 per common share for up to five years. The options vest 25% every six months following the date of grant. The grant date fair value of the options was measured at $53,207. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.10; exercise price - $0.12; expected life – 5 years; volatility – 143%; dividend yield – $0; and risk-free rate – 2.77%.

On May 27, 2022, the Company granted incentive stock options to a consultant to purchase an aggregate of 600,000 common shares at an exercise price of $0.15 per common share for up to five years. The options vest over 24 months following the date of grant. The grant date fair value of the options was measured at $58,254. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.11; exercise price - $0.15; expected life – 5 years; volatility – 144%; dividend yield – $0; and risk-free rate – 2.61%.

On June 13, 2022, the Company granted incentive stock options to a consultant to purchase an aggregate of 600,000 common shares at an exercise price of $0.15 per common share for up to five years. The options vest over 24 months following the date of grant. The grant date fair value of the options was measured at $46,730. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $0.09; exercise price - $0.15; expected life – 5 years; volatility – 141%; dividend yield – $0; and risk-free rate – 3.48%.

During the nine months ended September 30, 2022, the Company recorded share-based compensation of $123,858 (2021 - $2,972,701) related to the vested stock options granted.

The following table summarizes the continuity of share purchase warrants:

	Number of Options
Outstanding, December 31, 2019 and December 31, 2020	-
Issued	17,012,500
Exercised	(200,000)
Outstanding, December 31, 2021	16,812,500
Expired	(2,000,000)
Issued	3,800,000
Outstanding, September 30, 2022	18,612,500

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11. Share capital and reserves (continued)

Details of options outstanding and exercisable as at September 30, 2022 and December 31, 2021 are as follows:

Exercise price	Number of Options outstanding	Number of Options outstanding	Expiry date
$0.25	3,000,000	3,000,000	January 14, 2026
$0.33	500,000	500,000	March 12, 2026
$0.33	11,112,500	11,112,500	April 17, 2026
$0.33	200,000	200,000	July 15, 2026
$0.12	2,600,000	-	May 10, 2027
$0.15	600,000	-	May 27, 2027
$0.15	600,000	-	June 13, 2027
Total	18,612,500	14,812,500	

The options outstanding at September 30, 2022 have a weighted average exercise price of $0.28 and a weighted average remaining contractual life of 3.73 years.

Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants
Outstanding, December 31, 2019 and December 31, 2020	-
Issued	47,015,150
Outstanding, December 31, 2021 and September 30, 2022	47,015,150

Details of warrants outstanding as at September 30, 2022 are as follows:

Exercise price	Number of Warrants outstanding	Expiry date
$0.33	1,078,864	April 1, 2023
$0.33	1,515,620	April 9, 2023
$0.75	43,939,394	May 7, 2023
$0.33	481,272	May 7, 2023
	47,015,150	

The warrants outstanding at September 30, 2022 have a weighted average exercise price of $0.72 and a weighted average remaining contractual life of 0.60 years.

Share-based payment reserve

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Restricted Stock Units

The Company's shareholders approved a restricted share unit plan to grant restricted share units ("RSU's") to directors, officers, key employees and consultants of the Company (the "2021 RSU Plan"), and a 20% rolling stock option plan (the "2021 Option Plan").

11. Share capital and reserves (continued)

Pursuant to the 2021 RSU Plan, the Company may reserve up to a maximum of 20% of the issued and outstanding common shares at the time of grant for awards granted under the 2021 RSU Plan. The 2021 Option Plan provides for a maximum of number of shares proposed to be granted under the 2021 Option Plan equal to 20% of the issued and outstanding shares at the time of grant.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company's reporting currency.

12. Related party transactions

Included in accounts payable and accrued liabilities and loans at September 30, 2022 is $26,722 (December 31, 2021 - $128,852) owing to companies controlled by directors, former directors and officers of the Company. These amounts are non-interest bearing with no stated terms of repayment.

On January 14, 2021, the Company issued 2,500,000 common shares at a value of $0.005 per share for total value of $12,500 pursuant to a finder's fee agreement with a non-arm's length party for services regarding the finding of the new CEO for the Company. This was recorded as consulting fees in the statement of comprehensive loss (Note 11).

On January 14, 2021, the Company issued 18,000,000 common shares of the Company to the incoming CEO pursuant to a consulting agreement entered with the incoming CEO. The 18,000,000 common shares were issued at a value of $0.005 per share for total value of $90,000, which was recorded to consulting fees in the statement of comprehensive loss (Note 11).

On January 14, 2021, the Company granted incentive stock options to the COO of the Company to purchase an aggregate of 2,000,000 common shares at an exercise price of $0.33 per common share for up to five years. The options vested upon grant and the Company recorded the fair value of $12,117 to share-based compensation in the statement of comprehensive loss (Note 9).

On January 14, 2021, the Company granted incentive stock options to Chairman of the Company to purchase an aggregate of 3,000,000 common shares at an exercise price of $0.25 per common share for up to five years. The options vested upon grant and the Company recorded the fair value of $20,684 to share-based compensation in the statement of comprehensive loss (Note 9).

On July 27, 2021, the Company entered into a consulting agreement with First Marketing GmbH who will provide investor relations and marketing services in consideration for $2,220,150 (€1,500,000). First Marketing GmbH is arm's length to the Company; however, its three principals previously purchased shares of the Company representing approximately 19.6% of the Company's issued and outstanding share capital.

On May 10, 2022, the Company granted incentive stock options to the Chief Executive Officer ("CEO") of the Company to purchase an aggregate of 2,000,000 common shares at an exercise price of $0.12 per common share for up to five years. The options vest 25% every six months following the date of grant. The grant date fair value of the options was measured at $177,355 (Note 11).

On May 10, 2022, the Company granted incentive stock options to a company controlled by the former Chief Executive Officer ("CEO") of the Company to purchase an aggregate of 600,000 common shares at an exercise price of $0.12 per common share for up to five years. The options vest 25% every six months following the date of grant. The grant date fair value of the options was measured at $53,207 (Note 11).

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12. Related party transactions (continued)

During the nine months ended September 30, 2022 and 2021, the Company entered into the following transactions with related parties and incurred payments to key management personnel, which were in the normal course of operations.

	September Months ended	
	September 30, 2022 $	September 30, 2021 $
Consulting and professional fees to a company controlled by a director and former director of the Company	**119,760**	131,378
Rent to companies controlled by the CEO, a director and a former director of the Company	**7,044**	10,134
Consulting and professional fees to the former CEO and a company controlled by the former CEO of the Company	**27,914**	244,133
Consulting fees to a company controlled by the COO of the Company	**237,228**	218,658
Consulting fees to a company controlled by the chairman of the advisory board of the Company	**74,100**	60,275
Salary incurred to the CEO of the Company	**85,556**	-
Share-based compensation to related parties	**93,669**	32,801
	645,271	697,379

13. Financial instrument fair value and risk factors

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments include cash, trade payables, and promissory notes. Cash is measured based on Level 1 inputs of the fair value hierarchy. The carrying value of all other financial instruments approximates their fair value due to their short-term nature.

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at September 30, 2022 and December 31, 2021:

	As at September 30, 2022		
	Level 1	**Level 2**	**Level 3**
Cash	$ 1,577,907	$ -	$ -

	As at December 31, 2021		
	Level 1	**Level 2**	**Level 3**
Cash	$ 5,869,082	$ -	$ -

13. Financial instrument fair value and risk factors (continued)

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has cash and short-term loan balances. As all of the Company's cash is held in a few banks, there is a concentration of credit risk with the banks. This risk is managed by using a major banks that are a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes.

Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollar, the Euro, and the Czech Koruna, while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company's cash is held in Canadian dollars and Euros. Some of the Company's operating expenses were denominated in Euros and the Czech Koruna. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relied on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. Foreign exchange risk is assessed as low as at September 30, 2022.

Interest Rate Risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and interest-bearing debt with fixed rates; therefore, interest rate risk is nominal.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk have been assessed as high.

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14. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from fiscal 2021.

15. Commitments

a) On September 20, 2022, the Company announced the execution of a letter of intent ("LOI") with Progressus Clean Technologies Inc. ("Progressus") executed on September 12, 2022, to complete a joint venture ("JV") pilot project that aims to provide a solution for natural gas utilities to directly power both residential and commercial businesses. Progressus is a venture-stage green technology company developing solutions for hydrogen generation and separation, which are complementary to AFCP's fuel cell technologies. The JV is intended to provide proof of concept for each company's technologies and assess the ability to combine various Progressus technologies with AFCP fuel cells to serve residential and small building customers across North America.

b) The Company entered into a marketing contract pursuant to which a consultant will provide marketing services for the period from October 1, 2022 to October 31, 2023 in exchange for $100,000 of the Company's common shares.

16. Segmented information

The Company operates within two geographic areas, Canada and Europe and has one operating segment, which is the development, production, sale, maintenance of renewable energy and fuel cells.

	Canada	**European Union**	**Total**
	$	**$**	**$**
Three months ended September 30, 2022			
Revenue	88,103	-	88,103
Net Loss	(743,183)	(843,169)	(1,586,352)
Three months ended September 30, 2021			
Revenue	-	-	-
Net Loss	(2,959,131)	(624,576)	(3,583,707)

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

16. Segmented information (continued)

	Canada $	European Union $	Total $
Nine months ended September 30, 2022			
Revenue	134,616	-	134,616
Net Loss	(2,205,400)	(2,286,585)	(4,491,985)
Nine months ended September 30, 2021			
Revenue	-	-	-
Net Loss	(7,053,491)	(977,404)	(8,030,895)

	Canada $	European Union $	Total $
As at September 30, 2022			
Total non-current assets	5,187,219	558,363	5,745,582
As at December 31, 2021			
Total non-current assets	2,060,000	341,636	2,401,636

16. Subsequent Events

At a special meeting on October 17, 2022, the Company received shareholder approval to amend the exercise price of 43,939,394 warrants with an exercise price of $0.75, and 3,075,756 warrants with an exercise price of $0.33 to an exercise price of $0.20. The Company also received shareholder approval to amend the exercise price of 3,000,000 stock options with an exercise price of $0.25, and 11,812,500 options with an exercise price of $0.33 to an exercise price of $0.15.