



Next Hydrogen Solutions Inc.
(previously BioHEP Technologies Ltd.)

Management's Discussion and Analysis

For the years ended
December 31, 2022 and 2021

Dated May 16, 2023

CEO Letter

In this letter, I hope to provide my perspective on our 2022 achievements, outlook for 2023 as well as the overall macro environment.

2022 achievements – Building a Strong Foundation

In 2021, we completed transformative equity financings and expanded our capabilities from world class product development to engineering, manufacturing and operational support by hiring exceptional talent.

- **Addition of tools to significantly accelerate product development:** With capital and people in place, we focused on ensuring we have the right tools in place to succeed in 2022. This resulted in our pilot scale facility getting commissioned in Q2/22 followed by our bench scale assets in Q3, followed by our factory acceptance testing in Q4/22. This was an exceptionally important goal for us as these test assets are critical both for validating existing systems and for new product launches.

Prior to 2022, it would take us over six months to implement any changes and cost over \$1M dollar to validate any change as we could only make these changes on a large electrolyzer which had to be then tested at a third-party site. With our test assets, we are now able to implement a change within a week and for a few thousand dollars using smaller electrolyzers tested in-house.

However, we were not immune to supply chain and inflation related challenges which delayed the commissioning of our test assets. That said, I am very proud of our team's perseverance and capability to get these assets commissioned which are now producing hydrogen and providing excellent data around the clock. Further, we are very proud of how our facility looks and is serving as an excellent business development/marketing tool for us.

- **Delivery of Hyundai Motor Company and Kia Proof of Concept system:** We leveraged the test asset to validate the Proof of Concept electrolyzer which was witnessed by the Hyundai team prior to shipping it South Korea in Q3/2022. This electrolyzer, which used our design, demonstrated that we are able integrate cell components by third parties in our design. Further, we were able to demonstrate that our unique design enables current density of 1 amp/cm² today (2030 target as per the European roadmap) and can operate at higher temperatures versus the standard range which makes the system more energy efficient. The system is expected to be further tested in the coming months by Hyundai and Kia and we are optimistic that this will lead to follow on work with them.
- **Funding for new product launches:** We are privileged to have received a \$5.1 M commitment from Sustainable Development Technology Canada towards our next generation electrolyzers. This is a \$12 M program which covers the launch of second generation product line as well as our scaled up product line. Equally importantly, we were able to bring together a blue-chip consortium of end-users, execution partners and critical suppliers into this program. This will help ensure that we work with them as part of the product development process to ensure strong product market fit. Further, the exposure and interactions gained through this development program will better position us to secure revenue generating market demonstrations with these and other industry participants. Finally, we have received commitments of ~\$1.5M from the consortium partners and are in discussions on another potential government grant toward corresponding commercial and manufacturing readiness activities.

- **Partnership with Black & Veatch for multi-module solution:** The objective of the SDTC program is to ensure we have a best-in-class solution for large scale green hydrogen production. We believe these solutions will be delivered using an EPC (Engineering Procurement and Construction) company. As such, it is critical to engage with them up front to ensure strong product market fit. We are privileged to be working with a world class EPC and are pleased to report that the conceptual design of our 20 MW and 100 MW multi-module systems are now complete. As part of the SDTC project, we aim to scale our individual stacks to ~7-10 MW and then use this multi-module design to deliver large scale solutions to decarbonize large industries well suited for green hydrogen such as ammonia and steel.

2023 goals – Ensuring strong product market fit and compelling KPIs

We have built a very strong foundation in 2022 and will use that to secure high quality market demonstrations in 2023 and beyond. The focus for 2023 will be on demonstrating a very strong product-market fit and compelling KPIs for our hydrogen systems, which is expected to drive significant market traction going forward. We aim to do this through a technology demonstration as well as a market demonstration of our second generation product line in 2023.

- **Goal 1: Demonstrate significant improvement to our existing product line:** As part of the SDTC project, and as discussed above, we aim to demonstrate the improvements to our existing product line in 2023 through our second-generation product line followed by the scaled-up third generation by 2024. In 2023, we will demonstrate significant reduction in the cost of our electrolyzers through design simplification and parts rationalization. Further, we look to demonstrate significant improvement in the energy efficiency of our systems due to improvements in cell components and configuration. I am pleased to report that the pilot scale facility using this new second generation design has been successfully commissioned at our own facility and is delivering promising results.

In addition, in 2023 we will begin development of our third generation product line which will target 3-4 times physical scale-up of our current product line capacity. These large-scale modules will achieve a 7-9 MW size matching the capacities needed for emerging heavy-duty fueling and large industrial applications.

- **Goal 2: Demonstrate multi-MW production from our second generation product line in a market application:** We are in the process of upgrading our first generation field unit to our second generation product line. This will streamline and accelerate our validation efforts on our go-forward product line to accelerate our commercialization efforts. Further, it will serve as an additional reference site for our latest innovations. We aim to demonstrate this second generation product line in a market application this year which was previously targeted for 2024. This will serve as a significant milestone for us and position us very competitively in our commercial discussions.

We will be continuing to invest in the capabilities, people and processes needed to achieve the successful launch of the second-generation product line. These activities include further development of engineering processes, test validation of the second-generation design, and working with key suppliers, partners, and strategic customers. These capabilities will position Next Hydrogen for future volume manufacturing needed for our second and third generation products.

- **Goal 3: Demonstrate market traction:** We are focusing on high quality revenues with strong customers/channel partners with potential for repeat business and exposure to attractive markets. We are looking forward to following our disciplined product development process to secure revenue generating market demonstrations for 2024. Given the quality of our consortium partners secured as part of the SDTC funded project and the strong traction for our value proposition in the marketplace, we look forward to announcing the demonstrations by the second half of 2023.

Macro environment

The valuations of growth companies especially clean-technology companies have seen a significant correction in 2022 after an up-cycle since the middle of 2021 (when we went public). We believe inflationary pressure, supply chain, rising interest rates and focus on energy security over energy transition represented some of the head winds for the clean-tech sector. Given our discussions with policy makers as well as industry participants, it is clear that focus on decarbonization is a long-term and sticky theme which is only going to grow in importance in time. Further, we continue to see robust demand for electrolyzers based on backlogs announced by the few notable players in this space and introduction of a very meaningful production tax credit (PTC) in US and investment tax credit (ITC) in Canada.

Along with continued decline in renewable electricity prices (which represent up to ~80% of levelized cost of hydrogen production), we are entering the golden era for green hydrogen. As such, we are determined to prove out our product-market fit and compelling KPIs in a cost-effective manner in 2023 that will competitively position us for being a leading provider of green hydrogen solutions.

I am very grateful for your support and very proud and deeply appreciative of our employee's commitment and dedication to our mission. We are looking forward to playing our part in decarbonizing our planet and pursuing this worthy goal with great determination and deep fiduciary commitment to our shareholders.

Yours Sincerely,



Raveel Afzaal
President & CEO

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

General Information

The following is Next Hydrogen Corporation's management discussion and analysis dated May 16, 2023 ("MD&A"), which provides a comparative overview of the Company's performance for the year ended December 31, 2022 with the corresponding year ended December 31, 2021, and it reviews the Company's financial position as at December 31, 2022. Throughout this MD&A, the term "Company" or "Next Hydrogen" shall mean Next Hydrogen Solutions Inc. and all of its wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes as at and for the years ended December 31, 2022 and 2021 ("consolidated financial statements").

During the year ended December 31, 2022, the Company identified errors in the measurement of inventories and provisions, and the presentation of the statements of net loss and comprehensive loss as at and for the year-ended December 31, 2021. In 2021, the Company did not appropriately identify modifications to existing sales contracts which created additional obligations on the Company to service these contracts. The modifications to the existing sales contracts resulted in an increase in the unavoidable costs of fulfilling the contracts and a re-allocation of the contract price to the new performance obligations which resulted in an impairment of inventory to its net realizable value. Refer to the consolidated financial statements for restatement details.

The consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS") reporting, as issued by the International Accounting Standards Board ("IASB"). The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated. The Company's consolidated financial statements for the year ended December 31, 2022 were approved by its Board of Directors on May 16, 2023. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of May 16, 2023. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Operational Highlights

Management is proud to highlight a number of recent milestones that demonstrate significant progress over the past year:

- The Company has been awarded \$5.1 million from Sustainable Development Technology Canada (SDTC) towards the development and demonstration of the Company's next generation electrolysis technology. The SDTC project with a budget of over \$12 million will run to early 2025, resulting in the launch of a second generation product line with cost and performance improvements in 2024, and a third generation larger-scale product line with further cost and performance improvements in 2025. With the launch of these products, Next Hydrogen will be well positioned to support the needs of its customers for both near-term market demonstrations and commercial large-scale green hydrogen systems.
- Next Hydrogen successfully completed and delivered the build of a proof-of-concept electrolyzer using its unique design for Hyundai Motor Company. The pilot test demonstrated the ability to operate at significantly higher current densities and temperature compared to traditional alkaline electrolyzers, which provides a pathway to cost-effective green hydrogen production. The unit was tested using the newly commissioned test infrastructure and delivered to, and accepted by Hyundai Motor Company in the fourth quarter of 2022. The Company is looking forward to next steps and potential commercial arrangements in the future.
- The Company commissioned its factory acceptance test equipment in October 2022, which allows Next Hydrogen to test commercial size systems prior to field demonstrations. This builds on the capability provided by bench scale and pilot scale test stands commissioned during Q2 and Q3 2022. As a result of these test stands, the Company commenced producing hydrogen from its systems in mid-2022 and has now progressed to 24/7 operation of its assets in its facility. The addition of these test stands significantly accelerates the Company's ability to deliver reliable and innovative electrolyzers to its customers.
- In December 2022, we also successfully tested 0.6MW of individual modules of our first generation product line in our Factory Acceptance Test. We also completed a successful 24 hour run of three of these modules connected together before year end.
- Subsequent to year end, the commissioning phase of this first generation product line highlighted issues with respect to design as well as reliability; many of which were already known and already addressed in the second generation product line. This was determined to be an adjusting event as it provided evidence of conditions that existed at December 31, 2022. Further, due to supply chain challenges, the testing of our first generation product line has come on the heels of the launch of our second generation product line for demonstrations. As such, we are now in the process of investing in our second generation which will help to streamline and accelerate the validation of our go-forward product line. As a result, we have recorded a \$0.4M inventory impairment at December 31, 2022.
- Leveraging our test infrastructure, we achieved significant product development milestones which showcased the compelling features resulting from our unique design and which were proved out using our bench scale test infrastructure. We achieved (1) cell performance that is enabling for full system energy efficiency of 55 kWh/kg (65 kWh/kg, previously) at a current density of 1 amp/cm² (which is the 2030 target set by the European roadmap) in our bench scale test units, with a turn down ratio of well below 10%. We commissioned a pilot scale version of our second generation electrolyzer (which uses full size parts) in the fourth quarter. We are well positioned to assess the product performance in 2023.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

- Next Hydrogen was ranked first amongst publicly-traded companies as the fastest-growing sustainable company in Canada by Corporate Knights, a Canadian media and research company committed to advancing a sustainable economy.
- The Company signed a memorandum of understanding with Black & Veatch, a global engineering, procurement, consulting and construction company, to develop a complete, large-scale, and integrated multi-megawatt green hydrogen solution and identify areas of deeper collaboration and specific global opportunities. Next Hydrogen's unique hydrogen technology expertise and Black & Veatch's vast customer network and engineering leadership will offer an integrated hydrogen solution to clients worldwide.
- Next Hydrogen joined a coalition of 40 partners that will work together, through the New York State Energy Research and Development Authority, to become one of at least four regional clean hydrogen hubs designated through the US federal Clean Hydrogen Hubs program included in the federal 2021 bipartisan Infrastructure Investment and Jobs Act to advance a vision that enables a long-term sustainable clean hydrogen industry in the US Northeast. The coalition will be competitively positioned to advance a vision that enables a long-term sustainable clean hydrogen industry in the Northeast region and to develop a proposal in response to the United States Department of Energy Funding Opportunity Announcement with \$8 billion in funding available.
- The Company successfully upgraded to the highest market tier of OTC Markets, OTCQX under the symbol "NXHSF".

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Business Overview

Founded in 2007, Next Hydrogen's innovative water electrolysis technology, with patented cell architecture, is designed to efficiently convert intermittent renewable electric power sources into clean hydrogen on an infrastructure scale. The Company was co-founded by Dr. Jim Hinatsu (COO) and Dr. Michael Stemp (CTO) who are experts in water electrolysis. They previously led Research & Development and Intellectual Property development for Stuart Energy (acquired by Hydrogenics in 2004) and Hydrogenics (acquired by Cummins in 2019).

While some of the world's brightest minds with strong capital resources have been focused on improving cell materials and components, improvements to the cell design architecture have garnered very little attention and as a consequence the design has not changed in decades. Next Hydrogen's team, with a combined experience of over 100 years in water electrolysis, has dedicated more than a decade to revolutionizing the design architecture of the electrolyzer to optimize it for renewable energy integration. To date, it has been awarded 40 patents (more pending) across multiple jurisdictions. The break-through innovation in cell design architecture enables unprecedented operational flexibility to capture the entire output of intermittent renewable energy using significantly smaller or fewer units than a traditional electrolyzer solution. Next Hydrogen believes its unique design enables high current density operations, a superior dynamic response and inherent scalability, representing a strong technological advantage to reduce the cost of green hydrogen generation and decarbonize industrial processes, the transportation industry, and energy markets at scale.

The advanced electrolyzer module design uses a new and fundamentally different approach to fluid flows in water electrolyzers. Fluid flows are maintained separately in each half-cell chamber or "slice" of the electrolyzer module, whereas conventional designs collect all the fluid flows in internal manifolds of the electrolyzer module, which are separated from the gas in external gas-liquid separators. Next Hydrogen's design can therefore handle much higher fluid flow rates, and much higher gas generation rates, which in turn enables our products to make more hydrogen economically, whenever low-cost electricity is available. The key enabling design features are incorporation of gas-liquid separators inside the electrolyzer module, and fluid flow passages that connect each gas production half-cell chamber directly to the gas-liquid separators.

Next Hydrogen's product is a large-scale hydrogen generator, which makes hydrogen at the user's site from common plant utilities - water and electricity. The hydrogen generator system uses water electrolysis to generate high-purity hydrogen on demand. The key component in the system is an innovative, patented electrolyzer module, which is combined with balance of plant equipment including power, controls, gas purification, closed-loop cooling and water treatment. The process typically works by first converting AC electricity to DC electricity, which powers the electrolyzer module. Inside the electrolyzer module, water is converted by the DC electricity to hydrogen and oxygen gases. Hydrogen typically is the product gas, and it is cleaned and sent to the user's process and/or hydrogen storage. The system is automatically controlled and operates with minimal oversight. It is packaged in sea containers for ease of shipping and installation and outdoor installation frees up valuable indoor floor space.

Next Hydrogen is at the early commercialization stage and has demonstrated that the development of the final product with expected functionality is possible. The Company initially demonstrated its prototype with Atomic Energy Canada Limited ("AECL"). At the time, AECL publicly stated "the team successfully demonstrated the continuous operation of the cell with the required quality of hydrogen stream from the electrolyzer in a liquid phase catalytic exchange system." Following this, the Company sold a NH-60 test and evaluation electrolyzer system to Canadian Tire in 2014. In 2016 and 2019, Next Hydrogen entered into two additional sales agreements with Canadian Tire for an NH-300 electrolyzer system and an electrolyzer module. These systems will produce hydrogen to power fuel cell forklifts at Canadian Tire's distribution centres. These electrolyzers have yet to be commissioned.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Next Hydrogen intends to dedicate a significant portion of its capital raise to product development and commercialization. As such, its current product line is undergoing new performance upgrades from first to second generation to factor in latest innovations, which is to be followed by commissioning of the units and further improvements as needed. These iterations and refinements are a normal course of a product development journey and will be necessary to comprehensively prove out the five-times scale-up from NH-60, unique design features, lifetime performance, and to ensure a competitive and robust product offering for mass volume production. Looking further ahead and as part of the product development roadmap, management intends to pursue further scale-up of this design from the current size range for large scale green hydrogen production.

Results of Operations

Financial Highlights

	3 months ended Dec 31 2022	3 months ended Dec 31 2021	12 months ended Dec 31 2022	12 months ended Dec 31 2021	12 months ended Dec 31 2020
		<i>Restated⁽¹⁾</i>		<i>Restated⁽¹⁾</i>	
Revenue	\$ 561,510	41,069	721,588	177,589	\$ 1,775
Expenses					
Cost of sales	964,004	2,195,292	1,433,651	5,992,775	1,249,195
Research and development	1,996,745	2,264,446	7,705,005	6,403,962	1,914,983
General and administrative	1,030,240	1,520,471	5,204,051	4,719,898	1,629,131
Marketing and sales	(123,483)	208,528	969,606	1,419,591	139,833
Loss from operations	(3,305,996)	(6,147,668)	(14,590,725)	(18,358,637)	(4,931,367)
Finance costs, net	(147,741)	26,994	(312,357)	265,949	762,608
Depreciation and amortization	-	124,386	-	-	40,513
Change in fair value of deferred share units	-	-	-	-	1,116,128
Transaction costs <i>(see below)</i>	-	40	-	7,988,065	-
Net loss and comprehensive loss	\$ (3,158,255)	(6,299,088)	(14,278,368)	(26,612,651)	\$ (6,850,616)
Loss per share - basic	\$ (0.14)	(0.32)	(0.62)	(1.36)	\$ (0.77)
Loss per share - diluted	\$ (0.14)	(0.32)	(0.62)	(1.36)	\$ (0.77)

(1) See consolidated financial statements for details of 2021 restatements.

Transaction costs incurred during the previous year reflect costs incurred by the Company as part of the process of listing its shares on the TSX Venture Exchange.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Revenue

As Next Hydrogen is in the early stage of commercialization, historical revenues pertain to service and consulting revenue, which is ancillary to its core operations. The Company recorded \$721,588 (2021 - \$177,589) in revenue during the year ended December 31, 2022, 25% (2021 - 100%) of which was service revenue acquired as part of the Company's acquisition of CleanFuel Systems Inc. ("CFS") in Q2 2021. The remainder of the revenue was from our sale of the proof-of-concept electrolyzer to Hyundai Motor Company.

As of December 31, 2022, the Company had \$2,771,641 in deferred revenue, of which \$45,000 is expected to be earned over the next twelve months.

Expenses

	3 months ended Dec 31 2022	3 months ended Dec 31 2021	12 months ended Dec 31 2022	12 months ended Dec 31 2021
		<i>Restated⁽¹⁾</i>		<i>Restated⁽¹⁾</i>
Cost of sales	964,004	2,195,292	1,433,651	5,992,775
Research and development	1,996,745	2,264,446	7,705,005	6,403,962
General and administrative	1,030,240	1,520,471	5,204,051	4,719,898
Marketing and sales	(123,483)	208,528	969,606	1,419,591
	\$ 3,867,506	6,188,737	\$ 15,312,313	18,536,226

(1) See consolidated financial statements for details of 2021 restatements.

Cost of sales decreased by \$4,559,124 or 76.1% for the year ended December 31, 2022, compared to the same period in 2021, due to the change in presentation which resulted in provision changes to be included in cost of sales, and due to inventory impairment amounts recognized due to prior period errors identified.

Research and development expenses increased by \$1,301,043 or 20.3% for the year ended December 31, 2022, compared to the same period in 2021, as the Company increased headcount and accelerated development work on various projects. The Company was focused on implementing product upgrades to its current product line, commencing work on next generation units, and activities related to building out its test infrastructure, some of which were capitalized.

General and administrative expenses increased by \$484,153 or 10.3% for the year ended December 31, 2022, compared to the same period in 2021. The year-over-year increase in costs are associated with an increase in the size of its management team and introduction of systems and processes in anticipation of commercialization, including the implementation of a new ERP system that will allow for significantly improved controls, automation and scale. The Company's costs also increased to support improved corporate governance, controls and reporting required of a publicly traded company. Costs have since normalized in the second half of 2022.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Summary of Quarterly Results

The following table sets out quarterly financial information for the Company's eight most recently completed quarters:

(in thousands)	Q4'22	Q3'22	Q2'22	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
		<i>Restated⁽¹⁾</i>	<i>Restated⁽¹⁾</i>	<i>Restated⁽¹⁾</i>	<i>Restated⁽¹⁾</i>	<i>Restated⁽¹⁾</i>	<i>Restated⁽¹⁾</i>	
Revenue	\$ 562	74	45	41	41	77	59	\$ -
Loss from operations	(3,306)	(4,106)	(3,551)	(3,627)	(4,538)	(4,364)	(7,632)	(1,908)
Net loss and comprehensive loss	(3,158)	(3,961)	(3,514)	(3,645)	(4,565)	(4,415)	(15,503)	(2,213)
Loss per share - Basic & diluted	\$ (0.14)	(0.17)	(0.15)	(0.16)	(0.23)	(0.19)	(0.91)	\$ (0.14)

(1) See below for the restatements.

Given the nascent nature of the industry and the value of individual unit sales, the sale of Next Hydrogen's electrolyzers could result in significant fluctuations in revenues over the first few years of operations, until the Company builds a robust sales pipeline.

Restatements

During the year ended December 31, 2022, the Company identified material misstatements in the measurement of inventories and provisions, and the presentation of the statements of net loss and comprehensive loss as at and for the year-ended December 31, 2021. In 2021, the Company did not appropriately identify modifications to existing sales contracts which created additional obligations on the Company to service these contracts. The modifications to the existing sales contracts resulted in an increase in the unavoidable costs of fulfilling the contracts and a re-allocation of the contract price to the new performance obligations which resulted in an impairment of inventory to its net realizable value. The remeasurement resulted in a \$1,233,861 increase in provisions, and \$371,145 decrease in inventory, which results in an increase in cost of sales of \$1,605,006. These changes also resulted in a change in presentation of deferred revenue between current and long-term, while the total deferred revenue amount remained unchanged. The change in the presentation of the statements of net loss and comprehensive loss resulted in the provisions and inventory impairment amounts being included within cost of sales. In 2021, there was inconsistent presentation of expenses based on the classification of their nature and function, Provisions was separately presented and should have been presented within Cost of sales.

The Company has restated the comparative information to correct the impact of these material misstatements, and the correcting adjustments as at March 31, 2022, June 30, 2022, and September 30, 2022 are summarized below. An opening balance sheet for January 1, 2021 was not presented as there was no impact.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

	Mar 31, 2022	Adjustments	Mar 31, 2022
	<i>As previously reported</i>		<i>Restated</i>
Assets			
Current			
Inventory	\$ 2,545,136	(371,145)	\$ 2,173,991
Total assets	\$ 44,432,691	(371,145)	\$ 44,061,546
Liabilities			
Current			
Deferred revenue	2,715,708	(920,655)	1,795,053
Provisions ⁽¹⁾	1,096,160	(986,022)	110,138
Long-term			
Deferred revenue	324,948	920,655	1,245,603
Provisions ⁽¹⁾	1,548,710	2,191,152	3,739,862
Total liabilities	\$ 9,457,983	1,205,130	\$ 10,663,113
Total shareholders' equity	\$34,974,708	(1,576,275)	\$33,398,433
Total liabilities & shareholders' equity	\$ 44,432,691	(371,145)	\$ 44,061,546

(1) For March 31, 2022, the remeasurement resulted in a \$1,205,130 increase in provisions, which includes the opening balance adjustment at December 31, 2021 of \$1,233,861 noted above and immaterial adjustment of (\$28,731) for movements in the respective period.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

	Jun 30, 2022	Adjustments	Jun 30, 2022
	<i>As previously reported</i>		<i>Restated</i>
Assets			
Current			
Inventory	\$ 3,170,775	(371,145)	\$ 2,799,630
Total assets	\$ 41,987,895	(371,145)	\$ 41,616,750
Liabilities			
Current			
Deferred revenue	2,801,260	(920,655)	1,880,605
Provisions ⁽¹⁾	1,061,617	(912,908)	148,709
Long-term			
Deferred revenue	367,546	920,655	1,288,201
Provisions ⁽¹⁾	1,549,733	2,223,649	3,773,382
Total liabilities	\$ 5,856,170	1,310,741	\$ 7,166,911
Total shareholders' equity	\$ 36,131,725	(1,681,886)	\$34,449,839
Total liabilities & shareholders' equity	\$ 41,987,895	(371,145)	\$ 41,616,750

(1) For June 30, 2022, the remeasurement resulted in a \$1,310,741 increase in provisions, which includes the opening balance adjustment at December 31, 2021 of \$1,233,861 noted above and immaterial adjustment of \$76,880 for movements in the respective period.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

	Sep 30, 2022	Adjustments	Sep 30, 2022
	<i>As previously reported</i>		<i>Restated</i>
Assets			
Current			
Inventory	\$ 3,745,676	(371,145)	\$ 3,374,531
Total assets	\$ 38,488,152	(371,145)	\$ 38,117,007
Liabilities			
Current			
Deferred revenue	2,774,888	(920,655)	1,854,233
Provisions ⁽¹⁾	907,910	(764,292)	143,618
Long-term			
Deferred revenue	381,203	920,655	1,301,858
Provisions ⁽¹⁾	1,672,318	2,132,187	3,804,505
Total liabilities	\$ 9,632,926	1,367,895	\$ 11,000,821
Total shareholders' equity	\$28,855,226	(1,739,040)	\$ 27,116,186
Total liabilities & shareholders' equity	\$ 38,488,152	(371,145)	\$ 38,117,007

(1) For September 30, 2022, the remeasurement resulted in a \$1,367,895 increase in provisions, which includes the opening balance adjustment at December 31, 2021 of \$1,233,861 noted above and immaterial adjustment of \$134,034 for movements in the respective period.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

The following are the restatements to the affected quarters:

(in thousands)	Q3'22	Q2'22	Q1'22	Q4'21	Q3'21	Q2'21
Loss from operations						
- As previous stated	(4,049)	(3,445)	(3,655)	(4,538)	(3,773)	(6,536)
<i>Adjustments</i>	<u>(57)</u>	<u>(106)</u>	<u>28</u>	<u>-</u>	<u>(591)</u>	<u>(1,096)</u>
Loss from operations						
- Restated	(4,106)	(3,551)	(3,627)	(4,538)	(4,364)	(7,632)
Net loss and comprehensive loss -						
As previous stated	(3,904)	(3,408)	(3,673)	(4,565)	(3,824)	14,407
<i>Adjustments</i>	<u>(57)</u>	<u>(106)</u>	<u>28</u>	<u>-</u>	<u>(591)</u>	<u>(1,096)</u>
Net loss and comprehensive loss -						
Restated	(3,961)	(3,514)	(3,645)	(4,565)	(4,415)	15,503
Loss per share -						
Basic & diluted - As previous stated	(0.17)	(0.15)	(0.16)	(0.20)	(0.17)	(0.85)
<i>Adjustments</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.03)</u>	<u>(0.02)</u>	<u>(0.06)</u>
Loss per share -						
Basic & diluted - Restated	(0.17)	(0.15)	(0.16)	(0.23)	(0.19)	(0.91)

Liquidity and Capital Resources

	2022	2021	2020
		<i>Restated⁽³⁾</i>	
Cash	\$ 22,084,721	39,197,357	\$ 1,092,067
Working capital ⁽¹⁾	24,770,605	40,863,376	2,536,473
Total assets	33,727,778	47,685,849	3,822,520
Debt ⁽²⁾	271,607	424,271	5,259,891
Shareholders' equity (deficit)	\$ 23,905,742	36,187,681	\$ (6,710,671)

(1) Working capital is defined as current assets minus current liabilities, excluding deferred revenue and provisions

(2) Debt includes both current and long-term portions of bank indebtedness and long-term debt. Finance lease liability has been excluded as it pertains to the Company's head office and assembly facility lease.

(3) See consolidated financial statements for details of 2021 restatements.

Cash, working capital, total assets, and shareholders' equity decreased during the year ended December 31, 2022 in order to fund operating activities, equipment development and purchases, and to pay down debt.

Positive cashflows are not expected over the next few years as the Company continues to focus on product development and commercializing new product lines while building out the necessary infrastructure to commercialize its business. Management forecasts that there is sufficient working capital to fund its operations over the next twelve months.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

The following table sets out the Company's contractual obligations with respect to debt:

(in thousands)	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Bank indebtedness	\$ 60	60	-	-	-	-	\$ -
Finance lease liability	1,820	72	91	114	172	208	1,163
Long-term debt	\$ 163	78	63	22	-	-	\$ -

As of May 16, 2023, the Company had 22,888,436 common shares 3,146,626 stock options and 135,288 deferred share units outstanding.

Selected Annual Information

	2022	2021	2020
		<i>Restated⁽¹⁾</i>	
Revenue	\$ 721,588	177,589	\$ 1,775
Net loss and comprehensive loss	(14,278,368)	(26,612,651)	(6,850,616)
Loss per share - basic	(0.62)	(1.36)	(0.77)
Loss per share - diluted	(0.62)	(1.36)	(0.77)
Total assets	33,727,778	47,685,849	3,822,520
Total long-term financial liabilities	8,366,076	7,059,151	1,593,490

(1) See consolidated financial statements for details of 2021 restatements.

Forward-Looking Statements

Certain sections of this MD&A may contain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards, and to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions and as adjustments become necessary, they are reported in profit and loss in the period in which they become known. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported.

A detailed description of the Company's critical accounting estimates can be found in the consolidated financial statements.

Changes in Accounting Standards

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"))

In May 2020, the IASB issued amendments to IAS 37 regarding costs that should be included as the cost of fulfilling a contract when assessing whether a contract is onerous. Effective January 1, 2022, the Company adopted these amendments, with no impact on the consolidated financial statements.

Future Accounting Pronouncements

IFRS 17 Insurance Contracts

On May 18, 2017 the IASB issued IFRS 17 Insurance Contracts. On June 25, 2020, the IASB issued amendments to IFRS 17 aimed at helping companies implement the Standard and to defer the effective date. IFRS 17 will replace IFRS 4 Insurance Contracts.

On December 9, 2021, the IASB issued a narrow-scope amendment to the transition requirements in IFRS 17, providing insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17 by presenting comparative information about financial assets, using a classification overlay approach on a basis that is more consistent with how IFRS 9 will be applied in future reporting periods. The new standard and its amendments are effective for annual periods beginning on or after January 1, 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

Classification of Liabilities as Current or Non-current [Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")]

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively.

Definition of Accounting Estimates [Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")]

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of "accounting estimates" and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

Disclosure of Accounting Policies (Amendments to IAS 1)

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

Risks and Uncertainties

Any investment in the securities of the Company is speculative due to the nature of its business and stage of development. There are a number of risk factors that could materially affect the Company's future operating results and could cause actual events to differ materially from those described in the forward-looking statements related to the Company. In addition to the usual risks associated with an investment in a business, investors should carefully consider the following risk factors and the risk factors set out in the Company's Filing Statement. If any of the noted risks actually occur, the business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations.

Capital Requirements

Next Hydrogen plans to focus on research and development while building out the necessary infrastructure to commercialize its business and will use its working capital to carry out such initiatives. Although we believe that we have sufficient liquidity to continue as a going concern for well beyond the next 12 months, the development of new hydrogen technologies may require substantial additional financing. Further expansion of Next Hydrogen's business may be dependent upon its ability to obtain financing through equity or debt, and there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further development of the Company's planned initiatives.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Operations

Next Hydrogen is subject to risks relating to the industry in which it operates, which include risks relating to the continuing development of the industry and risks relating to regulation. With respect to the continuing development of the renewable energy industry, Next Hydrogen is subject to the risk that their technology is relatively new and as a result, assumptions and estimates regarding the performance of their technology will be made without the benefit of a meaningful operating history and any operating history that does exist may not be maintained in the future. The projects undertaken by Next Hydrogen are generally capital intensive, require significant time to develop, are technically complex and are physically large. As a result, Next Hydrogen is subject to risks relating to completion of the projects, cost overruns, the availability of financing for such projects, and the ability to complete projects in geographically challenging locations. With respect to regulation, the industries in which Next Hydrogen operates are heavily regulated. As a result, Next Hydrogen is subject to risks relating to compliance with comprehensive regulations in multiple jurisdictions, and the risk that laws and regulatory requirements can change in a manner adverse to Next Hydrogen.

Development of the Clean Power Industry

Next Hydrogen operates in a new and rapidly evolving industry and accordingly is subject to risks relating to the development of that industry generally, and the technology underlying that industry. Accordingly, the business and future prospects of Next Hydrogen may be difficult to evaluate. Next Hydrogen cannot accurately predict the extent to which demand for products and services developed by Next Hydrogen will develop and/or increase, if at all. The success of Next Hydrogen also will depend on traditional business factors such as the ability to develop or market new products and the ability to properly execute corporate strategies. In addition, the regulation of issuers using such technologies or operating in such markets may undergo substantial change and the ultimate regulatory treatment of such technologies and markets is uncertain, which could affect the viability and expansion of such technologies and markets. In addition, because such technologies and markets may operate across many national boundaries, it is possible that they will be subject to widespread and inconsistent regulation. Any adverse developments that affect any of such technologies or markets could impact Next Hydrogen, thereby negatively impacting the value of Next Hydrogen's investments and/or the ability of Next Hydrogen to pay dividends or distributions.

Commercialization

Next Hydrogen cannot guarantee that Next Hydrogen will be able to develop commercially viable electrolyzer products on the timetable Next Hydrogen anticipates, or at all. Selling its electrolyzer products on a commercially viable basis requires technological advances to improve the durability, reliability and performance of these products, and to develop commercial volume manufacturing processes for these products. It also depends upon Next Hydrogen's ability to reduce the costs of these products, since they are currently more expensive than products based on existing technologies and/or powered by fossil fuels, such as steam methane reformation. Next Hydrogen may not be able to sufficiently reduce the cost of these products without reducing their performance, reliability and durability, which would adversely affect the willingness of consumers to buy its products. Next Hydrogen cannot guarantee that Next Hydrogen will be able to internally develop the technology necessary to sell its electrolyzer products on a commercially viable basis or that Next Hydrogen will be able to acquire or license the required technology from third parties.

In addition, before Next Hydrogen releases any products to market, Next Hydrogen subjects it to numerous field tests. These field tests may encounter problems and delays for a number of reasons, many of which are beyond Next Hydrogen's control. If these field tests reveal technical defects or reveal that its products do not meet performance goals, Next Hydrogen's anticipated timeline for selling its products on a commercially viable basis could be delayed, and potential purchasers may decline to purchase its products.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Market Demand

Next Hydrogen's products represent emerging markets, and Next Hydrogen does not know whether end-users will want to use them in commercial volumes. In such emerging markets, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. The development of a mass market for Next Hydrogen's electrolyzers may be affected by many factors, some of which are beyond Next Hydrogen's control, including the emergence of newer, more competitive technologies and products, the cost of fuels used by Next Hydrogen's products, regulatory requirements, consumer perceptions of the safety of its products and related fuels, and end-user reluctance to buy a new product.

If a mass market fails to develop, or develops more slowly than Next Hydrogen anticipates, Next Hydrogen may never achieve profitability. In addition, Next Hydrogen cannot guarantee that Next Hydrogen will continue to develop, manufacture or market its products if sales levels do not support the continuation of the product.

Warranty Claims and Product Performance

There is a risk that Next Hydrogen's warranty accrual estimates are not sufficient and Next Hydrogen may recognize additional expenses, including those related to litigation, as a result of warranty claims in excess of its current expectations. Such warranty claims may necessitate changes to its products or manufacturing processes up to and including a product recall, all of which could hurt the reputation of Next Hydrogen and its products, and may have an adverse impact on its financial performance and/or on future sales. While Next Hydrogen attempts to mitigate these risks through product development, quality assurance and customer support and service processes, there can be no assurance that these processes are adequate. Even in the absence of any warranty claims, a product deficiency such as a design or manufacturing defect could be identified, necessitating a product recall or other corrective measures, which could hurt Next Hydrogen's reputation and the reputation of its products and may have an adverse impact on its financial performance and/or future sales.

New products may have different performance characteristics from previous products. In addition, Next Hydrogen has limited field experience with existing commercial products from which to make its warranty accrual estimates.

Intellectual property

Failure to protect Next Hydrogen's existing intellectual property rights may result in the loss of its exclusivity regarding, or right to use, its technologies. If Next Hydrogen does not adequately ensure its freedom to use certain technology, Next Hydrogen may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation, or be enjoined from using such intellectual property. Next Hydrogen relies on patent, trade secret, trademark and copyright laws to protect its intellectual property. Some of its intellectual property is not covered by any patent or patent application, and the patents to which Next Hydrogen currently has rights expire between July 2028 and October 2034. Next Hydrogen's present or future-issued patents may not protect its technological leadership, and its patent portfolio may not continue to grow at the same rate as it has in the past. Moreover, Next Hydrogen's patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, there is no assurance that: (i) any of the patents owned by Next Hydrogen will not be invalidated, circumvented, challenged, rendered unenforceable or licensed to others; or (ii) any of its pending or future patent applications will be issued with the breadth of claim coverage sought by Next Hydrogen, if issued at all. In addition, effective patent, trade secret, trademark and copyright protection may be unavailable, limited or not applied for in certain countries.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Next Hydrogen also seeks to protect its proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with its strategic partners and employees. Next Hydrogen can provide no assurance that these agreements will not be breached, that Next Hydrogen will have adequate remedies for any breach, or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

Next Hydrogen may become subject to lawsuits in which it is alleged that Next Hydrogen has infringed the intellectual property rights of others or commence lawsuits against others who Next Hydrogen believes are infringing upon its rights. Next Hydrogen's involvement in intellectual property litigation could result in significant expense to Next Hydrogen, adversely affecting the development of sales of the challenged product or intellectual property and diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in its favour.

Competitive Industry Environment

The renewable energy industry is highly competitive in all of its phases, both domestically and internationally. The Company's ability to develop hydrogen technology is based on its ability to secure talented personnel and secure supply of goods necessary to build electrolyzers, of which there is a limited supply. The Company may also encounter competition from other renewable energy companies in its efforts to hire experienced engineering and development professionals. Competition could adversely affect the Company's ability to attract necessary funding or acquire prospects for strategic partnerships in the future. Competition for services and equipment could result in delays if such services or equipment cannot be obtained in a timely manner due to inadequate availability, and could also cause scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development or construction costs and result in project delays.

Product Safety Risk

Safety is the top priority as the Company. Management and all employees are strongly committed delivering fail-safe products to our customers. The product safety risks include the risk from major accidents and/or malfunctions in our products and/or insufficient service during operations and maintenance. The product safety risk is further increased due to Next Hydrogen's new and unique product line.

Technology and Competition Risk

The green-energy sector, and hydrogen production in particular, is witnessing significant development. This not only results in increased competition, but also increased activity in research and development across the hydrogen industry. There is inherent risk that some of the technology developed by Next Hydrogen becomes obsolete. As the world seeks to transition into renewable energy sources, there is a degree of uncertainty that green hydrogen emerges as the preferred technology, which poses a direct risk to Next Hydrogen's technology and how the Company seeks to outperform competition.

Expansion Risk

The pressures faced by Next Hydrogen to expand its facilities, staff and operations may place high demands on the Company's overhead, technical, financial, and other resources. The Company is currently relatively lean and there is a degree of risk associated with the Company's ability to build a capable organization at a speed that is required to meet the demand by its customers or potential customers. Next Hydrogen's failure to manage its growth effectively or to manage its expansion strategy in a timely manner may significantly harm its ability to achieve profitability.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Third Party Dependence Risk

The Company is involved in electrolyser and hydrogen fueling manufacturing, and therefore relies on external subcontractors and suppliers for goods and services. This operating model poses a risk to Next Hydrogen's goodwill and branding, as suppliers may fail to meet environmental, human rights, labor, and product quality standards. Next Hydrogen aims to limit risk through dual sourcing of critical components and prefers suppliers with local legislation compliance. However, if Next Hydrogen fails to maintain relationships with its suppliers or faces supply disruptions, it may experience delays in manufacturing, higher costs, order cancellations, customer claims, and loss of market share. Next Hydrogen is working on strategies such as dual supply chains and facilitating increasing volumes from key sub-suppliers to reduce sourcing risk and make its supply chain more robust.

Project Risk

Next Hydrogen's participation in large commercial projects exposes them to risks such as delays and cost overruns due to various factors including delivery delays or shortages of key equipment, design problems, labor disputes, safety hazards, disputes with suppliers, changes in customer specifications, adverse weather conditions, and regulatory approvals or permits delays. Failure to complete a commercial project on time may result in contract delays, renegotiation, or cancellation, and can negatively impact Next Hydrogen's reputation and customer relationships. Next Hydrogen may also face contractual penalties for not completing the project on time, which could adversely affect their business, financial condition, and results of operations.

Key Personnel Risk

Next Hydrogen's development will depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on Next Hydrogen's business. Further, with respect to future development of Next Hydrogen's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside Next Hydrogen's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect Next Hydrogen's ability to employ the specific personnel required. Due to the relatively small size of Next Hydrogen, the failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on Next Hydrogen's business, results of future operations and financial condition.

Customer Risk

Next Hydrogen's growth and revenue generation depend heavily on their ability to acquire new customers and maintain relationships with existing customers. However, there is no guarantee that Next Hydrogen will be successful in securing new customers or maintaining existing customer relationships in the future. Additionally, some of Next Hydrogen's existing and potential customers are also planning significant growth, and if these customers fail to succeed in their business plans or fulfill contracts with Next Hydrogen, it may adversely impact Next Hydrogen's sales and revenues.

Adverse Publicity and Product Liability Risk

Next Hydrogen's products could potentially result in product liability claims due to malfunctions, defects, improper installation or other causes, which could result in adverse publicity and significant monetary damages. The successful assertion of such claims could have a significant negative impact on Next Hydrogen's business, prospects, financial results, and operations. As of the date of these financial statements, Next Hydrogen is not aware of any current or pending product liability claims against the Company.

Management's Discussion and Analysis for the years ended December 31, 2022 and 2021

Market Development Risk

Next Hydrogen's revenues may be significantly harmed if significant markets for fueling products, other hydrogen energy products, or renewable energy as a major source for hydrogen production do not develop or develop more slowly than anticipated. This could result in Next Hydrogen being unable to recover the expenditures it has incurred and expects to incur in the development of its products.

Regulatory Risk

Next Hydrogen's operations are subject to numerous environmental requirements, including laws and regulations related to air pollution emissions, wastewater discharges, waste management, and hazardous materials handling. Compliance with these requirements can be costly and may increase over time. Breaches of allowed emission limits granted by various authorities could result in temporary production halts, fines, and corrective measures, which may have a significant effect on Next Hydrogen's operations.

Next Hydrogen's fuel cell and hydrogen industry is currently not subject to industry-specific government regulations in certain jurisdictions, but the company expects to encounter such regulations in the future, which may impact its development and growth. Changes in environmental policies or government subsidies could also adversely affect Next Hydrogen's business, as it depends substantially on government subsidies in its research and development phase. Political developments or judicial review of government financial support could result in the discontinuation or reduction of subsidies, leading to lower profitability and adverse effects on Next Hydrogen's business, financial condition, and results of operations.

Climate Related Risks

Next Hydrogen recognizes that while climate change is a major trend, the anticipated role of green hydrogen in mitigating climate change could change due to geopolitical factors shaping climate policies. Next Hydrogen does not expect to be significantly impacted by potential carbon taxes or restrictions on carbon-intensive assets, as it does not consume products from conflict areas and has limited consumption of rare materials.

Reputation Risk

Next Hydrogen acknowledges the significance of maintaining a strong brand in the growing green hydrogen industry. Reputational risk for Next Hydrogen includes potential damage to brand value resulting in lost opportunities, challenges in talent recruitment and retention leading to technology development disruptions and customer experience issues, and difficulties in attracting investors due to a damaged reputation that could impact the Company's ongoing operations.

Physical Risk

Next Hydrogen's manufacturing facilities are not situated in environments that are excessively exposed to physical risks, including sustained long-term shifts in climate patterns. However, Next Hydrogen's delivered solutions depend on uninterrupted access to water and electricity, and shortages of these resources could potentially impact the performance of their products.