Next Hydrogen Solutions Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and March 31, 2023

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2024 and December 31, 2023 (in Canadian dollars) (unaudited)

	Mar 31 2024	Dec 31 2023
Assets		
Current		
Cash and cash equivalents	$ 9,583,168	$ 10,909,061
Trade and other receivables (notes 3, 18)	540,048	1,510,334
Prepaid expenses and deposits	504,622	520,360
Inventory (note 4)	3,274,464	3,307,281
	13,902,302	16,247,036
Trade and other receivables (notes 3, 18)	43,662	50,164
Prepaid expenses and deposits	94,578	94,578
Equipment (note 5)	6,785,587	6,817,421
Right of use asset (note 6)	1,460,241	1,509,462
Patents (note 7)	551,105	571,462
Intangible assets and goodwill (note 8)	148,553	153,195
	$ 22,986,028	$ 25,443,318
Liabilities		
Current		
Trade and other payables (note 9)	$ 1,698,838	1,714,482
Deferred revenue (note 10)	1,836,654	2,307,894
Deferred government grants (note 11)	1,325,067	-
Provisions (note 12)	30,000	70,000
Finance lease liability (note 13)	96,863	90,734
Current portion of long-term debt (note 14)	63,433	62,850
	5,050,855	4,245,960
Deferred revenue (note 10)	2,771,192	2,771,641
Deferred government grants (note 11)	359,926	359,926
Provisions (note 12)	3,820,000	3,780,000
Finance lease liability (note 13)	1,622,936	1,657,339
Long-term debt (note 14)	6,483	22,539
	13,631,392	12,837,405
Shareholders' Equity		
Share capital (note 16)	76,418,695	76,418,695
Contributed surplus (notes 15, 17)	6,127,438	5,959,992
Retained deficit	(73,191,497)	(69,772,774)
	9,354,636	12,605,913
	$ 22,986,028	$ 25,443,318

On behalf of the Board

"Raveel Afzaal" *"Allan Mackenzie"*

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

three months ended March 31, 2024 and 2023 (in Canadian dollars) (unaudited)

	2024	2023
Revenue (note 21)	$ 575,640	$ 44,169
Expenses		
Cost of sales {includes $142,498 (2023 - reversal of $89,392) of inventory impairment} (notes 4 and 12)	763,755	(71,008)
Research and development (note 18)	1,934,254	2,349,274
General and administrative (note 18)	1,239,810	1,121,994
Marketing and sales	123,494	185,917
	4,061,313	3,586,177
Loss before the following	(3,485,673)	(3,542,008)
Finance (income) costs, net (note 19)	(66,950)	(146,628)
Net loss and comprehensive loss	$ (3,418,723)	$ (3,395,380)
Loss per share:		
Basic	$ (0.15)	$ (0.15)
Diluted	$ (0.15)	$ (0.15)
Weighted average number of shares outstanding: (note 16)		
Basic	22,903,468	22,888,436
Diluted	22,903,468	22,888,436

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

three months ended March 31, 2024 and 2023 (in Canadian dollars) (unaudited)

	Share Capital	Contributed Surplus	Retained Deficit	Total
Balances, December 31, 2023	$ 76,418,695	$ 5,959,992	$ (69,772,774)	$ 12,605,913
Share-based compensation expense (note 17)	-	167,446	-	167,446
Net loss and comprehensive loss	-	-	(3,418,723)	(3,418,723)
Balances, March 31, 2024	$ 76,418,695	$ 6,127,438	$ (73,191,497)	$ 9,354,636
Balances, December 31, 2022	$ 76,393,695	$ 5,270,932	$ (57,758,885)	$ 23,905,742
DSU issuance	-	56,250	-	56,250
Share-based compensation expense (note 17)	-	159,884	-	159,884
Net loss and comprehensive loss	-	-	(3,395,380)	(3,395,380)
Balances, March 31, 2023	$ 76,393,695	$ 5,487,066	$ (61,154,265)	$ 20,726,496

Condensed Interim Consolidated Statements of Cash Flows

three months ended March 31, 2024 and 2023 (in Canadian dollars) (unaudited)

	2024	2023
Cash flows used in operating activities		
Net loss and comprehensive loss	$ (3,418,723)	$ (3,395,380)
Adjustments:		
Finance (income) costs, net (note 19)	(66,950)	(146,628)
Depreciation and amortization	221,986	242,025
Deferred revenue	(471,689)	-
Provisions and inventory impairment	142,498	(89,392)
Share-based compensation (note 17)	167,446	159,884
Deferred share unit expense (note 15)	-	56,250
	(3,425,432)	(3,173,241)
Net change in non-cash operating working capital (note 20)	2,192,267	853,382
	(1,233,165)	(2,319,859)
Interest paid	-	(437)
Interest received (note 19)	123,925	206,366
	(1,109,240)	(2,113,930)
Cash flows used in investing activities		
Acquisition of equipment (note 5)	(115,932)	(14,445)
	(115,932)	(14,445)
Cash flows from (used in) financing activities		
Repayment of long-term debt	(16,231)	(33,598)
Repayment of finance lease liability	(84,490)	(82,088)
	(100,721)	(115,686)
Decrease in cash and cash equivalents	(1,325,893)	(2,244,061)
Cash and cash equivalents, beginning	10,909,061	22,084,721
Cash and cash equivalents, ending	$ 9,583,168	$ 19,840,660

1. CORPORATE INFORMATION

Next Hydrogen Solutions Inc. ("Next Hydrogen" or the "Company") was incorporated on February 11, 2014 under the British Columbia Business Corporations Act and its registered head office is at 6610 Edwards Blvd, Mississauga, Ontario, L5T 2V6.

Founded in 2007, the Company is a designer and manufacturer of electrolyzers that use water and electricity as inputs to generate clean hydrogen for use as an energy source. Next Hydrogen's unique cell design architecture supported by 40 patents enables high-current density operations and superior dynamic response to efficiently convert intermittent renewable electricity into green hydrogen on an infrastructure scale. Next Hydrogen is scaling up its technology to deliver commercial solutions to decarbonize transportation and industrial sectors.

The Company's registered head office is at 6610 Edwards Blvd, Mississauga, Ontario, L5T 2V6. The Company changed its name from "BioHEP Technologies Ltd." to "Next Hydrogen Solutions Inc." on June 24, 2021.

The common shares of the Company trade on the TSX Venture Exchange under the symbol "NXH" and on the OTCQX under the symbol "NXHSF".

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2023.

The accounting policies described in Note 2 of the 2023 annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise indicated.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 9, 2024.

Changes in Accounting Standards

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

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, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

The Company performed an assessment of this amendment and determined this standard to have no effect on its consolidated financial statements.

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.

The Company performed an assessment of this amendment and determined this standard to have no effect on its consolidated financial statements.

Future Accounting Pronouncements

Lack of exchangeability [Amendment to IAS 21 The effects of changes in foreign exchange rates]

In August 2023, the IASB issued amendments to IAS 21 to clarify the exchangeability of a currency into another, and the process to estimate a spot rate when a currency lacks exchangeability. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted.

The Company will perform an assessment of this amendment on its consolidated financial statements prior to the effective date.

Critical Accounting Estimates and Significant Judgments

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

3. TRADE AND OTHER RECEIVABLES

	Mar 31 2024	Dec 31 2023
Trade receivables	$ 341,591	$ 1,428,596
GST/HST receivable	174,304	56,655
Employee loan receivable	67,815	75,247
	$ 583,710	$ 1,560,498
Current portion	540,048	1,510,334
Long-term portion	43,662	50,164

The long-term portion of trade and other receivables is comprised of employee loans expected to be received by 2027.

4. INVENTORY

	Mar 31 2024	Dec 31 2023
Spare parts	$ 1,646,753	$ 2,496,415
Work in progress	1,627,711	810,866
	$ 3,274,464	$ 3,307,281

During the three months ended March 31, 2024, $142,498 (March 31, 2023 - $89,392 was recorded as a reversal of inventory impairment) was recorded as an inventory impairment.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

5. EQUIPMENT

	Equipment	Equipment under Constr'n	Computer Hardware	Furniture and Fixtures	Leasehold Improv'ts	Total
Cost						
Balances, December 31, 2023	$ 5,084,008	$ 2,155,962	$ 258,171	$ 94,102	$ 334,516	$ 7,926,759
Additions	4,288	91,955	17,972	-	1,717	115,932
Transfers	403,522	(403,522)	-	-	-	-
Balances, March 31, 2024	5,491,818	1,844,395	276,143	94,102	336,233	8,042,691
Accumulated depreciation						
Balances, December 31, 2023	(878,019)	-	(155,343)	(17,846)	(58,130)	(1,109,338)
Depreciation	(115,840)	-	(21,167)	(2,353)	(8,406)	(147,766)
Balances, March 31, 2024	(993,859)	-	(176,510)	(20,199)	(66,536)	(1,257,104)
Net carrying amounts						
At March 31, 2024	$ 4,497,959	$1,844,395	$ 99,633	$ 73,903	$ 269,697	$ 6,785,587

	Equipment	Equipment under Constr'n	Computer Hardware	Furniture and Fixtures	Leasehold Improv'ts	Total
Cost						
Balances, December 31, 2022	$ 4,244,010	$ 582,941	$ 202,010	$ 75,630	$ 296,230	$ 5,400,821
Additions	342	2,412,677	56,161	18,472	38,286	2,525,938
Transfers	839,656	(839,656)	-	-	-	-
Balances, December 31, 2023	5,084,008	2,155,962	258,171	94,102	334,516	7,926,759
Accumulated depreciation						
Balances, December 31, 2022	(449,987)	-	(83,900)	(8,767)	(26,350)	(569,004)
Depreciation	(428,032)	-	(71,443)	(9,079)	(31,780)	(540,334)
Balances, December 31, 2023	(878,019)	-	(155,343)	(17,846)	(58,130)	(1,109,338)
Net carrying amounts						
At December 31, 2023	$ 4,205,989	$ 2,155,962	$ 102,828	$ 76,256	$ 276,386	$ 6,817,421

three months ended March 31, 2024 and 2023 (in Canadian dollars)

6. RIGHT OF USE ASSET

The right of use asset relates to a lease of the Company's head office and assembly facility, which started on September 1, 2021.

	Cost	Accumulated Amortization	Net
Balances, December 31, 2022	$ 1,968,864	$ (262,515)	$ 1,706,349
Amortization	-	(196,887)	(196,887)
Impairment	-	-	-
Balances, December 31, 2023	1,968,864	(459,402)	1,509,462
Amortization	-	(49,221)	49,221
Balances, March 31, 2024	$ 1,968,864	$ (508,623)	$ 1,460,241

7. PATENTS

	Cost	Accumulated Amortization	Net
Balances, December 31, 2022	$ 1,054,934	$ (386,490)	$ 668,444
Additions	775	-	775
Amortization	-	(97,757)	(97,757)
Balances, December 31, 2023	1,055,709	(484,247)	571,462
Amortization	-	(20,357)	(20,357)
Balances, March 31, 2024	$ 1,055,709	$ (504,604)	$ 551,105

8. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets	Goodwill	Net
Balances, December 31, 2022	$ 190,596	$ 82,204	$ 272,800
Impairment	-	(82,204)	(82,204)
Amortization	(37,401)	-	(37,401)
Balances, December 31, 2023	153,195	-	153,195
Amortization	(4,642)	-	(4,642)
Balances, March 31, 2024	$ 148,553	$ -	$ 148,553

three months ended March 31, 2024 and 2023 (in Canadian dollars)

9. TRADE AND OTHER PAYABLES

	Mar 31 2024	Dec 31 2023
Trade payables	$ 488,558	$ 494,473
Accrued payables	1,167,628	1,192,732
Other payables	42,652	27,277
	$ 1,698,838	$ 1,714,482

10. DEFERRED REVENUE

	Mar 31 2024	Dec 31 2023
Opening balance	$ 5,079,535	$ 2,771,641
Advance consideration	53,000	3,053,000
Revenue recognized	(524,689)	(745,106)
	$ 4,607,846	$ 5,079,535
Current portion	1,836,654	2,307,894
Long-term portion	2,771,192	2,771,641

11. GOVERNMENT GRANTS

During 2023, the Company received a grant from Sustainable Development Technology Canada. As the grant has been provided with specific conditions, Next Hydrogen has implemented the income approach to recognizing the grant. Of the total grant, $1,584,733 has been offset against the related expenditure under research and development expenses. The remaining grant in the amount of $359,926 relates to equipment currently being constructed and will be offset against the depreciation of this equipment, once it is ready for use. This grant will be utilized for the development and demonstration of the Company's second and third-generation products and market demonstrations associated with these product lines. As per the grant agreement, the Company has three milestones to achieve, first of which has been completed, and the second milestone is currently in progress. During Q1, 2024, the Company received payment for the second milestone in the amount of $1,992,777; of this, $667,710 has been offset against the related expenditure under research and development expenses. Payment for the third milestone will be advanced to the Company upon completion of the second milestone. Finally, once all milestones have been completed, a 10% holdback will be released to the Company.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

	Mar 31 2024	Dec 31 2023
Opening balance	$ 359,926	$ -
Grant received	1,992,777	1,944,659
Offset against expenses	(667,710)	(1,584,733)
	$ 1,684,993	$ 359,926
Current portion	1,325,067	-
Long-term portion	359,926	359,926

Comparative amounts in 2023 of $359,926 were reclassified as non-current as the grants relate to long term assets (equipment under construction).

During 2023, the Company also received a grant from the National Research Council of Canada under the Industrial Research Assistance Program (IRAP). The total grant approved is in the amount of $750,000, all of which was offset against the related expenditure under research and development expenses during the year ended December 31, 2023. This grant was utilized to cover labour and consultant costs for our next generation product lines.

12. PROVISIONS

The Company's provisions consist of onerous contract obligations as follows:

	Mar 31 2024	Dec 31 2023
Opening balance	$ 3,850,000	$ 3,850,000
Additions	21,487	78,585
Utilized	(21,487)	(78,585)
	$ 3,850,000	$ 3,850,000
Current portion	30,000	70,000
Long-term portion	3,820,000	3,780,000

13. FINANCE LEASE LIABILITY

The finance lease liability relates to the lease of the Company's head office and assembly facility, which started on September 1, 2021. The lease expires on August 31, 2026 with an option to extend for an additional five years. The lease liability was initially valued at $1,872,412, using a weighted average incremental borrowing rate of 14%, and the obligation is as follows:

three months ended March 31, 2024 and 2023 (in Canadian dollars)

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Future minimum lease payments	$ 314,734	$ 1,450,617	$ 981,347	$ 2,746,698
Interest	(217,871)	(671,495)	(137,533)	(1,026,899)
	$ 96,863	$ 779,122	$ 843,814	$ 1,719,799
Current portion				96,863
Long-term portion				1,622,936

14. LONG-TERM DEBT

Long-term debt pertains to grant loans that accrue interest at a rate of 3.72%, with blended monthly installments of $5,411. The long-term debt is secured by a second-ranking general security agreement over all assets of the Company.

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Principal repayments	$63,433	$ 6,483	$ -	$ 69,916

15. DEFERRED SHARE UNIT

The Company had a deferred share unit ("DSU") plan for certain employees, directors and consultants that was administered by the Board of Directors and could have been settled in cash or equity. In July 2022, 135,288 DSUs were issued to the board of directors in settlement of directors' fees owing of $225,000, which vested on July 1, 2023; no DSUs were issued during Q1 2024. Each DSU entitles its holder to receive one common share upon settlement and vests over one year. During Q1 2024, NIL (2023 - 15,032) DSUs were settled in shares; therefore, 120,256 (December 31, 2023 - 120,256) DSUs were outstanding as at March 31, 2024.

16. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value.

As at March 31, 2024, the Company has 22,903,468 (December 31, 2023 - 22,903,468) common shares issued and outstanding and there were no shares issued or canceled during the period. The share capital balance as at March 31, 2024 was $76,418,695 (December 31, 2023 - $76,418,695).

No adjustments to loss or the weighted average number of shares for the effects of dilutive potential ordinary shares were necessary. Dilutive potential ordinary shares are financial instruments or contracts that may entitle its holder to ordinary shares, where the conversion, exercise or issuance of the financial instrument or warrant would result in a reduction in earnings per share or an increase in loss per share.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

17. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain directors, employees and consultants. The plan is administered by the Board of Directors and the maximum number of shares which may be issued under this plan may not exceed 20% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise and all options expire 5 years from issuance. The following table summarizes the Company's stock options:

	Weighted Average Exercise Price $	Options #
Balances, December 31, 2022	2.79	3,311,626
Issued	0.87	590,000
Cancelled	1.32	(25,000)
Forfeited	3.07	(705,000)
Balances, December 31, 2023	2.38	3,171,626
Forfeited	4.15	(5,000)
Balances, March 31, 2024	2.37	3,166,626

The majority of stock options vest in tranches over three or four years, such that one-third or one-fourth, respectively, of the stock options vest annually. There were no stock options issued during the three months ended March 31, 2024 (2023 - 30,000). During the three months ended March 31, 2024, NIL (2023 - 25,000) stock options issued to key management. Of the total stock options outstanding as of March 31, 2024, 2,371,626 (December 31, 2023 - 2,371,626) were held by key management.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

The following table summarizes information about stock options outstanding as at March 31, 2024:

Exercise Price $	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	980,000	3.1	525,000
1 to 1.99	500,000	3.3	225,000
2 to 2.99	980,000	2.3	724,583
3 to 3.99	225,000	3.0	112,500
4 to 4.99	10,000	2.9	5,000
5 to 5.99	25,000	2.8	12,500
6 to 6.99	10,000	2.6	5,000
7 to 7.99	436,626	2.5	238,313
2.37	3,166,626	2.8	1,847,896

The following table summarizes information about stock options outstanding as at December 31, 2023:

Exercise Price $	Options Outstanding #	Weighted Avg Remaining Life #	Options Exercisable #
0 to 0.99	980,000	3.1	525,000
1 to 1.99	500,000	3.3	215,000
2 to 2.99	980,000	2.3	604,067
3 to 3.99	225,000	3.0	56,250
4 to 4.99	15,000	2.9	7,500
5 to 5.99	25,000	2.8	12,500
6 to 6.99	10,000	2.6	5,000
7 to 7.99	436,626	2.5	235,813
2.38	3,171,626	2.8	1,661,130

Included in expenses for the three months ended March 31, 2024 is a share-based compensation expense of $167,446 (March 31, 2023 - $159,884).

three months ended March 31, 2024 and 2023 (in Canadian dollars)

18. RELATED PARTY TRANSACTIONS

Included in trade and other receivables are three employee loans to key management employees, in the total amount of $67,815 (2023 - $75,247). Of this amount, $43,662 (2023 - $50,164) is expected to be received beyond 12 months after year-end, and is thus classified as long-term. These loans are granted at no interest, and the long-term portion is to be received by 2027.

Included in general and administrative expenses are the following wages and consulting fees paid to key management:

	Three months ended March 31, 2024	2023
Salaries and benefits	$ 444,000	$ 293,492
Share-based compensation expense	130,203	402,387
	$ 574,203	$ 695,879

Board of directors and executive officers are deemed to be key management.

19. FINANCE COSTS

	Three months ended March 31, 2024	2023
Interest income	$ (123,925)	$ (206,366)
Interest expense	56,975	59,738
	$ (66,950)	$ (146,628)

20. CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2024	2023
Trade and other receivables	$ 976,788	$ (130,042)
Prepaid expenses and deposits	15,738	(260,798)
Inventory	(109,682)	(378,367)
Trade and other payables	(15,644)	(52,459)
Deferred government grants	1,325,067	1,675,048
	$ 2,192,267	$ 853,382

three months ended March 31, 2024 and 2023 (in Canadian dollars)

21. SEGMENTED INFORMATION AND MAJOR CUSTOMERS

The Company mainly operates in one segment, being the development and sale of electrolyzers and balance of plant equipment.

All of the Company's assets are located in Canada. During the three months ended March 31, 2024, one customer provided 91% of the Company's revenues; during the three months ended March 31, 2023, another customer provided 100% of the Company's revenues.

The Company has three streams of revenue; two active streams of revenue were applicable to the following periods:

	Three months ended March 31,	
	2024	**2023**
Service revenue	$ 50,951	$ 44,169
Revenue from development contract	524,689	-
	$ 575,640	$ 44,169

22. FINANCIAL INSTRUMENTS

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework but has delegated to management the responsibility for monitoring and managing the risks that the Company faces. Financial instruments present a number of specific risks as identified below:

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

three months ended March 31, 2024 and 2023 (in Canadian dollars)

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The carrying value of cash and cash equivalents, trade and other receivables, bank indebtedness, and trade and other payables approximate their fair values due to their nature or capacity for prompt liquidation. The carrying values of finance lease liability and long-term debt are based on the contractual interest rates. Using the market interest rates for similar arrangements as at March 31, 2024 and December 31, 2023 would result in the following effects:

	Mar 31 2024	Dec 31 2023
Long-term debt - carrying value	$ 69,916	$ 85,389
Long-term debt - fair value	97,192	110,702
Finance lease liability - carrying value	1,719,799	1,748,073
Finance lease liability - fair value	1,849,882	1,883,936

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. Level 2 valuation methods have been used to determine fair values. Level 1 uses quoted prices in active markets for identical assets or liabilities. Level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. Credit risk with respect to trade and other receivables is considered low as the balance is largely made up of sales taxes as well as large customers with strong credit. Credit risk with respect to cash and cash equivalents is considered low; the Company held cash and cash equivalents of $9,583,168 at March 31, 2024 (December 31, 2023 - $10,909,061). The cash and cash equivalents are held with two major Canadian financial institutions which are rated AA1 and A1, based on Moody's ratings. As such, no provision for lifetime expected credit losses has been made.

Market Risk

Market risk refers to the risk that a change in one or more general market conditions will result in losses to the Company. The Company is exposed to interest rate risk and manages this risk through regular monitoring of its financial instruments. The Company is not exposed to other price risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will have a negative effect on the value of financial instruments. The Company is exposed to interest rate cash flow risk on its cash and cash equivalents balances, which earn interest at a floating rate.

Exposure to interest rate risk: Next Hydrogen holds financial assets of $67,815 (December 31, 2023 - $75,247) at a fixed rate and is obligated to financial liabilities of $1,789,715 (December 31, 2023 - $1,833,462) also at fixed rates; these are accounted for at amortized cost. Given that these are held at fixed rates, they are not subject to interest rate risk, and thus would not impact equity or net loss.

(ii) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions resulting in exposure to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. However, given that the volume and magnitude of foreign currency transactions is low, the effect this risk has on the Company's earnings is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures and ensuring financing is available when necessary. As at March 31, 2024, the Company had $9,583,168 (December 31, 2023 - $10,909,061) in cash and cash equivalents and $540,048 (December 31, 2023 - $1,510,334) in current trade and other accounts receivable, which were available to settle current trade and other payables, current portion of finance lease liability, and current portion of long-term debt of $1,859,134 (December 31, 2023 - $1,868,066).

three months ended March 31, 2024 and 2023 (in Canadian dollars)

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. The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due to continue as a going concern for the next 12 months from March 31, 2024. In making this significant judgment, the Company has prepared a cash flow forecast, with the most significant assumptions in the preparation of such forecast being: (1) the ability to meet the relevant criteria of government grants and revenue contracts for additional funds to be received; and (2) judgment to curtail certain discretionary expenditures, if required, in fiscal 2024. Beyond the next 12 months, the development of new hydrogen technologies and further expansion of Next Hydrogen's business will require substantial additional financing and will 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 on terms acceptable to the Company.

The following table sets out the Company's financial commitments as follows:

	Carrying amount	Total	1 year	2 to 5 years	After 5 years
Trade and other payables	$ 1,698,838	$ 1,698,838	$ 1,698,838	$ -	$ -
Finance lease liability	1,719,799	2,746,698	314,734	1,450,617	981,347
Long-term debt	69,916	70,773	64,927	5,846	-
	$ 3,488,553	$ 4,516,309	$ 2,078,499	$ 1,456,463	$ 981,347