

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

**Offering Memorandum**

**Date:** December 1, 2023

**The Issuer:**

**Name:** Empire Hydrogen Energy Systems Inc.  
(the "Issuer" or "Empire")  
**Head office: Address:** #7 – 10189 McDonald Park Road  
Sidney, British Columbia V8L 5X5  
**Phone #:** (778) 426-0911  
**E-mail address:** info@empirehydrogen.com  
**Fax #:** (778) 426-0456

**Currently listed or quoted?** **These securities do not trade on any exchange or market.**  
**Reporting issuer?** No  
**SEDAR filer?** Yes

**The Offering:**

**Securities offered:** 6,666,666 shares at a price of \$0.75 per share.

**Minimum/Maximum offering:** **There is no minimum.**  
**You may be the only purchaser.**

**Minimum subscription amount:** The minimum subscription amount is \$7,500.  
**Payment terms:** Cheque, bank draft or wire transfer  
**Proposed closing date(s):** December 31, 2024  
**Selling agent?** Yes – see Item 7

**Resale Restrictions:**

You will be restricted from selling your securities for an indefinite period. See Item 10.

**Purchaser's Rights:**

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

**No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8.**

## Forward Looking Statements

Certain statements contained in this offering memorandum, including the financial statements included herein, that are not historical may be considered “forward looking statements” and are prospective. These forward looking statements sometimes include words to the effect that we or our management believe or expect a stated condition or result. All estimates and all statements that describe our objectives, goals or future plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated in such statements due to any number of factors, including, but not limited to, fluctuations in interest rates, political and economic conditions, industry competition and our ability to attract and retain key personnel. We do not undertake to review or update these forward looking statements.

## Small Business Venture Capital Act

The Issuer is registered as an Eligible Business Corporation (“EBC”) and has been authorized to issue shares in accordance with the provisions of the Small Business Venture Capital Act (**“SBVC Act”**) of **British Columbia. This authorization is current, and expires December 31, 2023, however, it may be withdrawn by the Provincial Government with short notice or fully subscribed.** The Issuer may seek a renewed equity allocation approval upon expiry of the current allocation, should this Offering not have been fully subscribed. Such approval is at the discretion of the Administrator and is in no way guaranteed.

In registering the Issuer under the SBVC Act, the Province of British Columbia makes no representations with respect to any tax considerations discussed in the Offering Memorandum other than with respect to those dealing with the British Columbia Tax Credit available in respect of the purchase of Shares of the Issuer.

The Province of British Columbia in no way guarantees the value of any shares issued by an EBC registered under the SBVC Act. Nor does it in any way express an opinion as to the financial condition of the EBC or the merits of an investment in shares of the EBC.

The review of this Offering Memorandum by the Equity Capital Program’s staff was limited specifically to the requirements of the SBVC act only and any other matters that concern investors should be reviewed with their own personal professional advisors.

All references to currency in this offering memorandum are to Canadian dollars unless otherwise stated.

## Item 1: Use of Available Funds

### 1.1 Funds

		Assuming minimum offering	Assuming maximum offering
A.	Amount to be raised by this offering	\$0	\$5,000,000
B.	Selling commissions and fees	\$0	\$750,000 (1)
C.	Estimated offering costs (e.g. legal, accounting, audit)	\$50,000	\$50,000
D.	Total: $-D=A-(B+C)$	(\$50,000)	\$4,200,000

(1) Selling commissions and fees may include up to 15% of the offering proceeds payable in cash or a combination of 8% cash and 8% share purchase warrants, payable to third parties (not directors of the Issuer)

### 1.2 Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming minimum offering	Assuming maximum offering
Production of units to maintain inventory at least 100 units	\$0	\$1,100,000
Sales & Marketing	\$0	\$1,500,000
Engineering & Development	\$0	\$850,000
Administration and IP Costs	\$0	\$750,000
Total		\$4,200,000

### 1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

## Item 2: Our Business

### 2.1 Structure

The Issuer is a privately held company that was incorporated under the Canada *Business Corporations Act* on October 23, 2009. Our executive office is located at #7 – 10189 McDonald Park Road, Sidney, British Columbia V8L 5X5. Our telephone number is (778) 426-0911. Our fiscal year end is September 30. The Administrator of the Equity Capital Program approved Empire Hydrogen Energy Systems Inc. as an eligible business corporation on November 20, 2012, #30-872.

## **2.2 Our Business**

Empire is an innovator that is primarily concerned with systems and components integration. We are focused on providing owners of diesel internal combustion engines (ICE) with means to significantly increase fuel efficiency and dramatically reduce carbon and other harmful emissions. Through their wide-scale adoption of our technologies it is anticipated that ICE owners will dramatically reduce their collective reliance on fossil fuels, reduce emissions and consequently protect the quality of life enjoyed by this generation for all future generations.

### **2.2.1 Our Business Facility**

Empire has a 3,000 square foot research and development facility in Sidney, British Columbia. In that facility, we carried out the 'laboratory tasks' component of the scientific research and experimental development ("SRED") activities required by our Alpha and Beta Phase Technology Development Programs ("ABPTDP"). Those laboratory tasks included the assembly of Empire's early version, i.e., Alpha Phase, prototype Accelerant Generators ("A/Gs"). As a consequence of completing APTDP (September, 2015) and Beta Phase Technology Development Program ("BPTDP") (November, 2019), we have begun using that facility to assemble commercial ready A/Gs (incorporating the knowledge we acquired during earlier phases). Within our facility, we have set up a preliminary production line (for toll manufacturing). That production line will be used to develop, design and perfect A/G assembly equipment and to develop and perfect the efficient and cost effective processes and procedures that will be incorporated into an industrial-scale assembly line. In our 3000 square foot footprint we can manufacture up to 3000 units per year.

Presently in addition to the CEO, Sven Tjelta, Empire has an Executive Vice President, sales team, bookkeeper/administrator, production manager, assembly technicians and contractors as needed. The A/G system is assembled using components mainly sourced from local suppliers combined with components manufactured in-house.

The retail cost for a Class 6 - single cell unit is \$7,950; a Class 8 - double cell unit is \$10,950 plus installation costs.

### **2.2.2 Manufacturing or Assembly Facilities**

Empire's current manufacturing facility has been laid out for production up to 2,000 units per year, with expansion beyond that if required. If it proves necessary to increase production beyond these levels or in a different geographical location, we can arrange for contract manufacturing and assembly elsewhere. We are a company of innovators and systems and component integrators. Our core competency does not extend to manufacturing and assembly. However, we can, and intend to, create plans for a production process that is scalable, so our licensed manufacturers will be able to increase output as needed or desired.

### **2.2.3 Marketing Facility**

Empire Hydrogen has a dynamic team of marketers with our Executive Vice President and the sales team along with distribution partners, sales and installation centres. Empire provides sales and technical training through in-house training staff. A significant amount of the funds raised through this offering will be used to establish salespeople, sales and installation centres throughout North America, Europe and Asia.

### **2.2.4 Our Technology**

As innovators and systems integrators, Empire has advanced the age-old concept of electrolysis to the most modern possible standards, capable of withstanding the operational and environmental rigors of a moving truck in a Canadian winter. In order to obtain a patent, intellectual property ("IP") must be both new and novel and the concept development must have required ingenuity. Empire has protected some of its IP by patent and is protecting some of it by maintaining trade secrets. Although it would not be prudent to

provide technology specific details in this Offering Memorandum, we will highlight some of problems Empire faced and provide insight into how we have attempted to solve these problems.

At this point in its development, Empire is focusing on systems for diesel engines. Diesel fuel has a flame speed of 30cm/second, meaning that during the rapid combustion cycle the combustion flame does not have sufficient time to spread to the walls of the engine cylinders. Additionally, as a result of coolant liquid running through the engine, the walls of an engine cylinder are cooler than the centre area of the cylinder. The consequence of these factors is that some amount of diesel fuel is unburned (referred to as “unburned hydrocarbons” in the engine exhaust) and some amount is partially burned, commonly seen as black smoke or diesel particulates.

Empire Hydrogen’s Fuel Enhancement System uses electrolysis to split distilled water into hydrogen H<sub>2</sub> and oxygen O<sub>2</sub> gases. A very small amount of these H<sub>2</sub>,O<sub>2</sub> gases flow through a gas line to the air intake of the engine, and thence into the cylinder combustion chambers. Hydrogen has a flame speed of nearly 300cm/second or ten times as fast as diesel alone. By adding this small amount of H<sub>2</sub>,O<sub>2</sub> accelerant gas the flame spreads across the entire cylinder during the brief combustion cycle, resulting in a greatly reduced amount of unburned or partially burned diesel fuel, with the end result of reduced fuel consumption and reduced harmful emissions.

In addition, the Empire Hydrogen Fuel Enhancement System allows a small amount of moisture, generated during the electrolysis process, to pass into the engine along with the H<sub>2</sub>,O<sub>2</sub> gases. This moisture reduces the internal burn temperature slightly, resulting in reduced NO<sub>x</sub> production.

The installation of Empire’s A/G system does not require any modification to the engine, its components or monitoring system and therefore would not negatively impact a vehicle’s ability to pass government emissions requirements.

Empire has obtained letters and emails from several of the major truck OEMs stating that the addition of a system such as ours will not, in itself, void any manufacturer’s warranty unless it can be shown that our system was the cause of the problem in question. In addition, the Empire H<sub>2</sub>,O<sub>2</sub> accelerant gas is recognized by the U.S. Environmental Protection Agency as simply a “fuel additive”, which indicates the minimal impact that the gas has on mechanical operations. Given these mitigating factors, for customer piece of mind Empire maintains a \$2,000,000 insurance policy to protect against any damage done to a vehicle on account of the installation of its system. Empire believes that a vehicle owner would need to provide proof that the Empire A/G caused damage or malfunction to the vehicle in order to seek damages from Empire.

#### **2.2.4 Technology Benefits**

Empire’s technology was designed to benefit diesel engine operators primarily by:

- reducing fuel consumption
- reducing hydrocarbon and particulate emissions in engine exhaust
- reducing CO and CO<sub>2</sub> emissions in engine exhaust
- reducing NO<sub>x</sub> emissions in engine exhaust

Empire has found there are other benefits for transport truck owners. For example, since 2008 full size trucks have been equipped with Diesel Particulate Filters (“DPF”) and Diesel Exhaust Fluid (“DEF”). Both of these consume additional fuel during operation. The Fuel Enhancement System will reduce the usage of these thus reducing overall fuel consumption and providing normal operation efficiency improvements.

### 2.2.5 Technology Development

Nearly 300 Fuel Enhancement System units have been manufactured and installed in real-world operation during the critical process of long term testing and development by Empire Hydrogen from 2013 to present. This testing has proven invaluable in moving beyond mere electrolysis to operating in the face of temperatures ranging from  $-30^{\circ}\text{C}$  to  $+50^{\circ}\text{C}$ , mechanical shock/vibration from commercial fishing boats to concrete trucks without springs, and the salt, sand and mud from roadways in the Canadian winter. It is only through the process of testing hundreds of units over years of environmental conditions that Empire is able to offer a reliable product.

During the development process, installations have been completed in Canada, USA, Mexico, Colombia, United Arab Emirates and Saudi Arabia. Installations have been performed on Class 8 and Class 6 trucks, intercity buses, 90'-120' commercial fishing boats and yachts, heavy equipment, tractors and generators.

### 2.2.6 Small Vehicle Test Results

It should be noted that ICEs that were not, at the time of testing, still covered by manufacturer's warranties powered the test vehicles used. It may be that results for ICEs of a different vintage will differ from the results shown below. Although Empire does not have any reason to believe this might be the case, it cannot completely discount the possibility that the above-noted benefits would not be realized on different vehicles and that test results from other ICEs might be lesser or even insignificant.

Vehicle	Average Fuel Consumption		Improvement
	Baseline (mpg)	With EHFES*	
2004 Mazda RX8 (Rotary)	15.12	18.48	22.17%
2008 Ford F350/6.4 L. Turbo Diesel	15.03	18.09	20.34%
2007 Dodge/5.9 L. Cummins Diesel	16.00	19.85	24.10%
2000 Lincoln Navigator/5.4 L. Gas	15.60	19.15	22.53%
2007 GMC W5500/5.4 L. Diesel	11.44	13.29	16.19%



The mid-sized delivery vehicle pictured above was equipped with a prototype Empire Accelerant Generator for one year. The operator reported improved mileage and performance during the trial. Upon completion of that trial Empire began integrating A/Gs into the fuel systems of vehicles powered by larger ICEs.

### 2.2.7 Larger Vehicle Test Results

The above-referenced prototype test units were integrated into the ICE fuel systems of trucks from several BC companies including:

- JenCam Transport of Sidney BC
- Friesen Brothers Fuels of Burnaby BC
- Target Pacific Coast Transport of Delta BC.

The results of the five-truck fleet that was used to determine fuel efficiency are shown below.

Year, Make, Engine	Previous Fuel Use	Current Fuel Use	Fuel Savings	Efficiency Improvement
2003 Kenworth 15 Litre ISX Cummins	68.90 l/100km	55.38 l/100km	13.52 l /100km	<b>24.41%</b>
1997 Kenworth 14.6 Litre Cat	70.44 l /100km	58.61 l/100km	11.83 l /100km	<b>20.18%</b>
1997 Kenworth 12.6 Litre Detroit	62.77 l/100km	52.60 l/100km	10.17 l / 100km	<b>19.33%</b>
2012 Kenworth 15 Litre SX Cummins	53.40 l/100km	46.23 l/100km	7.17 l / 100km	<b>15.51%</b>
2011 Freightliner 15 Litre Detroit	62.77 l/100km	51.36 l/100km	11.41 l /100km	<b>22.22%</b>
<b>AVERAGES</b>			<b>10.82 l /100km</b>	<b>20.33%</b>

As with the small vehicle tests, the ICEs that powered the larger test vehicles were not covered by manufacturer's warranties. Again, it may be that results for ICEs of a different recent vintage would differ from the results shown above. (See Item 2.2.7 above)



Jencam and Freisen Bros. Trucks used in ABPTDP – Displaying Mounted A/Gs



### 2.2.8 Independent Customer Tests

Customers have performed and reported on extensive independent fuel consumption tests on the FES:

**April 2023:** Rawabi United Safety test on a model XBHp222 Aggreko generator. They reported, “The unit typically consumed over 200 litres of diesel per day. The FES was installed on 7<sup>th</sup> February, 2023. We immediately observed a major reduction of black exhaust and within minutes a significant decrease in diesel odor. After 2 weeks we were able to measure that the genset was only consuming 142 litres per day on a consistent basis.”

**February 2021:** Butler Concrete test on a Cummins QSX ESN Generator used for rock crushing operations.  
 Tested for 40 hours without the Empire FES: Average fuel consumption 9.968 gallons per hour  
 Tested for 40 hours with the Empire FES: Average fuel consumption 7.985 gallons per hour  
 Fuel Savings: 1.983 gallons per hour.

**June 2015:** Vihar Construction test on a John Deere Powertech 12.5L generator used in rock crushing operations 24 hours per day, 6 days a week for the 9 month operating season.  
 Without the Empir FES Average fuel consumption 78.74 litres per hour  
 With the Empire FES: Average fuel consumption 63.78 litres per hour  
 Fuel Saving: 14.96 litres per hour.

### Independent Consultant Tests

Over the course of several months in 2015-2016, Dr. Arthur Self at the request of Empire conducted a range of scientific tests and analysis of the Empire system to provide independent verification. Dr. Self has a Ph.D. in Physics from the University of Sheffield and is the president of Artana Solutions Inc. based out of Nanaimo, British Columbia which was established in 2009 and provides expertise in technology, SR&ED tax credits, defense system engineering, ISO 9001:2008 quality management system auditing and R&D management excellence. Dr. Self has over 30 years of engineering, technology, and program management (PM) experience in the “high tech” and defense arenas, as well as in both smaller/start-up operations and in larger corporations. The following is a summary of the following key outcomes:

### Vehicle Dynamometer Tests

Tests were conducted using a 15L truck mounted on a vehicle dynamometer where engine RPM and Load were varied when fitted with and without Empire FES technology. Key conclusions were:

- There are both direct and observable increases to ICE: Fuel Efficiency; HP; and Torque upon adding the Empire FES unit.
- Improvements in HP, Torque and Fuel Efficiency were noted in 73 – 78% of results analyzed.
- Overall, these tests demonstrated some of the clear and positive impacts of the Empire FES technology in enhancing ICE performance and these constitute a solid baseline from which to move forward on this design and technology.

### Engine Dynamometer Tests

Using a HI-EFF Taylor Dynamometer and Machine Co. Inc. Model DX33 dynamometer, Dr. Self conducted a range of tests on the Empire FES technology on a Detroit Diesel Series 60 12.7L ICE. Specific conclusions from this testing were:

- significant fuel savings are achievable and repeatable using Empire’s FES technology;
- Empire has proven the design integrity of its prototype FES Unit.
- Emissions: a maximum 13.1 percent (average 10%) decrease in fuel consumption whilst maintaining the same RPM and power output which would indicate that emissions were also reduced by this percent amount.



## Speed Trials

This performance measurement focused on speed testing through a road test when operated with and without the Empire FES technology, where we used a Ford F-350 truck. An incline of approximately 2.5Km in length was chosen with an elevation increasing from 149m ASL (Start) up to 273m ASL (End). The tests concerned stopping the vehicle and then pressing the accelerator to the *floor* as fast as possible and noting (with a stopwatch) the time to reach 90KM/h – this being indicative of likely truck highway speeds of 55 mph. Truck vehicle parameters were maintained the same for each test, namely:

- 4WD Traction Control OFF; and,
- Hill Descent Control OFF.

The key Measure of Effectiveness (MOE) for ICE performance relates to % time reduction to reach 90Kmh when the Empire FES is attached compared to the time achieved when it is not attached. Specific conclusions from this testing were:

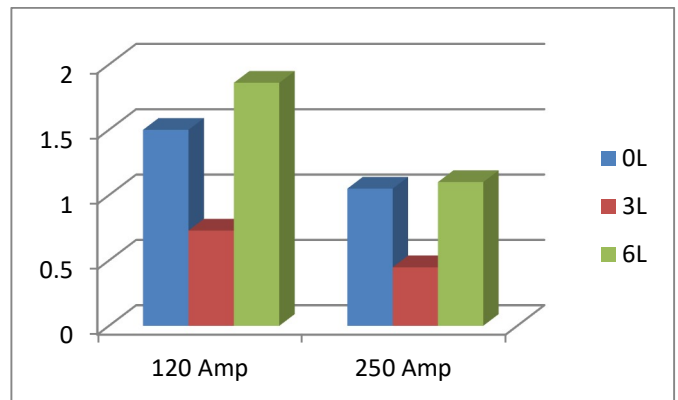
- The F-350 takes approximately 10 secs to reach 90 Km/h from a stop position.
- With the Empire FES unit attached, there was a consistent and shorter time to 90Kmh. Based on average run times, there is a 0.3 – 3% reduction in time to 90 Km/h using the Empire FES unit when supplying a gas flow of 3L/min.
- Based on best (fastest) run times, there is a 2.6 – 6.2% reduction in time to 90 Km/h using the Empire FES unit when supplying a gas flow of 3L/min.
- These speed tests confirm the Empire Fes technology as enabling increased ICE power consequent upon the injection of a hydrogen and oxygen gas flow.

Dr. Self has concluded that based on its performance together with the specific system architecture of the Empire FES system makes this a unique solution to increased fuel efficiency, power and reduced emissions from high capacity (12-16L) ICE. Anyone wishing complete copies of Dr. Self's reports can contact Empire.

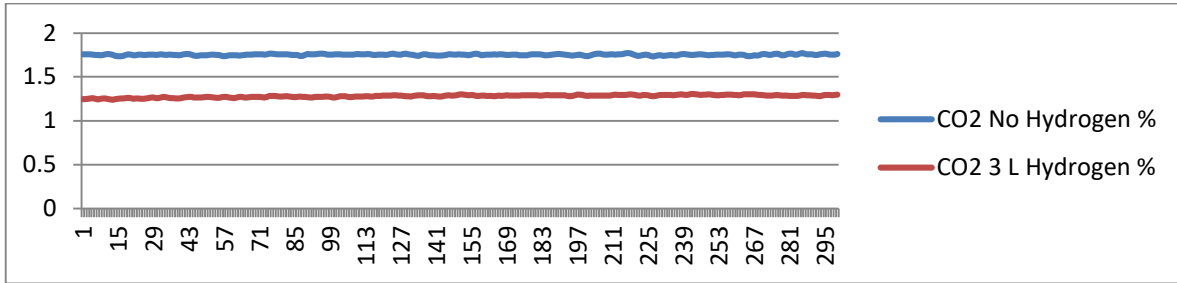
**Emissions Tests** Emissions testing was performed during the summer of 2018 at the British Columbia Institute of Technology (BCIT) School of Advanced Transportation, using a TSI Nanoparticle Emissions Tester Model 3795 on a 1998 E&EC 15L diesel generator.

**Diesel Particulate** results showed an average 56% reduction in diesel particulates with the generator operated at normal load of 15kW and 30kW and the Empire standard 3 litres per minute of A/G. Increasing the A/G glow to 6 litres per minute eliminated the benefits, indicating the fine tuning required for a successful implementation.

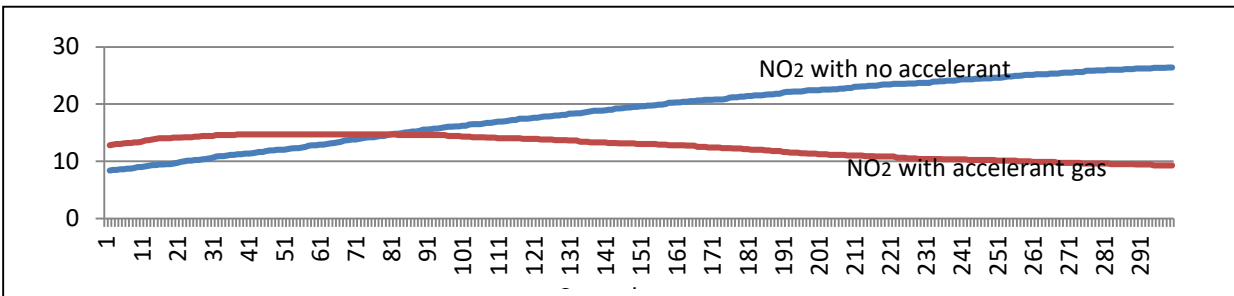
**Carbon Dioxide** results showed an approximately 27% reduction in CO2 emissions when 3 Litres per minute of A/G were introduced to the ICE.



Reduction in diesel particulates when moving from 0 Litres per minute of H<sub>2</sub>O<sub>2</sub> gases (blue bar) to 3 litres per minute (red bar) and then the increase when moving to 6 Litres per minute (green bar) with the generator loaded to 120A and 250A at 120V .



**Nitric Oxide** results showed a 47% reduction in combined NO and NO<sub>2</sub> with the introduction of 3 Litres per minute of A/G.



### 2.2.10 Technical Considerations

The FES delivers a measured combination of H<sub>2</sub>,O<sub>2</sub> accelerant gas and moisture to the engine, with the moisture component necessary to ameliorate rising internal engine temperatures leading to increased NO<sub>x</sub> production seen in other H<sub>2</sub>,O<sub>2</sub> systems. Challenges relating to cold climate implementation have arisen when this moisture has shown to freeze in the hose on trucks driving at highway speeds in temperatures below -30°C. Empire Hydrogen has developed heating designs to stop the FES from freezing overnight or for a weekend using only internal truck battery power, and for longer periods or in extreme cold using available AC power. Empire continues to work towards a solution to this issue.

Modern engines incorporate numerous sensors measuring a large number of input and output fuel, airflow and emissions criteria, combined with engine performance parameters under a wide variety of operating conditions. Each engine manufacturer and each engine model differs in how these measurements are made and the resulting variances in operational tuning. Empire continues to work towards understanding these tuning variables and the resulting implications for how injection of H<sub>2</sub>,O<sub>2</sub> accelerant gas impacts on sensor parameters and the ensuing fuel consumption and emissions implications.

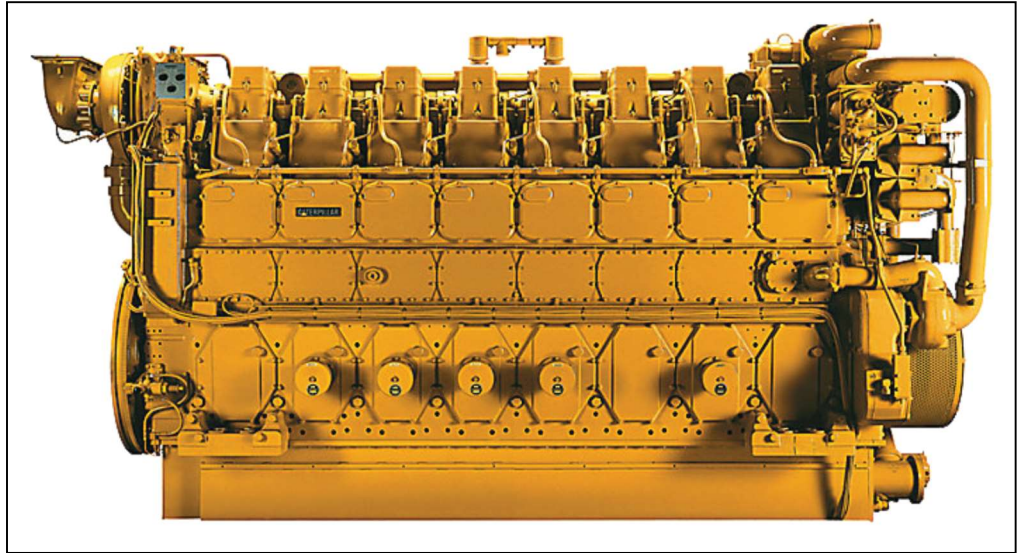
Class 8 transport trucks operating with full load under the most extreme conditions of climbing the Coquihalla Highway in British Columbia encounter intense engine stress and temperature increase. A small number of trucks operating with the FES have overheated leading to damage. Empire encourages operators to closely monitor engine temperature under these conditions and continues to investigate potential solutions.

### 2.3 Continuous Research and Development

As of September 2023, Empire continues the Technology Development Program while simultaneously working towards commercialization of the product. As with any technology company, Empire will continue to expend significant effort on research and development, always with a view to improving the product with regards to more efficient accelerant gas production, reduced cost of manufacturing, operation of units in extreme weather environments (hot or cold), extreme road conditions, and all other market challenges that we face as they arise.

Contemporaneously with the commercialization referred to above Empire will continue in ongoing R&D with the intention of developing technology for use in minimizing fuel consumption by ICEs used to power very large land based equipment such as generators (such as the 6,600 HP Cat 3616 pictured below) or railway locomotives and marine vessels with engines up to 100,000 HP.

Empire does not intend to compete in the marketplace as a provider of a single technology for use only by owners of operational ICEs. As a consequence, it will consider prospects for collaboration with teams made up of several technology providers that are collectively focused on giving one particular original equipment manufacturer (“OEM”) of tractors a competitive advantage over other tractor OEMs.



Empire will also consider collaborating with other companies that are focused on reducing ICE fuel consumption by modifying or introducing new: methods of diesel injection; means for varying the volume of fuel injected; means for changing the air to fuel ratios; and other disruptive technologies. It is too early to project costs that might be required to secure an advantageous agreement.

Empire is not averse to acquiring or licensing complementary technology developed by other entities if such procurement would move Empire toward realization of its vision. Projecting costs for acquisitions of unknown technologies is impossible.

### **2.3.1 Current Target Segment**

Empire sees the largest potential markets in two target groups:

**Class 8 trucks:** Heavy duty trucks are responsible for a disproportionately large amount of greenhouse gas production mainly due to their large numbers, very large engines and very long hours of driving each year. Governments have recognized that these trucks are the workhorse of industry and, rather than penalizing offenders, are offering substantial incentives to fleet owners in their efforts to reduce GHG emissions. For example the government of British Columbia offers thousands of dollars in incentives per truck to assist in reducing emissions. At the same time, these trucks typically burn more than \$10,000 in fuel per month and are in a highly competitive industry where a percentage saved in fuel cost contributes directly to the bottom line. The double impact of the Empire Fuel Enhancement System makes Class 8 trucks an attractive market.

**Generators:** The mining and oil & gas industries are particular targets in the fight against climate change and many institutions have halted investment in these industries because of their heavy GHG emissions. It can be safely said that the President’s comments in every annual report in these industries makes special mention of their efforts to reduce emissions. These industries operate many thousands of, often older generation, large diesel and natural gas powered generators in remote locations. While there are several promising GHG reduction technologies five, ten and twenty years in the future, Empire Hydrogen offers an

immediate, significant and highly visible contribution to solving this situation today. There is no other GHG reduction solution that can literally be installed and working today.

### **2.3.2 Other and Future Target Segments**

It is believed that all ICE owners can benefit from Empire's technology. As indicated above, our initial focus will be on large trucks and generators. It should be noted that within Canada there are reported to be 800,000 pieces of equipment that burn more than 40 liters of diesel per hour of which trucks make up only 40%. Over time, the size of our target segment is anticipated to increase to include heavy construction equipment, heavy exploration and development equipment, railway locomotives, electrical power generators and large marine vessels.

### **2.3.3 Impact of Government Intervention**

Government intervention creates market opportunities that might not otherwise exist. For the past several decades, scientists have been warning of the risks associated with increases in hazardous engine emissions. In response to these pressures, in the 1990s, multi-national organizations and their members began making treaties and passing laws with the intention of minimizing emissions consequent upon human activities.

Intervention in the form of legislation that mandates changes in technology and in the form of incentives for companies and/or investors is giving our Company very significant opportunities. For example:

- As signatories to the Paris Climate Agreement, Canada, the U.S. and other countries have committed to reducing greenhouse gas emissions through a variety of legislated measures.
- The Government of Canada, through the Green Freight Assessment & Implementation Programs, is offering a rebate to truckers installing GHG reduction measures, including a \$4,000 rebate on installation of the Empire Hydrogen Fuel Enhancement System.
- The Government of British Columbia, in a joint venture with the BC Trucking Association, is also offering a rebate to truckers installing GHG reduction measures, including a \$4,000 rebate on installation of the Empire Hydrogen Fuel Enhancement System.
- The government of Metro Vancouver is substantially increasing levies charged on off-road diesel engines for diesel particulate and NOx emissions. For example a diesel generator might pay up to \$2,500 per year in levies. The Empire Hydrogen Fuel Enhancement System substantially reduces these emissions.
- In 2011, the US Government imposed regulations requiring reductions in highway transport fuel consumption equal to 20% of 2009 fuel use (based on tons of cargo moved) by the end of 2017. They have since added more onerous regulations. In accordance with the most recent regulations fuel consumption must be reduced by a further 24% during the period 2021 to 2027, for a total of 39.5% over a 16-year period.

### **2.3.4 Certifications**

Empire Hydrogen has assumed several safety credentials for the FES:

- U.S. Environmental Protection Agency (EPA) registration 292520001 H<sub>2</sub>O<sub>2</sub> Accelerant Gas
- ISO – Compliant with ISO 22734 Hydrogen Generators using water electrolysis – Industrial, commercial and residential applications
- CSA – The internal AC to DC transformer is certified to CSA 22.2 213M1987 for use in Class 1, Division 2 hazardous locations.
- CE - compliant with CE, Directive 2009/125/EC – Ecodesign for Energy Related Products

### **2.3.5 Environment Canada**

Environment Canada has published ERMD Report No. 2004-32v2 which studies the exhaust emissions and fuel consumption of a vehicle equipped with an H<sub>2</sub>O<sub>2</sub> accelerant gas generator broadly similar to the Empire Hydrogen system. The reported outcome of the study was that there was no improvement in engine efficiency or fuel economy.

Empire has been in contact with the author and now has the full report from Environment Canada. It was learned that the equipment used for the test was similar to, but different to that being built by Empire today. Most significantly, the method of injecting the H<sub>2</sub>O<sub>2</sub> accelerant gas into the engine was very different entailing a pressurized hydrogen injector to force the H<sub>2</sub>O<sub>2</sub> accelerant gas into the air intake after the turbo charger. Empire, on the other hand, introduces the H<sub>2</sub>O<sub>2</sub> accelerant gas before the turbo which distributes the hydrogen and oxygen more uniformly and does not interfere with the turbo pressure. Such interference cannot be discounted as a possible cause of different results with the tested setup. The Environment Canada tests were conducted with a vehicle on a chassis dynamometer, emissions measured and efficiency numbers calculated. The vehicle was not road tested.

The same H<sub>2</sub>O<sub>2</sub> accelerant gas equipment was tested in 2008 to test procedures SAEJ1321 by an independent consulting practice, Emisstar LLC, "a company focused on the scientific, business, policy and public health issues surrounding public health issues". Two vehicles were tested and the results were an improvement in fuel economy and a reduction of emissions.

It should also be noted that the Environment Canada study was carried out in 2004, at that time emission systems on heavy duty vehicles were different than today. In particular Diesel Particulate Filters were not in use. These filters collect soot and other particulates and periodically, when sensors detect an increase in pressure, fuel is directed into the filter and the particulates incinerated. The use of fuel for the operation of the DPF is reduced with the Empire H<sub>2</sub>O<sub>2</sub> accelerant gas system.

### **2.3.6 Government Business Incentives**

The Government of Canada provides specific incentives to corporations conducting scientific research & experimental development ("SRED") in respect to technologies relevant to reductions in fuel consumption and emissions of GHG and CAC. A Canadian Controlled Private Corporation ("CCPC") can, under certain circumstances, receive a cash refund equal to approximately 62% of its qualifying SRED expenditures.

The difference in out-of-pocket cost that would be required absent the ITC incentive and the out-of-pocket cost that is required for a CCPC from British Columbia to prosecute SRED is illustrated in the adjacent table. The assumption used in the table in respect to the applicable BC combined federal and provincial CCPC tax rate is 13.5% (the rate that was effective for 2014 and is effective for 2015). As illustrated, if the ITC incentive were not available, a CCPC would have an out-of-pocket cost of 86.5% of its SRED expenditures made whereas a CCPC that benefits from the incentive has an out-of-pocket cost of only 27.26%. Governments have and are covering 62.74% of qualifying SRED costs for BC's CCPC.

The province of British Columbia provides incentives to its residents through a cash refundable tax credit program for investors in Cleantech Ventures. Investors who acquire securities issued by an Eligible Business Corporation ("EBC") through their Self-Directed Registered Retirement Savings Plans ("SDRRSP") may obtain combined provincial and federal tax concessions up to 75% of the total they investment (to a maximum \$1,400,000 per individual). (See Item 6 Income Tax Consequences and RRSP Eligibility.)

The province of British Columbia also provides incentives for customers of Empire Hydrogen with the CleanBC Heavy Duty Vehicle program which will reimburse one half the cost of the purchase and installation of an Empire Hydrogen Fuel Enhancement System.

**2.4 Long-Term Objectives**

In the immediate term, Empire intends to hire direct salespeople to sell the FES across North American and around the world, and to work with independent distribution partners where appropriate. Future objectives include developing larger systems for locomotive and large generator engines, and much larger systems for ship engines. These objectives will require substantial investment in R&D.

**2.4.1 The Canadian Target Market**

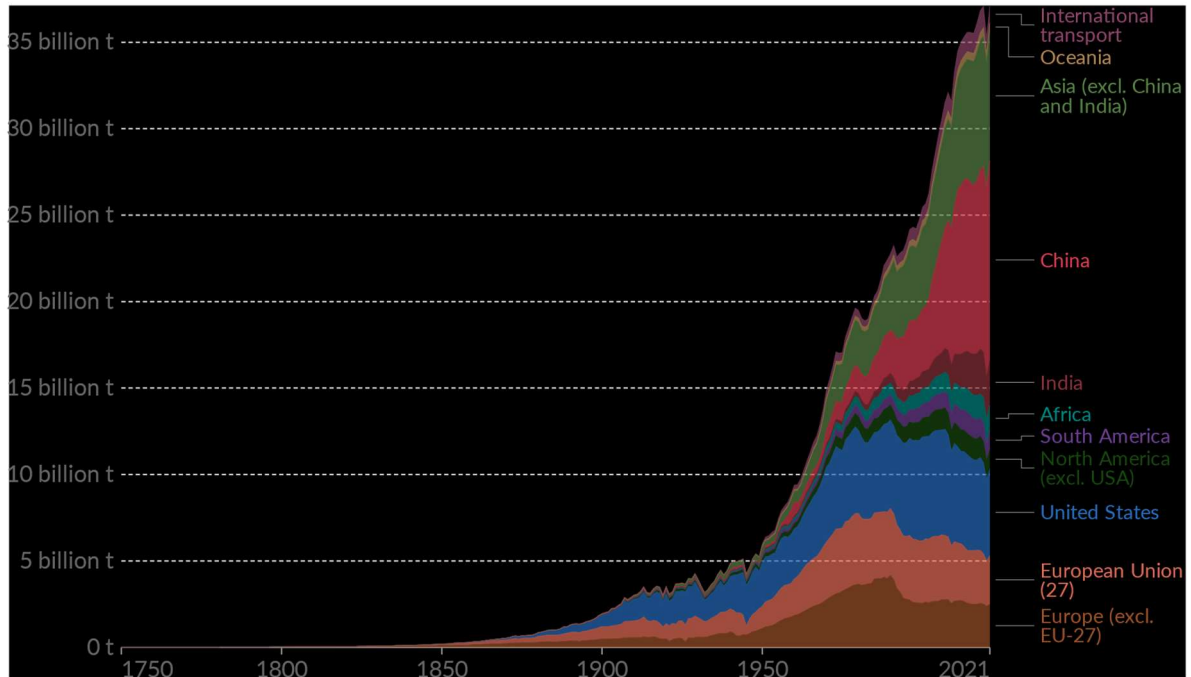
Canada’s Prime Minister, Justin Trudeau, has often stated that the Liberal Government will be very proactive in initiating changes to minimize global warming and climate change. If the government follows through on these promises, Canadian truckers, and possibly other ICE owners could have their businesses impacted upon by legislation comparable to that now in existence in the EU and in the USA. In particular, through the Green Freight Assessment and Implementation programs, Natural Resources Canada (NRCan) has recently adopted a policy of paying for half the cost of improvements that serve to reduce fuel consumption and green-house gas emissions in the freight transportation industry.

**2.4.2 The Target Market**

As illustrated in the chart duplicated below CO2 emissions have increased significantly over the past 200 years.

**Annual CO<sub>2</sub> emissions by world region**

This measures fossil fuel and industry emissions<sup>1</sup>. Land use change is not included.



Source: Our World in Data based on the Global Carbon Project (2022)

OurWorldInData.org/co2-and-greenhouse-gas-emissions • CC BY

The Chart below reveals fuel consumption details, provided by the USA’s Environmental Protection Agency (“EPA”), in respect to the sectors most relevant to our target markets (current and future). 59.3 billion gallons of diesel were burned in 2014 in the USA.

	Volume (Billion Gallons)	Energy (Tbtu)	CO <sub>2</sub> (Tg)
<b>Transportation<sup>8</sup></b>			
Light-Duty Vehicles	1.7	234.3	17.3
Passenger Cars	0.4	56.2	4.2
Light-Duty Trucks	1.3	178.1	13.2
Buses	1.6	219.9	16.3
Medium- and Heavy-Duty Trucks	34.1	4,734.9	350.2
Recreational Boats	0.4	50.1	3.7
Ships and Boats	0.7	103.5	7.7
Rail	3.9	544.0	40.2
<b>Non-Transportation<sup>9</sup></b>			
Agricultural Equipment	4.2	584.1	43.2
Construction Equipment	6.8	948.5	70.1
Other Non-Transportation Mobile	2.8	387.9	28.7
Ships and Boats	1.4	211.1	15.8

The size of the US tractor-trailer market and its significance to Empire should be noted. It is almost twice as large as the European market (27 EU members, 4 non-EU members, and 3 EU applicant countries), which collectively have just over 1.7 Million registered highway tractors. And it is 10 times larger than the markets in Canada and Australia, each with approximately 300,000 highway tractor-trailer rigs.

### 2.5 Short-Term Objectives

Objectives	Number of months to complete	Cost (total)
<b>Production</b>		
Hire production staff	1 month	\$180,000
Build inventory to cover anticipated requirements	3 months	\$240,000
Develop technologies and processes suitable for scalable manufacturing	6 months	\$180,000
<b>Sales &amp; Marketing</b>		
Hire Salespeople within key markets across Canada & USA	6 months	\$500,000
Attend industry trade shows	12 months	\$200,000
Print and Social Media marketing campaign	12 months	\$300,000
<b>Product Development</b>		
Ongoing engineering & development	12 months	\$300,000
Product Testing	12 months	\$200,000
Administration and IP Protection Costs	12 months	\$106,000
Salaries	12 months	\$600,000



Empire contemplates obtaining all of the Funding (i.e., \$4,200,000) needed for the realization of the objectives set out above through full subscription for the shares being made available through this Offering Memorandum. However, it will continue to apply for government research and development assistance through SRED and NCR-IRAP plus other Government incentive Green technology grants. Given the contemplated research expenditures that should be deemed to qualify, an application will be made for 50% of the costs not incurred at the time close of the date applications must be submitted. Empire has received substantial SRED grants in the past.

## **2.6 Insufficient Funds**

Funds available under this offering may not be sufficient to accomplish Empire's proposed objectives.

## **2.7 Material Agreements**

The following list summarizes the material agreements to which Empire is a:

1. Engagement with MSLL CPA Chartered Accountants for audit services.
2. Engagement with Crease Harmen LLP for legal services.
3. Management Agreement with S.O. Tjelta & Associates Inc. (Wholly owned by Sven Tjelta).

## **2.8: Industry Risks and Competition**

### **2.8.1 Changes in Legislation**

Within the USA, tractor-trailer rigs are limited in length and load weight. Maximum cargo weight is 80,000 pounds. In Europe, single tractor loads of up to 120,000 pounds are permitted. In Australia, where road trains (several trailers pulled by one tractor) are permitted total cargo weight may be 250,000 pounds) A change in US legislation that would allow truckers to: pull longer trailers, pull more trailers, carry larger loads, and form platoons (with several trucks being separated by as little as 25 feet) would, without any changes to ICEs, tractors or trailers, result in very significant fuel use reductions. Even though the USA is currently focused on requiring improved performance without amending the legislation governing the size of transportation vehicles, we must be cognizant of the potential for legislative changes.

### **2.8.2 Improvement in ICE Performance**

In spite of a widely held belief that further research into ICE performance is not justified, we believe the low cost associated with installation and use of our A/Gs will appeal to the market seeking better engine performance at a low cost. For that reason, we are not and will not be the only company that thinks there is room for improvement in ICE performance. Consequently, we expect to have both direct (comparable technologies) and indirect competition (alternative technologies).

Dynacert Inc. should be considered a direct competitor. It is based in Ontario and is focused on optimizing engine controls for large diesel engines; the target market of Empire. It promises better fuel delivery and safe, reliable and optimum combustion to maximize fuel efficiency and emissions reduction. Dynacert claims its customers include some of the world's largest trucking companies. However, our investigation indicates that Dynacert is in much the same startup situation as Empire, with very limited sales and working to build a market for this product.

### **2.8.3 Changes in Vehicle Design**

There is an almost universal industry consensus that the most cost effective means for improving fuel efficiency is to make transport-trucks more aerodynamic. On the highway a significant amount of fuel is burned simply in overcoming aerodynamic drag (wind resistance).

Today’s vehicles are far more aerodynamic than were those of the past. Notwithstanding that fact, there remain many relatively inexpensive ways to improve aerodynamics.

Gaps between tractor and trailer can be shortened. Lower tractors, smaller bumpers, smaller mirrors, fewer running lights, rounder trailer edges and corners, trailer side skirts, boat tail trailer extensions, wheel covers, fewer but wider tires and so on would all combine to very significantly improve aerodynamics and reduce fuel burn.


In late 2014, the Cummins Consortium announced that its Super Truck demonstrated a 10.7 mile per gallon (“mpg”) fuel efficiency (21.5 liters/ 100 kilometers) over a 500 mile (825 kilometer), round trip, performed under real world conditions. When the 2011 requirements were introduced, the norm was 4.5 to 6.5 mpg with the average being about 5.5 mpg. At 10.7 mpg the Cummins Consortium demonstrated an increase in fuel efficiency of 64.6% relative to the previous best in range, 237.8% relative to the previous worst in range and 194.6% relative to the average. It has therefore evidenced its ability to meet and exceed the 2011 and P2R combined target of a 64.5% fuel efficiency increase.



**2.8.4 Modifications to Vehicle Components**

Tractor and trailer components manufacturers, other than those that collaborated in the Cummins Consortium are well aware of things they can change to improve fuel economy.

Weight reduction is an advantage of single wheel-tire assemblies. North American 18-wheeler truckers can save 1,400 pounds in wheel and tire weight by using Alcoa’s single wide wheels rather than dual narrow wheels.



**22.5" x 14" Wide Base Wheels**  
The lightest wheels in their class.

Wheel Description	Part Number	Max Load (lbs)	Approx. Weight (lbs)	18-wheeler Max Weight Savings
22.5 x 14	84360x	12,800	54 lbs	1,400 lbs
	84362x			

Michelin claims that replacing the narrow dual wheels and tires now used on North American tractor-trailer rigs with a single, wider (but lighter) wheel and tire would reduce fuel consumption by 10%. European tractor-trailer rigs have, for decades, used single wheel-tire assemblies rather than two wheel, dual tire assemblies, as evidenced below.



Note: large single wheel-tire assemblies; short distance between the cab and trailer and skirts between the front tires and drive tires (vehicle on the right); and, low to the ground, streamlined bumpers.

Both tractor cab and trailer manufacturers also know how to improve efficiency. Lighter weight cab and trailer parts and entire units can be built from aluminum, fiberglass and/ or carbon fiber components. Peterbilt, Freightliner, Mack, International, Kenworth, Volvo and other original equipment manufacturers (“OEM”) plus aftermarket component suppliers such as ConMet, Dana, Meritor, Fointaine Fifth Wheel, Accuride, Jost and so on offer customers light weight components in the form of day cabs and sleeper cabs, composite springs and the proprietary suspension systems, drive shaft components, brakes, battery disconnect systems and other items.

Rear axle drive shafts, differentials and axles are also subject to discussion by North American truckers. Typically, US truckers have used four drive wheels (6X4) in six wheel tractors. European, South American and Asian truckers have typically used two drive wheels (6X2) and typically have the ability to transfer tire air and to raise the non-powered back wheels so that among other things they have better traction in snow and can drive with fewer tires on the road when traveling with no loads or light loads. Tests recently conducted in North America evidence fuel savings of up to 3% when 6X2 rather than 6X4 configurations are used.

### **2.8.5 Failure to Become a Consortium Member**

It is sometimes important for companies to be members of a consortium that is dealing with an OEM. Consortia now exist for the purpose of manufacturing aerodynamically efficient tractors and trailers. If Empire is to be successful in having its A/Gs incorporated into new production vehicles it may have to become a member of a consortium. It will strive to be included in a consortium of the type organized by Walmart.

Walmart collaborated with Peterbilt Trucks, Roush Engineering, Great Dane Trailers, Capstone Turbine, Qualnetics Corporation, Allison Transmission, Transpower, New Eagle, Fiber-Tech Industries, Grote Industries, Inc., Laydon Composites Ltd., Isringhauser Seats, Graykon, LLC, Dometic Corp, RealWheels Corp, Corvus Energy, Parker Hannifin, Accuride, Milliken Chemical, SAF-HOLLAND USA, Inc. and Whiting to build a proof of concept vehicle that was debuted in mid-2014. Almost every component on Walmart’s rig is disruptive of the industry *status quo* and showcases innovations of the type that will drive increased fuel efficiencies and lower GHG emissions in the near term future. The prototype vehicle is pictured below.



### **2.8.6 Changes in Preferred Energy Source**

ICEs that burn diesel have been the standard means for powering highway transportation trucks for generations. But, there are other means for generating the power required to move large loads of cargo on highways.

Hybrid power plants (most noticeably micro turbines and battery packs) would enable tractors to be operated within cities almost exclusively on battery power. Turbines run on virtually any liquid fuel meaning a single engine could burn diesel, propane, natural gas, methanol and other fuels.

Natural gas has the highest energy/carbon ratio of any fossil fuel and thus produces less carbon dioxide per unit of energy. Compressed natural gas (“CNG”) and liquid natural gas (“LNG”) are viable fuels for reducing GHG. Natural gas emissions contain only trace amounts of nitrous oxide (“NOx”) emissions and approximately 76% of the carbon dioxide (“CO2”) emissions of diesel fuel.

Worldwide, there were 22.7 million natural gas vehicles (“NGV”) at the beginning of 2015, led by China (4.44 million) and followed by Iran (4.00 million), Pakistan (3.70 million), Argentina (2.48 million), India (1.80 million) and Brazil (1.78 million). The Asia-Pacific region leads the world with 6.8 million NGVs, followed by LatinAmerica with 4.2 million vehicles.

LNG is in the early stages of becoming a mainstream fuel for US transportation. It is being used for on-highway trucking, off-road transportation and construction equipment, marine vessels and railroad locomotive applications. Public LNG fueling facilities are in place. The 2013 National Trucker's Directory listed approximately 7,000 truck stops, being approximately 1% of all US truck stops, as having LNG available. In February 2015, UPS had over 1200 LNG fueled tractor- trailer trucks on the roads.

LNG boils at approximately -160C. Therefore, by using a simple heat exchanger a small amount of LNG can be converted to its gaseous form at extremely high pressure with the use of little or no mechanical energy. A properly designed high-horsepower engine can leverage this extremely high-pressure energy dense gaseous fuel source to create a higher energy density air-fuel mixture than can be efficiently created with a CNG powered engine. LNG engines when compared to CNG engines show more overall efficiency in high-horsepower engine applications when high- pressure direct injection technology is used.

The Westport HDMI2 fuel system is an example of a high-pressure direct injection technology that does not require a turbocharger if teamed with appropriate LNG heat exchanger technology. The Volvo Trucks 13-liter LNG engine is another example of a LNG engine leveraging advanced high-pressure technology.

Westport recommends CNG for engines of 7 liters or less displacement and LNG with direct injection for engines of between 20 and 150 liters. For engines between 7 and 20 liters either CNG or LNG is said to be appropriate.

### **2.8.7 Governments Funding Competitors**

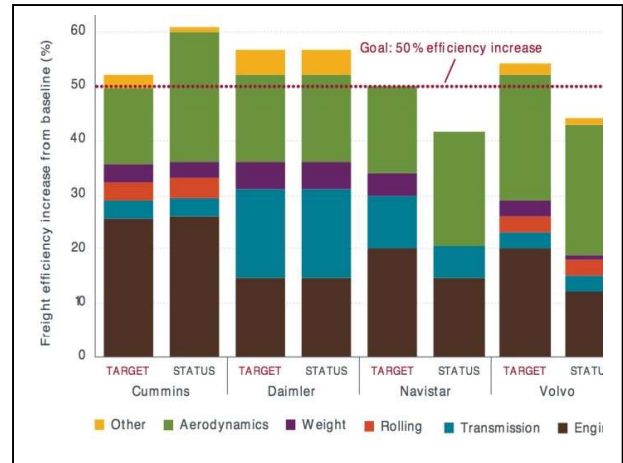
Governments want to see industry succeed in developing technologies that will be effective in reducing fossil fuel use and in reducing GHG emissions. As a consequence, they will fund the organizations they think have the ability to achieve their goals. We will therefore have to compete with other organizations that receive government funding, subsidies and other incentives, both within and outside Canada. One competitor is Cummins Westport.

Vancouver BC based Cummins Westport (“CW”), qualifies for lower percentage government funding than we do but it is able to procure significant funding as a consequence of being based in BC and it is taking advantage of its BC situs. On May 6, 2015, CW announced it will begin field tests of a spark ignited natural gas engine capable of producing Near Zero NOX emissions – well before the 2023 California Near Zero NOX schedule for Low NOX vehicles takes effect. CW believes its Stoichiometric EGR Spark Ignited (**SESI**) natural

gas engine is ideally suited to provide an economic and efficient solution to California's air quality improvement initiatives. Development and testing are being funded, in part, by South Coast Air Quality Management District (**SCAQMD**), SoCal Gas and California Energy Commission (**CEC**).

The US Government provided four consortia with USD 80 Million each (total USD 320 Million) to undertake scientific research for the purpose of discovering means by which to reduce 2009 fuel consumption figures (based on tons of cargo transported) by 50%. The consortia were headed by Cummins, Daimler, Navistar and Volvo.

The adjacent graph shows progress made to the end of 2011. All groups achieved the 50% efficiency increase target by 2014 – demonstrating their ability to satisfy the Obama Administration's pre-2018 requirements.



### 2.8.8 Summary

Each of the above-mentioned programs has developed technology and products that will have a very high capital cost. As mentioned earlier, the U.S. administration believes transport truck drivers will pay \$25 Million in capital costs to achieve fuel savings of \$235 Million over 16 years. We must therefore expect to see a lot of money invested in research relating to the technologies and fuels referred to above. Empire is aware of the competition and the risks it faces; however, we believe the low cost associated with installation and use of our A/Gs will appeal to the market seeking better engine performance at a low cost and that the returns on capital/ investment costs associated with our A/Gs will be considered very competitive. In a free economy there is never one organization that captures the entire market. It is probable that two or three groups will capture large shares of the markets in which we will compete. We intend to be included.

## Item 3: Directors, Management, Promoters and Principal Holders

### 3.1 Compensation and Securities Held

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation in the most recent financial year and anticipated in the current financial year (\$)		Number, type and percentage of securities held on completion of minimum offering		Number, type and percentage of securities held on completion of maximum offering (2)(3)	
		Oct 1, 2021 To Sept 30, 2022	Oct 1, 2022 To Sept 30, 2023	(#)	(%)	(#)	(%)
S.O. Tjelta & Assoc. (Sven Tjelta) North Saanich, BC	President, Secretary/Treasurer, Director	\$110,000	Up to: \$180,000	5,040,000	22.5	5,040,000	18.3
Peter Bacsalmasi North Saanich, BC	Director	-	-	-	-	-	-
Fred Jung Vancouver, BC	Director	-	-	-	-	-	-

Mike Percy North Saanich, BC	Director	-	-	-	-	-	-
Dale Bellavance Saanichton, BC	Director	-	-	-	-	-	-
Hardscrabble Capital Inc. North Saanich, BC	Shareholder	-	-	5,000,000	22.3	5,000,000	18.2

- (1) If the minimum offering is completed, we will have approximately 22,398,210 issued and outstanding common shares.
- (2) If the maximum offering is completed, we will have approximately 27,398,210 issued and outstanding common shares
- (3) Assumes that no options will be exercised by these individuals during the offering.

### **3.2 Management Experience**

Sven (Roy) Tjelta – Chair and CEO. Sven is an entrepreneur and business consultant with expertise in electronics and with over five decades of business direction and senior management experience in diverse fields. Most relevant to his position as Chair and CEO of the Company is his experience as the founder, chair and chief executive of several successful hi-tech start-ups, including the three focused on electronics and discussed in detail below.

Microdyne Modular Electronic Systems Inc. (electronics manufacturing). Microdyne conducted research and development and manufactured industrial electronics equipment for the plywood and lumber industry. Sven raised over \$1 million in seed capital and grew company sales to over \$2 million prior to negotiating a deal for the company's sale through a takeover.

Capital Electronic Services Limited (marine telecommunications). Capital was primarily active in designing, manufacturing and servicing marine radio equipment. It also designed, manufactured and serviced VHF equipment for municipal governments. When the company's annual sales exceeded \$1 million, its employees acquired outright ownership.

Lotus Technology Corp. (electronics research and development). Lotus was a research and development company, involved in the development of electronics equipment for "smart buildings". It obtained \$4.5 million in research grants, under the federal government's scientific research and experimental development program. The project was sold to, and taken over by, Leader Resources Ltd.

Sven is also one of the founders of Hyperstealth Biotechnology Corp. That company has revenues in the \$ Millions, earned as a supplier of digital patterns for military and sports camouflage uniforms. The company has received several takeover offers but the founders are not ready to sell yet.

In addition to his involvement with the above-referenced companies Sven has provided founder's capital and/or been responsible for raising seed capital for many other start up and early growth stage companies.

Sven is the Company's leader. It is because of his previous businesses successes, his investment in the Company, and his vision and mission statements that he attracts competent people and inspires them to excel, believing that success is the only result that will be acceptable to them.

Dale Bellavance – Director Dale got his business start in the early 1970s in the field of real property development. From residential construction he moved on to building roads, bridges, log dumps and large work-crew camps, primarily for the forest industry, and gaining significant experience in directing and



managing organizations. He subsequently expanded his business reach into the development of commercial properties and the construction of light industrial and small commercial facilities. In 1988 he was invited to become a support member for a conglomerate of 28 companies building hotels throughout Mexico. Working under the umbrella of Grupo Troya in a direct partnership with the Federal Government of Mexico's tourism department, Fonature (Nacional de Formento al Turismo), he served as the conglomerate's marketing director and also conducted overall project management, eventually overseeing the completion of three major hotels. After completing his Mexican engagement, he undertook additional commercial and residential developments in Canada and became involved in manufacturing lighting specifically designed for the industrial sector. His broad range of experience in company direction and management will contribute significantly to the effectiveness of the Company's board.

Andrew Evans – Executive Vice President. Andrew has 34 years of business experience in the field of product commercialization. His particular specialty is in taking technology companies from startup to rapid growth and high profitability. Andrew holds Chartered Financial Analyst professional designation and a Bachelor of Law degree, with a concentration on international business law. His successful background includes JSF Technologies, manufacturing solar powered beacons for crosswalks, school zones and warning signs, taking the company from startup to first place in the industry; ISDN Wire Service, taking this corporate newswire from startup to second place in the industry; International Solar Signal, bringing solar powered traffic signals to Africa. Andrew started his career as a highly successful stockbroker, raising millions of dollars for public companies.

Peter Jensen – Advisor Peter earned his Bachelor degrees in Science (biology) and Law (both common and civil) at McGill University. While earning his science degree, Peter conducted diabetes research at the Royal Victoria Hospital (Montreal). In 1981, he began specializing in corporate and securities law, in British Columbia. He has since gained significant experience in trans-border transactions. He has a special understanding of the challenges that face corporate directors and managers. He has been, and is, a director on the boards of a number of privately held and publicly traded companies (capitalization into the hundreds of millions) and he has assisted in raising of capital, with the quantum ranging up to one hundred million dollars, in Canada, the United States, Europe and the Orient. Peter is currently a director of Deer Horn Metals, is Board Chair of Replifel Life Sciences.

Kim E. Johnson – General Counsel and Government Incentives Kim was called to the Saskatchewan Bar in 1982 and to the British Columbia Bar in 1984. His preferred areas of practice include business, tax, securities, estates and trusts. His client base includes: start-up entities, individuals, partnerships, limited partnerships, trusts and private and public companies that own established businesses of various sizes. He has gained significant experience in business organization business planning and coordination of projects involving several parties with diverse interests. Kim is a former partner in MacPherson Leslie & Tyerman LLP during which time he was involved in the \$5 Billion Hibernia Project and the privatization of Potash Corporation. He is now a lawyer with Jawl Bundon LLP, based in Victoria BC and he is currently a director for several private companies and one public company.

Victor Leginsky – International Private Law Specialist Mr. Leginsky is a Canadian with over 25 years of experience as a lawyer. He formerly practiced with Miller Thomson LLP, one of Canada's large national firms. He also served as CEO of QualitE-Learning Assurance Inc., a Canadian high technology company. He has practiced law in both the public and private sectors. He is currently a legal consultant and commercial arbitrator based in Dubai where he provides strategic counsel to transportation, petroleum services, high technology, goods distribution, information and consulting companies doing business in the United Arab Emirates.



### 3.3 Penalties, Sanctions and Bankruptcy

No penalties or sanctions have been in effect during the last 10 years against any of Empire's directors, officers or control persons, or a company in which any such director, officer or control person was a director, officer or control person at the time.

None of the directors, officers or control persons, or a company in which any such director, officer or control person was a director, officer or control person at the time, has declared bankruptcy, been involved in a voluntary assignment in bankruptcy or a proposal under any bankruptcy or insolvency legislation, been involved in any proceeding, arrangement or compromise with creditors, or been involved with the appointment of a receiver, receiver manager or trustee to hold assets during the last 10 years.

### 3.4 Loans

There are not any outstanding debentures or loans due to or from directors, managers or principal shareholders.

## Item 4: Capital Structure

### 4.1 Share Capital as of September 1, 2023

Description of security	Number authorized to be issued	Price per unit	Number outstanding as at September 1, 2023 (Approx.)		Number outstanding after maximum offering (Approx.)
Class A Common shares par	No maximum	\$0.75	22,323,492		28,990,9158*

\*Assumes no exercise of share purchase options (up to 2,300 Class A Common Shares).

### 4.2 Long Term Debt

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at
\$ NIL	N/A	N/A	N/A

### 4.3 Warrants Outstanding as of September 1, 2023

Description of Warrant	Number	Exercise Price	Number outstanding as at September 1, 2023 (Approx.)		Number outstanding after maximum offering (Approx.)
Class A Common Warrant	217,626	\$.75	217,626		217,626
Class A Common Warrant	90,000	\$1.00	90,000		90,000

\*Assumes no exercise of share purchase options (up to 2,300 Class A Common Shares).

## **Item 5: Securities Offered**

We are offering for sale a maximum of 6,666,666 shares at a price of \$0.75 per share, for a maximum of \$5,000,000.

### **5.1 Terms of Securities**

#### ***Class A common no par value voting shares***

Meeting Attendance and Voting Rights The holders of common shares are entitled to receive notice of, attend and vote at all meeting of shareholders. Each common share entitles the holder thereof to one vote.

Redemption and Retraction Rights There are no redemption or retraction rights attached to common shares.

Dividends The Board of Directors may declare dividends on common shares in such amounts, at such times and in such a manner as the directors may determine in their absolute discretion, subject to the provisions of the *Canada Business Corporations Act*.

Remaining property The Class A shares are entitled to receive the remaining property of the Corporation pro rata based on the number of shares held.

#### ***Registration under the SBVC Act***

Registration as an EBC under the SBVC Act subjects the EBC to a number of obligations as set forth in the SBVC Act and the regulations there under.

The SBVC Act requires that the EBC carry on qualifying activities primarily within British Columbia.

The SBVC Act provides that an EBC may not return capital to its shareholders, without being liable to repay the Tax Credits to the Province of British Columbia, until a five-year statutory period has elapsed from the date that the investment was made. However, an EBC may pay dividends to its shareholders out of its retained earnings.

*Consequences of Non-Compliance* There are a variety of situations, which can cause an EBC not to be in compliance with the SBVC Act. The result of a failure to comply with the legislation varies depending upon the particular nature of the non-compliance but essentially the Administrator can require any non-complying EBC either to rectify the circumstances of non-compliance or to pay back the Tax Credits previously issued to the shareholders of the EBC.

At any time after five years has elapsed from the date on which an investment is made in the EBC, the EBC may ask the Administrator of the SBVC Act to issue a Forgiveness Order forgiving the contingent liability to repay the Tax Credits. The Forgiveness Order may be issued provided the EBC has complied with the provisions of the SBVC Act during the five-year period.

**The foregoing summary is very general and any prospective Subscribers who require further information on the provisions of the SBVC Act or the Regulations pursuant thereto are advised to consult their legal advisors.**

## **5.2 Subscription Procedure**

- (a) To subscribe for the Shares offered under this offering memorandum, you must make arrangements with the Issuer to satisfy the payment of the purchase price, and complete and deliver to the Issuer of:
- (i) a signed and completed subscription agreement in the form attached hereto as Exhibit “A” for Class A Common Shares;
  - (ii) a signed and completed risk acknowledgement form in the form attached hereto as Exhibit “B”; and
  - (iii) a signed and completed Share Purchase Report attached hereto as Exhibit “C” if you are a resident of British Columbia;
  - (iv) a signed and completed Risk Acknowledgement as applicable.
- (b) Funds delivered to the Issuer for the purchase of the Units will be held in trust for a period of two days from the date of receipt of the subscription agreement and payment from you.
- (c) Subscriptions for Units will be received, subject to rejection and allotment, in whole or in part, and subject to the Issuer’s right to close the subscription books at any time without notice. The Issuer reserves the right to reject any subscription for Common Shares in whole or in part. If the Issuer decides not to accept a subscription, it will promptly return all subscription proceeds to the purchaser without interest.

Closings may occur periodically as determined by the Board of Directors.

The offering is being conducted in all provinces and territories of Canada except Ontario pursuant to an exemption from the prospectus requirements under s. 2.9 of National Instrument 45-106 Prospectus and Registration Exemption (“NI 45-106”). This exemption is available for distributions to investors in all such provinces and territories purchasing as principals, who receive this offering memorandum prior to signing a subscription agreement and who sign a risk acknowledgement form. Purchasers in Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon who are investing \$10,000 or more must also qualify as “eligible investors”, as that term is defined in NI 45-106.

The foregoing exemption relieves us from the obligation under applicable securities legislation to file and obtain a receipt for a prospectus. Accordingly, prospective investors in Class A Common Shares will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

## **Item 6: Income Tax Consequences and RRSP Eligibility**

### **6.1 Nature of Commentary**

*Provided* You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.

### **6.2 Summary**

This commentary is of a general nature only and does not constitute a legal opinion or tax advice to any particular person. Nor is it intended to constitute a complete analysis of all possible income tax consequences.

The Board of the Issuer has prepared the following general summary of the principal income tax consequences to subscribers acquiring Shares in the Issuer, based upon the facts and assumptions set forth

herein. This summary is based on the Board's understanding of the Income Tax Act (R.S.C., 1985, c. 1 (5th Supp.)) ("Tax Act") and the Regulations thereunder as they currently exist, certain proposed amendments released by the Federal Minister of Finance and the prevailing published administrative practices of Canada Revenue Agency ("CRA") and those provisions of the British Columbia *Income Tax Act* ("B.C. Tax Act"), dealing with the Tax Credit available in respect of the purchase of shares of a corporation registered under the SBVC Act.

This summary does not take into account or anticipate changes in the law, whether by judicial, regulatory, governmental or legislative action other than the proposed amendments noted above. No application has been made for an advance income tax ruling on any aspect of the transaction proposed nor is it intended that such application be made. No assurance can be given that the Tax Act or the British Columbia Tax Act will not be amended in a manner, which will fundamentally alter the income tax consequences to a Subscriber owning or disposing of a Share.

This summary has been prepared on certain assumptions and applies only to subscribers who are individuals resident in British Columbia (not including estates or trusts) at the date the individuals subscribe for Shares in the Issuer, or corporations which maintain a permanent establishment in British Columbia who are not exempt from British Columbia income tax, who deal at arm's length with the Issuer, who acquired the Shares from treasury for cash, and who hold their Shares as capital property for the purpose of earning income there from. In addition, it has been assumed for the purposes of this commentary that at all relevant times, all expenditures of the Issuer are reasonable in the circumstances.

#### **6.2.1 Taxation of the Issuer**

Taxable Income The taxable income of the Issuer will be subject to tax at varying rates depending on its status as a Canadian Controlled Private Corporation ("CCPC") or a public corporation, as these terms are defined in the Tax Act, and the nature and level of its income.

Goods and Services Tax/ Provincial Sales Tax The Issuer will be charged Goods and Services Taxes ("GST") and Provincial Sales Taxes ("PST") at applicable rates on all taxable purchases and will be entitled to claim input tax credits or exemptions from tax in accordance with current legislation. The Issuer will be required to charge GST and PST to its customers and licensees pursuant to applicable, current legislation. Issuance of the Shares is exempt from GST and PST.

#### **6.2.2 Taxation of Shareholders**

British Columbia provincial tax otherwise payable by an individual is calculated as a percentage of tax payable under the Tax Act. Deductions and most tax credits claimed by an individual in respect of a taxation year pursuant to the Tax Act will reduce the British Columbia provincial tax otherwise payable by the individual for that taxation year and, therefore, may reduce the amount of the Tax Credit, which must be applied against British Columbia provincial tax otherwise payable for the year. This will not prejudice an individual's ability to claim a refund for the taxation year or to carry forward any unutilized Tax Credit to subsequent taxation years.

Individuals who do not owe tax may claim cash refunds in respect to British Columbia provincial tax in amounts up to \$60,000 for each taxation year in which they are entitled to a refund.

#### **6.2.3 Interest Expense**

A taxpayer is currently permitted to deduct interest paid or payable (depending on the method regularly used to calculate his income) pursuant to a legal obligation to pay interest on money borrowed for the purpose of earning income from an investment, and interest paid or payable on the unpaid balance of the cost of acquiring an investment, including an investment in Shares. Reasonable interest expense incurred

to purchase Shares should therefore be deductible by a Subscriber who acquires the Shares with a reasonable expectation of earning income from the Shares. Interest on money borrowed to acquire shares may no longer be deductible after the disposition (including a contribution to a RRSP, DPSP or RRIF) or deemed disposition of the Shares.

#### **6.2.4 Dividends**

A taxable dividend paid by the Issuer will be included in computing the taxable income of a subscriber who is an individual under the Tax Act as a dividend from a taxable Canadian corporation, subject to the normal gross-up and dividend tax credit provisions. While taxable dividends received from the Issuer by a corporation will be included in computing its income, the recipient corporation will generally be entitled to deduct an equivalent amount. However, a private corporation, or other corporation controlled by or for the benefit of an individual or related group of individuals, receiving portfolio dividends may be liable for a 33.33% refundable tax under Part IV of the Federal Tax Act on these dividends. This tax is refundable upon the payment of sufficient taxable dividends by the private corporation.

Subscribers will be deemed to have received a dividend on the repurchase or redemption of their shares of the Issuer equal to the excess of the amount paid by the Issuer over the paid-up capital of such Shares.

#### **6.2.5 Gains and Losses**

The portion of the amount paid by the Issuer to a Subscriber that is not deemed to be a dividend will be considered proceeds of disposition of the Share. The subscriber may realize a capital gain or loss to the extent that the proceeds of disposition exceed or are exceeded by the adjusted cost base of a Share.

#### **6.2.6 Individual Income Tax Installments**

An individual investor who is an employee and is required to have income tax withheld by his employer may apply to CRA for a reduction in withholdings on account of the Tax Credit to be earned during the year of his subscription. An investor who is required to pay income tax on an installment basis may, in determining his installment remittances, take into account his Tax Credit to be earned in the year of his subscription. Should the actual tax savings available to an investor be less than those projected, installment remittances may be less than required under the Tax Act. In this case, interest based on CRA's prescribed rate of interest plus penalties will be payable on the installment shortfall.

#### **6.2.7 Alternative Minimum**

*Tax* The Tax Act provides for a minimum personal income tax on individuals resident in Canada equal to 17% of the amount by which their adjusted taxable income exceeds \$40,000 per annum. In addition to any other federal tax payable, provincial tax will be payable in the normal fashion based on the amount of federal tax payable. In computing adjusted taxable income, the full amount of any capital gains are included with a deduction allowed for the amount of capital gains exemption claimed and certain other deductions, such as the annual contributions to an RRSP, are denied. Minimum tax payable is equal to the excess, if any, of the minimum tax over the income tax calculated in the regular manner and is recoverable to the extent that tax otherwise payable exceeds cumulative minimum taxes payable in any of the seven following taxation years. A claim for a Tax Credit will not result in Alternative Minimum Tax.

#### **6.2.8 Overview**

A disposition by a subscriber of Shares may occur, or be deemed to occur, in a number of circumstances including a sale or gift of such Shares, a sale or contribution to an RRSP, or upon the death of a subscriber.

#### **6.2.9 Capital Property**

The Shares of the Issuer will generally be treated as the capital property of a Subscriber unless he is considered to be a trader or dealer in securities or he acquired the Shares as an adventure in the nature of

trade. Thus, on any actual or deemed disposition of the Shares, a Subscriber will realize a capital gain or loss to the extent that the proceeds of disposition in respect of the Shares exceed, or are exceeded by, as the case may be, the total cost base of the Shares and reasonable costs of disposition. Fifty percent of any capital gain will be included in computing income.

#### **6.2.10 Allowable Business Investment Losses**

Net allowable capital losses after deducting taxable capital gains may be deducted from net taxable capital gains realized in any of the three preceding taxation years or in any subsequent taxation year. The Tax Credit received by a Subscriber will not reduce the adjusted cost base of his Shares.

If a corporation realized a capital, or fully deductible loss, upon disposition of a Share, the loss may, in certain circumstances, be reduced by the amount of the dividends received on the Share.

#### **6.2.11 \$883,000 Lifetime Capital Gains Deduction**

The Tax Act provides individuals resident in Canada with a cumulative deduction for net capital gains realized (to the extent that they exceed the aggregate of the cumulative net allowable capital losses claimed, cumulative allowable business investment losses realized and cumulative capital gains exemption previously granted) to a lifetime limit of approximately \$883,000, less the portion of the \$100,000 lifetime capital gains deduction claimed prior to February 22, 1994, for shares of “qualified small business corporations” as defined under the Tax Act. Whether the Issuer will be a “qualified small business corporation” will be dependent upon the nature of its assets, the business and investment activities, which it carries on, and its status as a private corporation whose controlling shareholders are resident in Canada. In addition, the Subscriber must have held the Shares for at least two years in order to claim the “qualified small business corporation” capital gains deduction.

The provisions of the Tax Act relating to the capital gains deductions are complex and subscribers should consult their own tax advisors with respect to the availability of the capital gains deduction in their particular circumstances.

#### **6.2.12 Cumulative Net Investment Losses**

The amount of the capital gains exemption available in any particular year is reduced by the amount of a taxpayer’s cumulative net investment losses. This is defined as the excess of an individual’s investment expenses for all years after 1987 over investment income for all such years. A taxpayer’s investment expenses, for this purpose, will include interest charges on money borrowed to acquire Shares. A taxpayer’s investment income will include any dividends received on Shares.

### **6.3 Deferred Income Plans**

The regulations to the Tax Act provide that a share of the capital stock of a prescribed venture capital corporation is a qualifying investment for an RRSP, DPSP or RRIF. Being registered under the SBVC Act the Issuer is a prescribed venture capital corporation and accordingly, the Shares should be a qualifying investment for an RRSP, DPSP and RRIF subject to certain restrictions in respect of percentage share ownership in Empire by the individual or parties related to the individual. For example, the Shares will not be a qualifying investment if an individual, together with his immediate family members, directly or indirectly, owns 10% or more of the issued shares and their aggregate investment is \$25,000 or more.

An individual is entitled to a maximum tax deduction from income of \$27,830 in respect to 2021 income tax filings, with respect to an amount contributed to an RRSP. Generally, the amount of allowable deduction is limited by several factors, including the amount of the individual’s earned income for the immediately preceding year and the amount of the individual’s aggregate pension benefits accruing within his registered

pension plans or deferred profit sharing plans, if any, in the immediately preceding year. Accordingly, an individual seeking to make an RRSP contribution for 2021 will be entitled to a tax deduction of up to \$27,830 plus unused contribution room carried forward from prior years, minus any pension adjustment.

The transfer of a Unit to an RRSP will result in the disposition for income tax purposes at an amount equal to the fair market value at the time of the transfer. The disposition will result in a capital gain equal to the excess of the fair market value of the Share over its adjusted cost base. Should the fair market value of the Units be less than its adjusted cost base upon contribution to the RRSP, no capital loss will be allowed.

### **6.3.1 Investment Example**

	Without RRSP	With RRSP
Subscription Amount	\$25,000	\$25,000
Less: Tax Credit	(7,500)	(7,500)
Net cost before RRSP	17,500	17,500
Less: RRSP tax savings at 45.0%	0	(11,250)

NOTE: The RRSP deduction is limited to 18% of earned income of the previous taxation year, up to \$27,830 (for 2020) plus unused contribution room carried forward from prior years, minus any pension adjustment.

Any self-administered registered plan can hold shares of the Issuer. For shareholders who do not have a registered plan or whose plan does not hold shares of private companies, the issuer is approved by Olympia Trust, as an administrator of registered plans, to hold Units.

### **Item 7: Compensation Paid to Sellers and Finders**

Compensation up to a maximum of 15% in cash or a combination of 8% cash and 8% share purchase warrants may be payable in connection with this offering.

### **Item 8: Risk Factors**

An investment in the Issuer's Class A common shares is speculative due to the nature of the Issuer's business and its present stage of development. Consequently, investment should be undertaken only by investors who have sufficient financial resources to enable them to assume such risks. The Issuer's shares should only be purchased by persons who can afford to lose their entire investment. Specific business risk factors include, but are not limited to, the following:

#### **(a) Investment Risk**

The Issuer will require additional financing to continue its scientific research and experimental development and complete the work that will be required to prepare itself for technology commercialization. There cannot be assurance that such financing will be made available on acceptable terms, or at all. If the Issuer is unable to obtain financing, its ability to complete the Beta Phase of its Technology Development Program and consequently to begin its Commercialization Phase will be inhibited, and its planned operations will be significantly and adversely affected.

The Issuer is subject to risks associated with start-up companies, including start-up losses, uncertainty of revenues, markets and profitability and the need for additional funding. The Issuer's future operating results will depend on a variety of factors, including the other risk factors discussed in this offering memorandum. The Issuer currently operates at a loss, and there cannot be assurance that it will operate profitably in the future.

The Issuer is not a reporting issuer as defined in the Securities Act, and its shares cannot be freely traded. Any resale of the Issuer's shares, at any time when it is not a Reporting Issuer, will be deemed to be a



distribution under the *Securities Act*, so that, in order to sell or transfer the shares a shareholder must either;

- (i) file preliminary prospectus and a prospectus with the British Columbia Securities Commission and obtain receipts therefore;
- (ii) obtain an order for a further special exemption under Section 76 of the *Securities Act* from the requirements of Sections 34 and 61 of the *Securities Act*, or
- (iii) sell the shares under an existing exemption from the regulation and prospectus requirements of the *Securities Act* or the Securities Rules

**(b) Issuer Risk**

The Issuer is in the process of undertaking a two-phase technology development program. The Alpha Phase was completed on September 30, 2015. The Beta Phase commenced on October 1, 2015. During the Beta Phase, the technologies, and the products into which they will be incorporated will undergo pre-production modification (consequent upon Alpha Phase final testing results) in order to prepare the Issuer for the commercialization of its technology. Before the Issuer can begin wide-scale commercialization: it will have to secure satisfactory agreements with marketing, manufacturing, distribution, installation and servicing licensees; it will have to train licensee personnel; and, it will have to oversee the setup of manufacturing and assembly lines, all as contemplated in its business plan.

There can be no assurance that: the Issuers' competitors (direct – through ICE modification and indirect – through substitute offerings) or prospective competitors will not exert significant pressures the Issuer; that the market will consider the Issuer's products to be superior or equivalent to existing or future offerings, or that the Issuer will be able to adapt to evolving market needs and/ or demands.

If for any reason the Issuer cannot consistently replicate the test results (many of which were anecdotal) achieved during its Alpha Phase of technology development) through the wide-scale, carefully monitored testing to be conducted during the Beta Phase there could be a significantly negative impact on the marketability of the Issuer's technology. Also, because engine technology and fuel and emissions control systems continually evolve, such evolution could affect the perceived utility of the Issuer's Accelerant Generator, unless the Issuer is able to adapt and improve its systems and components to keep pace with industry change, or successfully achieve its business development goals by targeting and exploiting market sectors less affected by such factors.

Failure of an Accelerant Generator during the Beta Phase or in the Commercialization Phase with resultant damages could have a negative impact on the Issuer's reputation and business. Although the Issuer has third-party equipment liability insurance for up to \$2,000,000 in total claims over the course of one year, such insurance may prove to be inadequate.

The Issuer is engaged in a start-up business with a core management, advisory board and development team, and the unexpected loss of any of these individuals could have a serious impact on its business.

The Issuer plans to operate internationally. As a consequence, it will be vulnerable to currency fluctuations. Although it intends to match costs and receivables to limit exposure and to purchase guarantees on its receivables (through Canada's Export Development Bank), significant losses could result as a consequence exchange fluctuations, global or domestic changes from a currency based system of trading to a money based system and the potential for the United States Dollar losing its position as the world's reserve currency.

***(c) Industry Risk***

The technology the Issuer is developing and incorporating into its A/G does not currently have broad market acceptance, or an established end-user market. There can be no assurance that the market and demand for its technology will develop in a timely fashion. There may also be delays in receiving approvals, which would facilitate market acceptance.

New technological or product developments may render the Issuer's technologies obsolete or reduce the asset value of its technologies and equipment incorporating them, including its A/G. In order for the Issuer to reach its planned revenue targets, it will need to expand its operations by licensing other entities to market its technology and to manufacture, distribute and install its A/Gs if and when its technology is commercialized. Such expansion may result in new and increased responsibilities for management personnel and place significant strain upon our other resources. To accommodate any such growth and to compete effectively, among other things, it may be required to participate in co-operative promotional activities implemented by its marketing licensee and it will have to: implement and/or improve its information systems, procedures and controls; assist in the expansion efforts, personnel training and motivation of its distribution, installation and services licensees' work forces; and oversee the establishment of manufacturing and assembly lines. Any failure to do so could have a material adverse effect on its business, financial condition and results of operations.

The Issuer's commercial success may depend upon its technologies not infringing any intellectual property rights of others and upon no claims of infringement being made. Even if such claims are found to be invalid, the dispute process could have a materially adverse effect on the Issuer's business, results of operations and prospects.

In addition to patent protection, the Issuer intends to rely on trade secrets, proprietary know-how and technological advances which it will seek to protect, in part, through confidentiality agreements with its licensees, collaborative partners, employees and consultants. There can be no assurance that these agreements will not be breached, that the Issuer will have adequate remedies for any breach, or that trade secrets and proprietary know-how will not become known or be independently discovered by others.

***(d) Technology Risk:***

Empire Hydrogen is developing a new technology that might not function or provide benefits as expected in all situations: The FES might face mechanical failure in environments with extreme temperature or extreme temperature variation or in installations with high vibration or mechanical shock; The FES has not been adequately tested in locations at high altitude; Engines may be equipped with electronic sensors and control systems that monitor internal and environmental operating parameters and adjust fuel consumption according to proprietary algorithms; The effectiveness of the FES on fuel consumption may be impacted by these or other unanticipated electronic or mechanical systems; Engines may be outfitted with DPF and DEF filters to capture particulate and NOx emissions in the exhaust stream and will impact on emissions measurements when taken downstream from these filters.

**Item 9: Reporting Obligations**

The Issuer is not subject to continuous reporting and disclosure obligations which the securities legislation in any province of Canada would require of a "reporting issuer" as defined in such legislation and there is, therefore, no requirement that the Issuer make such disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings or the preparation of quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. Consequently, except as set out below, the Issuer is not currently required to send you any documents on an annual or ongoing basis.

Pursuant to section 2.9 of National Instrument 45-106, which has been adopted by each of the securities commissions in Canada, the Issuer shall send to all holders of Securities acquired under this Offering Memorandum IFRS-compliant audited annual financial statements of the Issuer together with comparative financial statements for the preceding fiscal year, if any, and the report of the accountant thereon, within 120 days of the end of each fiscal year of the Issuer. Such financial statements shall include a notice of the Issuer disclosing in reasonable detail the use of the aggregate gross proceeds of the Offering raised by the Issuer under the prospectus exemption set out in section 2.9 of National Instrument 45-106 (i.e. the "offering memorandum exemption").

Further, pursuant to the Tax Act, on or before March 31 in each year, or such date as may otherwise be required under law, the Issuer shall provide to Security holders who received distributions from the Issuer in the prior calendar year, such information regarding the Issuer required by Canadian law to be submitted to holders of Securities for income tax purposes to enable holders of Securities to complete their tax returns in respect of the prior calendar year.

The Issuer shall prepare and maintain adequate accounting records. Holders of Securities have the right to obtain, on demand and without fee, from the Issuer, a copy of the Bond Indenture and minutes of meetings of Bondholders and any written resolutions of Bondholders passed in lieu of a meeting. Bondholders shall also be entitled to examine a list of registered Bondholders.

## **Item 10: Resale Restrictions**

### ***10.1 General Statement***

The Securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

The Issuer is not: (i) a reporting issuer in any Canadian province or territory, nor (ii) a SEDAR filer in any Canadian province or territory. As a result, the Securities shall be subject to an indefinite hold period.

### ***10.2 Restricted Period***

*For trades in every jurisdiction of Canada except Manitoba*, unless permitted under securities legislation, you cannot trade the Securities before the date that is four months and a day after the date the Issuer becomes a reporting issuer in any province or territory of Canada. The Issuer will not become a reporting issuer upon completion of this Offering and may never become a reporting issuer. **The resale restriction on the securities may therefore never expire.**

*For trades in Manitoba*, unless permitted under securities legislation, you must not trade the Securities without the prior written consent of the regulator in Manitoba unless: (a) the Issuer has filed a prospectus with the regulator in Manitoba with respect to the Securities which you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) you have held the Securities for at least 12 months. The regulator in Manitoba will consent to a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The foregoing is a summary of resale restrictions relevant to Subscribers of Securities offered hereby. The foregoing is not intended to be exhaustive and all Subscribers under this Offering should consult with their own professional advisers with respect to restriction on the transferability, resale and availability of further exemptions relating to the Securities offered hereunder.

## **Item 11: Purchasers' Rights**

If you purchase these Securities, you will have certain rights, some of which are described below. For more information about your rights, you should consult a lawyer.

The securities laws in your jurisdiction may provide you with the right, in certain circumstances, to seek damages or to cancel your agreement to buy Securities. Most often, these rights are available if the Issuer makes a misrepresentation in this Offering Memorandum or any amendment hereto, but in some jurisdictions, you may have these rights in other circumstances including if the Issuer fails to deliver the Offering Memorandum to you within the required time or if the Issuer makes a misrepresentation in any advertisements or literature regarding Securities. Generally, a "misrepresentation" means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of misrepresentation may differ slightly depending on the law in your jurisdiction. In most jurisdictions there are defences available to the persons or companies that you may have a right to sue. In particular, in many jurisdictions, the person or company that you sue shall not be liable if you knew of the misrepresentation when you purchased the Securities.

The following summaries are subject to any express provisions of the securities legislation of each Selling Jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described herein are in addition to and without derogation from any other right or remedy that a Subscriber may have at law.

#### **11.1 Two Day Cancellation Right**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Issuer by midnight on the 2nd business day after you sign the Subscription Agreement to buy the Securities.

#### **11.2 Statutory Rights of Action in the Event of a Misrepresentation**

##### ***Subscribers in British Columbia and Alberta***

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (1) the Issuer to cancel your agreement to buy the Securities; or
- (2) for damages against:
  - a. if you are resident in Alberta:
    - i. the Issuer;
    - ii. every director of the Issuer at the date of this Offering Memorandum; and
    - iii. every person or company who signed this Offering Memorandum; or
  - b. if you are resident in British Columbia:
    - i. the Issuer;
    - ii. every director of the Issuer at the date of this Offering Memorandum; and
    - iii. every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Securities.

#### **Time Limitations**

If you intend to rely on the rights described above in paragraph (1) or (2), you must do so within strict time limitations. You must commence an action to cancel the agreement within:

- (1) if you are resident in Alberta, 180 days from the date of the transaction that gave rise to the

- cause of action; and
- (2) if you are resident in British Columbia, 180 days after the date of the transaction that gave rise to the cause of action.

You must commence an action for damages within:

- (1) if you are resident in Alberta, the **earlier** of:
- a. 180 days from the date that you first had knowledge of the facts giving **rise** to the cause of action; or
  - b. 3 years from the day of the transaction that gave rise to the cause of action.
- (2) if you are resident in British Columbia, the earlier of:
- a. 180 days after you first had knowledge of the facts giving rise to the cause of action; or
  - b. 3 years after the date of the transaction that gave rise to the cause of action.

### ***Subscribers in Ontario***

If this Offering Memorandum, together with any amendment hereto, is delivered to you and contains a misrepresentation and it was a misrepresentation at the time of purchase of Securities by you, you shall have, without regard to whether you relied on such representation, a right of action against the Issuer for damages or, while still the owner of the Securities purchased by you, for rescission, in which case if you elect to exercise the right of rescission you shall have no right of action for damages against the Issuer. You may exercise these rights of action against the Issuer provided that:

- (1) the right of action for rescission or damages shall be exercisable by you only if you commence an action to enforce such right not later than,
  - a. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - b. in the case of any action, other than an action for rescission, the earlier of (A) 180 days after you first had knowledge of the facts giving rise to the cause of action or (B) three years after the date of the transaction that gave rise to the cause of action;
- (2) the Issuer shall not be liable if it proves that you purchased the Securities with knowledge of the misrepresentation;
- (3) in the case of an action for damages, the Issuer shall not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon;
- (4) in no case shall the amount recoverable in any action exceed the price at which the Securities were sold to you; and
- (5) the Issuer shall not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - a. this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - b. the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

### Subscribers in Saskatchewan

The Securities Act, 1988 (Saskatchewan) (the "**Saskatchewan Act**") provides that if this Offering Memorandum or any amendment hereto contains a misrepresentation, a purchaser of Securities pursuant to this Offering Memorandum is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a statutory right of action for damages or rescission against the Issuer and a statutory right of action for damages against every promoter and director of the Issuer at the time this Offering Memorandum or any amendment hereto was sent or delivered, every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them, every person who or company that signed this Offering Memorandum or any amendment hereto and every person who or company that sells Securities on behalf of the Issuer under this Offering Memorandum or any amendment hereto. These rights of action are subject to certain limitations, including that:

- a. no person or company will be liable if it proves that the investor purchased the Securities with knowledge of the misrepresentation; and
- b. in an action for damages, no person or company will be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied on.

The Saskatchewan Act also provides that where any advertising or sales literature (as such terms are defined therein) disseminated in connection with the offering of Securities contains a misrepresentation, a purchaser who purchases Securities referred to in that advertising or sales literature is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a statutory right of action for damages or rescission against the Issuer and a statutory right of action against every promoter or director of the Issuer at the time the advertising or sales literature was disseminated and every person who or company that, at the time the advertising or sales literature was disseminated, sells Securities on behalf of the Issuer in the offering with respect to which the advertising or sales literature was disseminated. These rights of action are subject to certain limitations, including that:

- a. no person or company will be liable if it proves that the purchaser purchased the Securities with knowledge of the misrepresentation; and
- b. in an action for damages, no person or company will be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied on.

In addition, the Saskatchewan Act provides that, where an individual makes a verbal statement to a prospective investor of Securities that contains a misrepresentation relating to the Securities and the verbal statement is made either before or contemporaneously with the purchase of the Securities, the investor is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a statutory right of action for damages against the individual who made the verbal statement. This right is subject to certain limitations, including:

- a. no individual will be liable if he or she proves that the investor purchased the Securities with knowledge of the misrepresentation; and
- b. in an action for damages, no individual will be liable for all or any portion of the damages that he or she proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied on.

An investor of Securities from a vendor trading in contravention of the Saskatchewan Act, the regulations thereunder or a decision of the Saskatchewan Securities Commission may elect to void

the contract and to recover all monies or other consideration paid by him to the vendor pursuant to such trade. An investor of Securities to whom this Offering Memorandum or any amendment hereto was not delivered prior to such purchase has a right of action for rescission or damages against the Issuer or any dealer who failed to deliver this Offering Memorandum or any amendment hereto prior to such purchase.

No action to enforce the foregoing rights may be commenced:

- (1) in the case of an action for rescission, more than 180 days after the date of purchase of the Securities; or
- (2) in the case of an action for damages, more than the earlier of:
  - one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (3) six years after the date of purchase of the Securities.

### ***Subscribers in Manitoba***

Securities legislation in Manitoba provides that investors of Securities pursuant to this Offering Memorandum shall have, in addition to and without derogation from any other right or remedy they may have at law, the following contractual right of action for damages and/or rescission against the Issuer if this Offering Memorandum or any amendment hereto contains a misrepresentation. However, such rights must be exercised within the prescribed time limits described below.

Each investor has the right to rescind the contract for the purchase of the Securities, while the holder thereof, if this Offering Memorandum or any amendment hereto, as of the date of receipt or deemed receipt, contains a misrepresentation. No action to enforce this right may, however, be commenced by the investor after the expiration of the later of:

- a. 180 days from the date of receipt or deemed receipt of this Offering Memorandum or any amendment hereto by the investor or any agent of the Investor, or
- b. the date of the contract for the purchase of the Securities.

If this Offering Memorandum or any amendment hereto contains a misrepresentation, the investor also has a right of action for damages against every person or company who signed either of the certificates required in this Offering Memorandum and against every director who, on the date this Offering Memorandum or any amendment hereto was signed, was a director of the person or company who signed such certificates for any loss or damage that the investor has sustained as a result of the purchase of the security, unless it is proved:

- a) that this Offering Memorandum or any amendment hereto was delivered to the investor without the director's knowledge or consent;
- b) that, after the delivery of this Offering Memorandum to the investor and before the purchase of the Securities by the investor, on becoming aware of any false statement in this Offering Memorandum or any amendment hereto, the director withdrew his consent to the delivery of this Offering Memorandum to prospective investors and gave reasonable public notice of such withdrawal and of the reason therefore;
- c) that, with respect to every false statement, the director has reasonable grounds to believe and did believe that the statement was true;
- d) that where such false statement was that of any expert, the director had no reasonable grounds to believe that the expert who made the statement in this Offering Memorandum or any amendment hereto or whose report

or valuation was produced or fairly summarized therein was not competent to make such statement, valuation or report; or

- e) that, with respect to every false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy or extract from the document;

but no action to enforce these rights of action for damages against signatories of certificates in this Offering Memorandum or their directors may be commenced by the investor after the earlier of 180 days after learning of the misrepresentation and two years after the investor signed the agreement to purchase the Securities.

#### *General*

The securities laws of the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec are complex. Reference should be made to the full text of the provisions summarized above relating to contractual and statutory rights of action. **Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which Subscribers may have at law.**

#### **Item 12: Financial Statements**

The Financial Statements for the year ended September 30, 2023:



Financial Statements of  
**Empire Hydrogen Energy Systems Inc.**  
Years ended September 30, 2023 and 2022  
(Audited)

# MSLL CPA LLP

2110 - 1177 West Hastings Street  
Vancouver, B.C. Canada  
V6E 2K3

Tel: 604 688 5671  
Fax: 604 688 8479  
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## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Empire Hydrogen Energy Systems Inc.

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the statements of Empire Hydrogen Energy Systems Inc. (the "Company") which comprise the statements of financial position as at September 30, 2023 and 2022 and the statements of comprehensive loss, the statements of changes in equity, and the statements of cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

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

### *Material uncertainty related to going concern*

We draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

### *Auditor's Responsibilities for the audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*MSLL CPA LLP*

**Chartered Professional Accountants**

Vancouver, Canada

January 29, 2024

## Empire Hydrogen Energy Systems Inc.

Statements of Financial Position  
(Expressed in Canadian dollars)

September 30, 2023 and 2022

(Audited)

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 39,506
Short term investments	2,116	1,000,000
Receivables (note 4)	28,108	75,691
SR&ED Receivable	108,301	-
Prepaid expenses	13,460	10,611
Inventories (note 5)	301,072	106,327
	453,057	1,232,135
Non-current assets:		
Property, plant and equipment (note 6)	14,031	54,259
<b>Total assets</b>	<b>\$ 467,088</b>	<b>\$ 1,286,394</b>

## Liabilities

Current liabilities:		
Operating line of credit	\$ 4,722	\$ -
Accounts payable and accrued liabilities	202,560	172,036
Due to related parties (note 9)	4,277	1,133
Customer deposits	12,975	-
Warranty provision (note 8)	18,800	15,300
Current portion of lease liability (note 7)	8,779	46,472
	252,113	234,941
Non-current liabilities:		
Non-current lease liability (note 7)	-	8,779
<b>Total liabilities</b>	<b>252,113</b>	<b>243,720</b>

## Shareholders' equity

Common shares (note 11)	5,401,574	5,377,880
Other paid in capital (note 12 and note 13)	1,460,792	1,389,585
Deficit	(6,647,391)	(5,724,791)
	214,975	1,042,674
<b>Total liabilities and shareholders' equity</b>	<b>\$ 467,088</b>	<b>\$ 1,286,394</b>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

"Sven Tjelta" \_\_\_\_\_ Director

**Empire Hydrogen Energy Systems Inc.**

Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)  
Years ended September 30, 2023 and 2022  
(Audited)

	2023	2022
<b>Sales:</b>		
Sale of prototype units	\$ 213,061	\$ 231,157
	213,061	231,157
<b>Cost of sales</b>	238,885	280,402
<b>Gross (loss) profit</b>	(25,824)	(49,245)
<b>Expenses:</b>		
Stock based compensation for consultants (note 12)	71,207	118,191
Professional fees	236,898	343,789
Commissions	4,494	7,100
Employee compensation	388,742	272,210
Depreciation expense	24,679	20,386
Materials and supplies	66,951	37,510
Advertising and promotion	88,336	71,463
Office supplies and maintenance	33,888	50,160
Interest expense on lease liability	8,634	19,258
Travel	48,359	36,340
Interest and bank charges	5,128	8,144
Inventory provision	30,174	-
Bad debt	10,963	71
	1,018,453	984,622
<b>Loss before taxes and recoveries</b>	(1,044,277)	(1,033,867)
SR&ED tax credit refund	104,747	-
Other income	16,930	7,965
Other government assist	-	26,095
<b>Net loss and comprehensive loss</b>	\$ (922,600)	\$ (999,807)
<b>Weighted average number of common shares outstanding:</b>		
Basic and diluted	22,405,290	21,956,909
Basic and diluted loss per share	(0.04)	(0.05)

See accompanying notes to financial statements.

**Empire Hydrogen Energy Systems Inc.**

Statements of Changes in Equity  
 (Expressed in Canadian dollars)  
 Years ended September 30, 2023 and 2022  
 (Audited)

	2023	2022
<b>Share capital</b>		
Balance, beginning of year	\$ 5,377,880	\$ 4,739,723
Issuance of shares, net	25,282	765,649
Cost to issue shares	(1,588)	(127,492)
Balance, end of year	5,401,574	5,377,880
<b>Other paid in capital</b>		
Balance, beginning of year	1,389,585	1,234,540
Stock based compensation	71,207	155,045
Balance, end of year	1,460,792	1,389,585
<b>Deficit</b>		
Deficit, beginning of year	(5,724,791)	(4,724,984)
Net loss	(922,600)	(999,807)
Deficit, end of year	(6,647,391)	(5,724,791)
<b>Total shareholders' equity</b>	<b>\$ 214,975</b>	<b>\$ 1,042,674</b>
Shares issued and outstanding (note 11)	22,423,492	22,398,210

See accompanying notes to financial statements.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Statement of Cash Flows  
 (Expressed in Canadian dollars)  
 Years ended September 30, 2023 and 2022  
 (Audited)

	2023	2022
Cash provided by (used in):		
<b>Operating activities:</b>		
Net loss	\$ (922,600)	\$ (999,807)
Items not involving cash:		
Share based compensation	71,207	118,191
Depreciation expense	44,854	42,471
Forgiveness of CEBA loan	-	(20,000)
Inventory provision	30,174	-
Bad debts	10,963	-
Interest income	(12,132)	-
Interest accretion on lease liabilities (note 7)	8,634	16,601
	(768,900)	(842,544)
Net changes in non-cash operating working capital:		
Decrease in receivables	29,017	64,111
Increase in SR&ED receivable	(108,301)	-
Increase in prepaid expenses	(2,849)	(4,860)
Increase in inventories	(224,919)	(71,495)
Increase (decrease) in accounts payable and accrued liabilities	30,524	(241)
Increase in warranty provision	3,500	-
Increase in customer deposits	12,975	-
Increase in due to related parties	3,144	7-
	(1,025,809)	(855,028)
<b>Financing activities:</b>		
Proceeds from common shares issuance	25,282	765,650
Drawn down of operating line of credit	4,722	-
Cash repayment of government CEBA loan	-	(40,000)
Payment of share issuance cost	(1,588)	(90,639)
Payment of lease liabilities (note 7)	(55,106)	(52,126)
Repayments of borrowings from related parties	-	(365,923)
	(26,690)	216,962
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(4,627)	(6,124)
Cash invested in short-term investment account	-	(1,000,000)
Redemption of GICs	1,017,620	-
	1,012,993	(1,006,124)
Increase (decrease) in cash and cash equivalents	(39,506)	(1,644,190)
Cash and cash equivalents, beginning of year	39,506	1,683,696
Cash and cash equivalents, end of year	\$ -	\$ 39,506
Cash and cash equivalents consist of:		
Cash	\$ -	\$ 39,506
	\$ -	\$ 39,506

See accompanying notes to financial statements

## **EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements  
(Expressed in Canadian dollars)  
Years ended September 30, 2023 and 2022

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### **Nature of operations:**

Empire Hydrogen Energy Systems Inc. (the "Company") was incorporated under the Canada Business Corporations Act on October 23, 2009. The address of the Company's registered office is 4th Floor – 1007 Fort Street, Victoria, BC. The Company's primary business activity is the supply of hydrogen fuel enhancement systems for combustion engines.

### **1. Going concern:**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative cash flows in prior years and has a deficit. The Company is still actively involved in developing and marketing its hydrogen fuel enhancement systems for combustion engines.

The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business is dependent upon the continued support from its shareholders and on its ability to complete research and development activities and to market its products successfully. The Company has implemented steps to begin manufacturing its products and improve their functionality. In addition, it is increasing marketing and business activities in order to generate additional sales opportunities.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets, the reported revenues and expenses, and the balance sheet classifications used to reflect these on a liquidation basis which could materially differ from amounts presented under the going concern basis.

### **2. Basis of preparation:**

#### **(a) Statement of compliance:**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issue by the Board of Directors on January 29, 2024.



## **EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### **2. Basis of preparation (continued):**

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company.

(c) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of estimates and judgments are as follows:

(i) Inventory:

The Company adjusts inventory values so that the carrying value does not exceed net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates regarding the amount of current inventory that will be sold, the prices at which it will be sold and an assessment of expected orders from customers.

Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for the products, obsolescence, production discontinuation, technology changes and competition. At September 30, 2023, the Company had \$30,174 provisions (2022 - \$Nil) against the value of gross inventory.

(ii) Warranty reserve:

In establishing the warranty provision, management estimates the likelihood that products sold will experience warranty claims and the costs to resolve the claims received. The warranty provision is made at the time of sale based on historical experience and is regularly monitored. Should these estimates prove to be incorrect, the Company may incur costs different from those provided for in the warranty provision. The Company has a provision of \$18,800 (2022 - \$15,300).

## **EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### **2. Basis of preparation (continued):**

(c) Use of estimates and judgments (continued):

(iii) Share-based payments:

Share-based payments are measured at fair value using the Black-Scholes option pricing model and management uses judgment to determine the inputs to the model including expected lives, underlying share price volatility and forfeiture rates. Volatility is estimated by considering the Company's historic share price volatility over similar periods to the expected life of the awards under consideration. Forfeiture rates are used to estimate the number of awards that are expected to vest considering employee turnover rates. The changes in estimates are recognized in the statements of comprehensive loss in the year that they occur.

(iv) Expected credit loss:

The Company makes estimates for expected credit loss in respect of accounts receivable and other receivables based on IFRS 9 – Financial instruments. The expected credit loss is estimated based on management's assessment of the credit history with the customers, current relationship with them and also taking into consideration of forward-looking information. A change in customers' payment behavior or financial position could impact the expected credit loss recorded in the accounts. If actual credit losses differ from estimates, future earnings would be affected.

### **3. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash, short-term investments with original maturity dates of 90 days or less when acquired and investments in money market instruments.

(b) Short-term investments:

Short-term investments consist of investments with market values closely approximating book values and original maturities between three and twelve months at the time of purchase. As at September 30, 2023, the Company has \$2,116 short-term investment in GIC (2022 – \$1,000,000). The GIC has a one-year term and with interest rate of 1.85%.

(c) Foreign currency translation:

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect period-end exchange rates at the statement of financial position date. The resulting exchange gains and losses are included in income or loss.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(d) Financial instruments:

(i) Financial assets:

The Company initially recognizes receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. The Company has recognized a loss allowance of \$ 10,963 at September 30, 2023 (2022 - \$71).

Impairment losses are recognized as expenses charged against profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed to profit or loss up to the carrying amount that would have been determined if no impairment loss has been recognized.

(ii) Financial liabilities:

The Company initially recognizes debt securities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes financial liability when its contractual obligations are discharged or cancelled or expire.

*Payables and amounts due to related parties:*

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(e) Share capital:

*Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(f) Share issuances:

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units are allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants.

(g) Property, plant and equipment:

Property, plant and equipment are recorded at historical cost and depreciated at rates which reduce the original cost to the estimated residual value over the useful life of each asset. Where components of an asset have different useful lives, depreciation is calculated on each separate part.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset as indicated below:

Asset	Basis	Rate
Furniture and equipment	Straight-line	5 years
Computer	Straight-line	3 years
Right of use asset	Straight-line	3 years

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Depreciation methods, useful lives and residual values are reviewed at each financial year- end and adjusted if appropriate.

(h) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(i) Intangible assets:

a. *Research and development:*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The Company has not capitalized any development expenditure to date.

b. *Other intangible assets:*

Other intangible assets, including patent costs, that are acquired by the Company and have finite useful lives are amortized over their estimated useful lives and are carried at cost less accumulated amortization and accumulated impairment losses.

(j) Impairment of long-lived assets:

The Company reviews long-lived assets including equipment, right-of-use assets, demo units, and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where evidence of impairment exists, the asset's recoverable amount, being the greater of its value in use and its fair value less costs to sell, is estimated. An impairment loss is recognized in profit or loss if the carrying amount of the asset is greater than its estimated recoverable amount. Assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstance indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. The reversal is recognized in profit or loss immediately.

(k) Warranty provisions:

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

The Company provides a two-year warranty on its hydrogen fuel enhancement system units. A provision for warranties is recognized when the underlying products are sold. The carrying amount of the warranty provision, if any, is reviewed at each reporting date and increased or decreased to the extent required to reflect management's best estimate of future warranty costs on unit sales recognized to date.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(l) Revenue recognition:

The Company's revenues are derived from the sale of hydrogen fuel enhancement system units. Revenue is recognized once performance obligations are met, the risks and rewards of the good are transferred to the customer and collection of payment is reasonably assured.

Revenue received in advance of delivery, or otherwise prior to the above revenue recognition criteria, is recorded as liability.

(m) Share-based payments:

The Company has a share-based compensation plan, which is described in note 12. The Company accounts for share-based payments and awards to employees at fair value using the Black-Scholes option pricing model.

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

(n) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that contain a lease, the Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The Company recognizes right of use assets within property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method.

The Company's building lease contains certain operating charges which are considered non-lease components and excluded from the right-of-use asset and lease liability.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment that have a lease term of 12 months or less and leases of low value assets.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(o) Government assistance:

Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant would be recognized when it becomes receivable. For the Canada Emergency Business Account (“CEBA”), the Company elected to recognize the benefit in profit or loss on the same basis as the related interest expense is recognized on the liability, applying the requirements in IFRS 9.

Grants received under the refundable scientific research and experimental development tax credits (SR&ED”) and Industrial Research Assistance Program (“IRAP”) are recorded as other income on the statement of loss and comprehensive loss upon cash receipt.

(p) Income taxes:

Income taxes are recognized in the statement of comprehensive loss, except where they relate to items recognized directly in equity, in which case the related taxes are recognized in equity.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in profit or loss or equity, as applicable, in the period of substantive enactment.

Current taxes receivable or payable are estimated on taxable income for the current year at the statutory tax rates enacted or substantively enacted.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 3. Significant accounting policies (continued):

(q) New standards adopted in the reporting period

The following new and revised accounting standard, along with any consequential amendments was adopted by the Company for annual periods beginning on October 1, 2022. The adoption of the amendments has no significant impact as the amendments only affect the note disclosure of the financial statements.

IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements”

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

The amendments aim to clarify how reporting entities should distinguish changes in accounting policies from changes in accounting estimates. The amendments include a definition of “accounting estimates” as well as other amendments to IAS 8 that will help entities distinguish changes in accounting policies from changes in accounting estimates.

(r) Accounting standards issued but not yet effective

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.



**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**  
Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**4. Receivables:**

	2023	2022
Trade receivable	\$ 5,180	\$ 59,511
Sales tax refund receivable	20,070	5,576
Payroll advance	2,858	3,000
Interest receivable	-	7,603
	<u>\$ 28,108</u>	<u>\$ 75,691</u>

Aging of trade receivable	2023	2022
Past due less than 60 days	\$ -	\$ 59,511
Past due greater than 60 days, within 1 year	5,180	-
	<u>\$ 5,180</u>	<u>\$ 59,511</u>

**5. Inventory**

	2023	2022
Raw materials	\$ 53,796	\$ 80,045
Assembled components	-	26,282
Finished goods	277,450	-
Less: inventory provision	(30,174)	-
	<u>\$ 301,072</u>	<u>\$ 106,327</u>

Inventories expensed in the cost of goods sold during the year were \$235,385(2022 - \$250,949).

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**6. Property, plant and equipment:**

	Furniture and equipment	Computer	Right of Use Asset	Total
<b>Cost</b>				
Balance, September 30, 2022	\$ 10,010	\$ 9,376	\$ 116,396	\$ 135,782
Additions	2,764	1,863	-	4,627
<b>Balance, September 30, 2023</b>	<b>\$ 12,774</b>	<b>\$ 11,239</b>	<b>\$ 116,396</b>	<b>\$ 140,409</b>
<b>Accumulated amortization</b>				
Balance, September 30, 2022	\$ 6,728	\$ 3,664	\$ 71,131	\$ 81,523
Amortization	1,773	4,282	38,799	44,854
<b>Balance, September 30, 2023</b>	<b>\$ 8,501</b>	<b>\$ 7,946</b>	<b>\$ 109,930</b>	<b>\$ 126,377</b>
<b>Carrying amount</b>				
Balance, September 30, 2022	\$ 3,282	\$ 5,712	\$ 45,265	\$ 54,259
<b>Balance, September 30, 2023</b>	<b>\$ 4,273</b>	<b>\$ 3,293</b>	<b>\$ 6,466</b>	<b>\$ 14,032</b>

**7. Lease obligations:**

The Company's recognized right-of-use assets and liabilities are mainly comprised of the present values of all future lease payments of one lease for warehouse located in Vancouver Island, Canada. The lease contract started on December 1, 2020 and ended on November 30, 2023. Subsequently, the Company renewed the lease agreement for another three years, which will end on November 30, 2026.

The continuity of the lease obligation as of September 30, 2023 and 2022 is as follows:

	\$
Lease obligation, September 30, 2021	90,776
Interest accretion	16,601
Lease payments	(52,126)
Lease obligation, September 30, 2022	55,251
Interest accretion	8,634
Lease payments	(55,106)
<b>Lease obligation, September 30, 2023</b>	<b>8,779</b>

The maturity analysis of the Company's contractual undiscounted lease liabilities as of September 30, 2023, is as follows:

	\$
Less than one year	9,021
	<b>9,021</b>

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**8. Warranty provision:**

The Company provides its customers with a limited performance warranty for defective products. All warranty services must be authorized by the Company prior to acceptance. The warranty term is typically 2 years. The Company can also incur labor costs relating to on-site warranty visits.

The estimates surrounding the warranty provision are reviewed on a regular basis and updated for recent experience as well as historical patterns.

	2023	2022
Beginning provision	\$ 15,300	\$ 15,300
Warranty provision additions	3,500	-
Closing provision	\$ 18,800	\$ 15,300

**9. Due to related parties:**

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

	2023	2022
Due to shareholder (note 19)	\$ 3,454	\$ 1,133
Due to a related party	823	-
	\$ 4,277	\$ 1,133

**10. Government assistance:**

On March 11, 2020, the World Health Organization ("WHO") declared the outbreak of novel coronavirus ("COVID-19"). The Canadian Federal Government on April 9, 2020 announced the Canada Emergency Business Account ("CEBA"). This program provides interest-free loans of up to \$60,000 with a \$20,000 forgivable portion to small businesses and non-for-profits. As at September 30, 2022, the Company had paid off the full \$60,000 loan.

The Company incurs costs related to its research and development activities. To date, all of the costs relating to the Company's projects under development have been expenses as incurred.

During the year ended September 30, 2023, grants received under SR&ED program from government in the amount of \$104,747 (2022 - \$Nil) plus interest of \$3,554 was recorded as other income on the statement of comprehensive loss upon cash receipt.

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**11. Share capital:**

Authorized:

- Unlimited Class A common voting shares, without par value
- Unlimited Class B preferred voting shares, without par value
- Unlimited Class C preferred voting shares, without par value
- Unlimited Class D preferred non-voting shares, without par value
- Unlimited Class E preferred non-voting shares, without par value

Issued and outstanding:

Class A Common shares	Number of shares	Amount
Share capital as of September 30, 2021	20,447,344	4,739,723
Shares issued for \$.03	1,000,000	30,000
Shares issued for \$.30	100,000	30,000
Shares issued for \$.75	580,866	435,650
Shares issued for \$1.00	270,000	270,000
Less share issuance costs	-	(127,493)
Share capital as of September 30, 2022	22,398,210	\$ 5,377,880
Shares issued for \$1.00	25,282	25,282
Less share issuance costs	-	(1,589)
Share capital as of September 30, 2023	22,423,492	\$ 5,401,573

During 2023, the Company has following equity transactions:

- The Company issued 25,282 Class A common voting shares for cash consideration of \$25,282.

During 2022, the Company has following equity transactions:

- The Company issued 270,000 Class A common voting shares for cash consideration of \$270,000 with 131,000 warrants attached and exercisable at \$1.35 for a 24-month period.
- The Company issued 1,000,000 common shares upon the exercise of stock options by Inger Tjelta, Sven Tjelta's wife, for cash consideration of \$30,000.
- The Company issued 100,000 Class A common voting shares upon the exercise of stock options by employees for cash consideration of \$30,000.
- The Company issued 580,866 Class A common voting shares for cash consideration of \$435,650.
- The Company issued 93,890 warrants for broker services provided exercisable at \$0.75 for a 24-month period.

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**12. Share based payments:**

On March 26, 2014, the Company established a share-based payment plan (the “Plan”). The Plan allows up to a maximum of 15% of the aggregate issued and outstanding shares to be issued as options. Options granted under the Plan must be exercised within a period of 2-4 years from the grant date and vest at the discretion of the Plan Administrator.

The number and weighted average exercise price of share options issued under the Plan are as follows:

	2023	2022
Outstanding at the beginning of the period	1,095,000	2,300,000
Exercised	-	(1,100,000)
Cancelled	(50,000)	-
Expired	(845,000)	(105,000)
Outstanding at the end of the period	200,000	1,095,000

The options outstanding at September 30, 2023 had a weighted average contractual life of 0.57 years (2022 – 0.74 years years). The weighted average exercise price was \$0.30 for options issued in fiscal 2023 (2022 - \$0.30). As at September 30, 2023, 130,205 (2022 – 846,740) of stock options were exercisable.

For the year ended September 30, 2023, compensation expense related to stock options was \$71,207 (2022 - \$118,191). Share based compensation is recorded as an increase to other paid in capital.

**13. Warrants:**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2023	2022
Outstanding at the beginning of the period	348,626	123,736
Expired	(144,236)	-
Issued	-	224,890
Outstanding at the end of the period	204,390	348,626

The warrants outstanding at September 30, 2023 had a weighted average contractual life of 0.17 years (2022 - 1.10 years). The weighted average exercise price was \$1.07 for warrants issued (2022 - \$0.98).

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

**14. Income tax recovery:**

Income tax expense differs from the amounts computed by applying the combined federal and provincial tax rate of 27% for 2022 and 2021 to pre-tax income from continuing operations as a result of the following:

	2023		2022	
Net loss before income taxes	\$	922,600	\$	999,807
Computed expected tax recovery	\$	249,102	\$	269,948
Changes in estimates related to prior years		61,446		266,075
Non-deductible expenses		(30,385)		(42,812)
Non recognition of tax losses		(275,810)		(498,159)
Other		4,354		4,948
Total income tax	\$	-	\$	-

As at September 30, 2023, the Company has non-capital losses of approximately \$5.8 million available to be carried forward to offset taxable income. Non-capital losses will begin to expire in 2033.

Also, as at September 30, 2023, the Company has Scientific Research and Experimental Development (“SR&ED”) investment tax credit carryovers of \$Nil (2022 - \$Nil), and unclaimed SR&ED expenditures of \$790,682 (2022 - \$790,682) available for indefinite carry forward to offset taxable income in future years.

Deferred tax assets have not been recognized in respect of the above items because it is not yet probable that future taxable profit will be available against which the Company can utilize the tax benefits.

Significant components of the Company’s unrecognized deferred tax assets are as follows:

	2023		2022	
Deferred income tax assets:				
Non-capital loss carry forward	\$	1,589,627	\$	1,297,709
Research and experimental development expenditures		213,484		213,484
Share issuance costs		53,156		54,447
Capital assets		(26,404)		(8,086)
Warranty reserve		3,500		-
Total deferred tax assets		1,833,364		1,557,554
Valuation allowance on deferred tax assets		(1,833,364)		(1,557,554)
Net deferred tax assets	\$	-	\$	-

## EMPIRE HYDROGEN ENERGY SYSTEMS INC.

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### 15. Fair values:

(a) Short-term assets and liabilities:

The carrying amounts for receivables and accounts payable approximate their fair values due to the short-term nature of these items.

(b) Due to related parties:

The fair value of amounts due to related parties is not practicable to determine due to the related party nature of the arrangement.

### 16. Financial risk management:

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. In the normal course of business, the Company is exposed to a number of risks that can materially affect its operating performance.

a. Credit risk:

The Company's credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. It arises mainly from the Company's receivables and cash and cash equivalents. The Company has recognized a loss allowance of \$ 10,963 at September 30, 2023 (2022 - \$71).

All of the Company's cash and cash equivalents were held with a credit union.

b. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages this risk by monitoring its expenditure and expansion plans and by ensuring that funding sources are in place prior to undertaking operational and investment activities.

c. Interest rate risk:

The Company's interest rate risk pertains to its operating line of credit, which is subject to a variable interest rate and has a maximum value of \$25,000. At September 30, 2023, the Company has drawn down the operating line of credit of \$4,722 (2022 - \$Nil). A change of 100 basis points to the interest rate results in a maximum change to profit or loss of \$47 (2022 - \$Nil).

d. Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company strives to minimize operational risk by staying abreast of and compliant with regulatory and other legal requirements, monitoring competitor activities, utilizing key personnel, maintaining high ethical standards, and securing appropriate insurance coverage.

## **EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Notes to Financial Statements (continued)

Years ended September 30, 2023 and 2022

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### **17. Capital management:**

The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity. The capital structure of the Company consists of credit facilities, related party loans, debentures, and shareholders' equity.

The Company makes adjustments to its capital structure upon approval from its Board of Directors, in light of economic conditions and the Company's working capital requirements. There were no changes in the Company's approach to capital management during the period. The Company does not have any externally imposed capital requirements.

### **18. Significant business transactions:**

The Company derived net sales from four (2022 - three) major customers amounting to approximately \$113,831 representing 53% of total revenues (2022 - \$157,582 representing 68% of total revenues). Accounts receivable from the above significant customers at year end amounted to approximately \$Nil (2022 - \$48,549).

### **19. Related party transactions:**

Transactions with key management personnel:

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Company. Key management consists of the Company's Board of Directors, and the Chief Executive Officer.

Mr. S. O. Tjelta controlled 26.76% (2022 - 24.5%) of the Company's outstanding shares at the end of fiscal 2023. During the year, the Company repaid related party loans of \$Nil (2022 - \$367,056) to Mr. Tjelta and Empire International Energy, a company solely owned by Mr. Tjelta, and repaid his spouse, Inger Tjelta, short term advances of \$Nil (2022 - \$Nil).

During 2023, Mr. Tjelta charged \$145,000 (2022 - \$120,000) for conducting CEO duties of the Company through a consulting company solely owned by him.

During fiscal 2023, the Company paid \$14,735 (2022 - \$12,469) to Inger Tjelta, the wife of Mr. Tjelta, for the lease of a vehicle used in operations.

A credit card under the name of Mr. Tjelta has a balance of \$3,768 as of September 30, 2023 included in accounts payable and accrued liabilities (2022 - \$14,157). In addition, accounts payable and accrued liabilities include \$Nil of payables to Mr. Tjelta (2022 - \$Nil).

These transactions are in the normal course of business and have been valued in the financial statements at the fair value of the consideration paid.



**Item 13: Date and Certificate**

Dated January 29, 2024

This offering memorandum does not contain a misrepresentation.

"Sven Tjelta"

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Sven (Roy) Tjelta  
CEO, Secretary/Treasurer, Director

"Dale Bellavance"

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Dale Bellavance  
Director

**EXHIBIT A**



***SUBSCRIPTION AGREEMENT***  
***CLASS A COMMON SHARES***

7 – 10189 McDonald Park Road, Sidney BC, Canada, V8L 5X5  
Tel: (778) 426-0911 Fax: (778) 426-0456  
Email: [admin@empirehydrogen.com](mailto:admin@empirehydrogen.com)  
Website: [www.empirehydrogen.com](http://www.empirehydrogen.com)

**EXHIBIT A**  
**SUBSCRIPTION AGREEMENT (CLASS A COMMON)**

**TO: Empire Hydrogen Energy Systems Inc. (“the Issuer”)**

The undersigned hereby subscribes for \_\_\_\_\_ shares of the Issuer at a price of \$0.75 per share for the total Subscription Price of \$\_\_\_\_\_ on the terms and conditions as described in the Issuer’s Offering Memorandum receipt of a copy of which is hereby acknowledged. All capitalized terms herein shall have the same meanings as in the Offering Memorandum

In consideration of the Issuer’s acceptance of this subscription, the undersigned hereby irrevocably agrees and promises to pay the Subscription Price for the Shares to the Issuer in full by cheque, bank draft, wire transfer or money order at the time of subscription.

The undersigned agrees that participation in the Offering is subject to the acceptance of this subscription by the Issuer and to certain other conditions set forth in the Offering Memorandum. The undersigned acknowledges that this subscription is given for valuable consideration and is irrevocable.

**The undersigned represents and declares that:**

- (a) If an individual, he has attained the age of majority and has the legal capacity and competence to execute this subscription agreement and to take all actions required pursuant hereto;
- (b) If a corporation or body corporate, it has the legal capacity and competence to execute this subscription agreement and to take all actions required pursuant hereto and all necessary approvals by its directors, shareholders and members, or otherwise, have been given to authorize it to execute this subscription form and to take all actions required pursuant hereto;
- (c) He or it has received the Offering Memorandum before executing this subscription;
- (d) As an individual, corporation, or partnership (wherein each partner so represents and declares) he or it confirms to the Issuer that he or it:
  - i. is resident in the Province of British Columbia and has received, read, understood and executed Form 45-106F (Risk Acknowledgement) and Share Purchase Report attached as schedules to the Offering Memorandum and confirms the making and validity of all the statements, representations, and acknowledgements made by he or it therein;
  - ii. is resident elsewhere has received, read, understood and executed the applicable form annexed hereto confirming that the undersigned is a qualified investor for Class A Common shares of the Issuer.
- (e) As an individual, corporation, or partnership (wherein each partner so represents and declares) he or it:
  - i. Did not receive any advice from the Issuer or any of its agents, regarding the merits of an investment in the Units of the Issuer;
  - ii. Is a purchaser who is an investor who, by virtue of his net worth and investment experience is able to evaluate the prospective investment wholly and exclusively on the basis of information contained in the Offering Memorandum respecting the investment presented by the Issuer plus other information obtained by him/it through independent research, and not on any additional information he may at any time have obtained directly or indirectly from the Issuer;

- iii. Is purchasing as principal for investment purposes only and not with a view to resale;
- (f) He or it knows that the Units have not been qualified under the *Securities Act* for distribution to the public and that he or it is purchasing Shares pursuant to exemptions under applicable securities laws, is restricted from using most of the civil rights available under such laws, may not receive information that would otherwise be available and acknowledges the Issuer is relieved from certain obligations under such laws;
- (g) He or it knows that the Units will be distributed under an applicable exemption from the registration and prospectus requirements of the *Securities Act* and that the undersigned is not acquiring the Shares as a result of any information about the material affairs of the Issuer that is not generally known to the public, save knowledge of this particular transaction;
- (h) He or it knows that the Issuer is not presently a Reporting Issuer as defined in the *Securities Act*;
- (i) He or it knows that any resale by the undersigned of the Shares of the Issuer, at any time when the Issuer is not a Reporting Issuer, will be deemed to be a distribution under the *Securities Act*, so that, in order to sell or transfer the Shares the undersigned must either:
  - i. file a preliminary prospectus and a prospectus with the British Columbia Securities Commission and obtain receipts therefore;
  - ii. obtain an order for a further special exemption under Section 76 of the *Securities Act* from the requirements of Sections 34 and 61 of the *Securities Act*, or
  - iii. sell the Shares under an existing exemption from the regulation and prospectus requirements of the *Securities Act* or the Securities Rules.

**In consideration of the Issuer's acceptance of this Subscription, and conditional thereon, the undersigned:**

- (a) Acknowledges that no securities commission or similar authority has passed upon merits of the Offering Memorandum;
- (b) Acknowledges that he or it understands and is willing to accept the substantial risks inherent in any investment made pursuant of this Offering;
- (c) Acknowledges that there is no market for the Shares and that none will exist on completion of the Issuer's Offering and that their transfer or sale is subject to certain restrictions;
- (d) Acknowledges that he or it is aware that this investment is a long term proposition and that he or it do not require liquidity and are prepared to hold the Shares until maturity several years hence;
- (e) Grants to the President, or, failing him, the Secretary of the Issuer in office from time to time, the power of attorney to complete, amend, modify and file all forms to be filed with all regulatory authorities; and
- (f) Agrees to comply with the *Securities Act* and any other relevant securities legislation regulations, orders or policies concerning the purchasing, holding and resale of Shares.

**The Issuer warrants and represents that:**

- (a) It is a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it is incorporated, continued or amalgamated;
- (b) It is duly registered and licensed to carry on business in the jurisdictions in which it carries on business or owns property;
- (c) Except for Shares which have been sold since the date of the Offering Memorandum, the issued and outstanding capital of the Issuer is as disclosed in the Offering Memorandum;
- (d) The Issuer will apply the proceeds of this Subscription in the manner described in the Offering Memorandum;
- (e) The Offering Memorandum alone (i.e., exclusive of any and all other statements made by the Issuer) contains all written representations made by the Issuer to an investor or potential investor in connection with this Subscription and those representations will be accurate in all material respects and will omit no material fact, the omission of which will make such representation misleading.
- (f) The financial statements attached to the Offering Memorandum accurately reflect the financial position of the Issuer as at the dates thereof, and no adverse material changes in the financial position of the Issuer has taken place since the dates therefore, save in the ordinary course of business, and the Issuer has raised and invested funds under and in accordance with the Offering Memorandum;
- (g) The issue and sale of the Shares by the Issuer does not and will not conflict with, and does not and will not result in a breach of, any of the terms of the articles and bylaws of the Issuer or any agreement or instruments to which the Issuer is a party;
- (h) The Issuer is not a party to any actions, suits or proceedings which could materially affect its business or financial condition, and no such actions, suits or proceedings are contemplated or have been threatened;
- (i) This Agreement has been authorized by all necessary corporate actions on the part of the Issuer;
- (j) No order ceasing or suspending trading in securities of the Issuer nor prohibiting the sale of such securities has been issued to the Issuer or its directors, officers or promoters or to any other companies that have common directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;
- (k) The warranties and representations in this section are true and will remain so as of the conclusion of the Subscription; and
- (l) In the event that this subscription is not accepted by the Issuer, this subscription and all accompanying materials will be returned to the undersigned within 10 days of such non- acceptance.

**Purchaser's Rights:**

The terms described in "Purchaser's Rights" of the Offering Memorandum are incorporated in this subscription agreement and such contractual rights of action are in addition to and not in derogation from any other right or remedy available to the Subscriber.

Dated at \_\_\_\_\_, at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
(Name of Selling Agent)

\_\_\_\_\_  
(Please Print Name of Subscriber)

\_\_\_\_\_  
(Address of Agent)

\_\_\_\_\_  
(Social Insurance Number of Subscriber)

\_\_\_\_\_  
(Address of Subscriber)

\_\_\_\_\_  
(Home phone/fax numbers) (Work phone/fax numbers)

\_\_\_\_\_  
(E-mail address)

\_\_\_\_\_  
The Issuer hereby acknowledges receipt of the Subscription Price, and hereby accepts this subscription

this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

**EMPIRE HYDROGEN ENERGY SYSTEMS INC.**

Per: \_\_\_\_\_

## Routing Instructions – International Incoming Wire Transfers

Receiver, Pay direct to:

Swift BIC: CUCXCATTVAN

Central 1 Credit Union – Vancouver

Beneficiary Bank – Swift Field 57

Route No. Transit No. – 080915040

Institution Number: 809

Credit Union Name –

Envision Financial division of First West Credit Union

6481 120 Street

Delta, BC, Canada

V4E 3G3

Beneficiary Customer – Swift Field 59

Account No. - 300691667

Empire Hydrogen Energy Systems Inc.

10189 McDonald Park Rd., Suite 7

Sidney, BC, Canada

V8L 5X5

**EXHIBIT B**

**RISK ACKNOWLEDGEMENT**

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority or regulator and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing \$\_\_\_\_\_ in total; this includes any amount I am obliged to pay in the future. Empire Hydrogen Energy Systems, Inc. (the “**Issuer**”) will pay up to 15% of this amount in cash or 8% cash and 8% share purchase warrants to \_\_\_\_\_ as a fee or commission.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Name of Purchaser

**W  
A  
R  
N  
I  
N  
G**

*Sign two copies of this document. Keep one copy for your records.*

**You have two business days to cancel your purchase.**

To do so, send a notice to the Issuer stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to the Issuer at its business address. Keep a copy of the notice for your records.

Issuer Name and Address: Empire Hydrogen Energy Systems. Inc.  
#7 – 10189 McDonald Park Road  
Sidney, British Columbia V8L 5X5

Phone #: (778) 426-0911

E-mail address: [info@empirehydrogen.com](mailto:info@empirehydrogen.com)

Fax #: (778) 426-0456



**You are buying exempt market securities.**

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are considered to have greater risk than other securities.

**You will receive an offering memorandum.**

Read the offering memorandum carefully because it has important information about the Issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

**You will not receive advice.**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon to qualify as an eligible investor, you may be required to obtain that advice.

**The securities you are buying are not listed.**

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

**The issuer of the securities is a non-reporting issuer.**

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

For more information on the exempt market, call your local securities regulatory authority or regulator.

Alberta Securities Commission  
T: (403) 297-6454  
[www.albertsecurities.com](http://www.albertsecurities.com)

British Columbia Securities Commission  
T: (604) 899-6500  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

Manitoba Securities Commission  
T: (204) 945-2548  
[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)

New Brunswick Securities Commission  
T (506) 658-3060  
[www.nbsc-cvmnb.ca](http://www.nbsc-cvmnb.ca)

Newfoundland and Labrador  
Financial Services Regulation Division  
T: (709) 729-4189  
[www.gs.gov.nl.ca](http://www.gs.gov.nl.ca)

Northwest Territories  
Office of the Superintendent of Securities  
T: (867) 920-8984  
[www.justice.gov.nt.ca](http://www.justice.gov.nt.ca)

Nova Scotia Securities Commission  
T: (902) 424-7768  
[www.gov.ns.ca/nssc/](http://www.gov.ns.ca/nssc/)

Nunavut  
Superintendent of Securities  
T: (867) 975-6590  
[www.gov.nu.ca](http://www.gov.nu.ca)

Autorité des marchés financiers  
T: (514) 395-0337  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

Prince Edward Island Securities Office  
T: (902) 368-4569  
[www.gov.pe.ca/securities](http://www.gov.pe.ca/securities)

Saskatchewan Financial Services Commission  
T: (306) 787-5879  
[www.sfsc.gov.sk.ca](http://www.sfsc.gov.sk.ca)

Yukon  
Superintendent of Securities  
T: (867) 667-5314  
[www.gov.yk.ca](http://www.gov.yk.ca)

# SHARE PURCHASE REPORT



## PROVINCE OF BRITISH COLUMBIA

Toll Free: 1-800-665-6597  
 Phone: (250) 952-0136  
 Fax: (250) 952-0371  
 Email: [ecp@tbc.gov.bc.ca](mailto:ecp@tbc.gov.bc.ca)

**Freedom of Information and Protection of Privacy Act (FIPPA)** The information collected on this form is collected under the authority of the **Small Business Venture Capital Act, RSBC 1996 c. 429** (Act) and is subject to the provisions of the FIPPA. The personal information will be used for the administration of the Act and the issuance of tax credits. For more information regarding this form and the FIPPA please contact the **Investment Capital Branch, Box 9800 Stn Prov Govt, Victoria, B.C. V8W 9W1**

This report must be completed by the VCC or EBC investor. Please print clearly and legibly.

Name of Venture Capital Corporation (the "VCC") or Eligible Business Corporation (the "EBC") <b>Empire Hydrogen Energy Systems Inc.</b>	
SIN# or Business # (9-Digits) of the Individual or Corporate investor (in the VCC or EBC who will receive the tax credit). - - Failure to complete this section with accurate information may prevent a tax credit certificate from being issued.	
Legal Name of the Individual or Corporate Investor in the VCC or EBC (the "Investor") (this name must appear on the share certificate) Legal Last name (or Corporate Name) Legal First Name Legal Middle Name	
Full Address of Investor (residential address for individual investor or place of business address for corporate investor) Street Address City Postal Code - Province B.C. Phone Number - -	
Investment Amount Paid for the VCC or EBC Shares (the "Shares")	\$ .
Number of Shares Purchased	
Share Certificate Class	
Name on Share Certificate (if the shares are registered in the name of an RSP Trustee or in joint names)	
Investment Date	

### CERTIFICATION I, the undersigned, do hereby certify that:

As at the investment date noted above, I am an individual resident in British Columbia **OR** I am an authorized signing officer of a corporation which has a place of business or permanent establishment in British Columbia;

- no tax credit has been previously allowed or paid for the Shares;
- the Shares were acquired for cash consideration directly from the VCC, EBC or its agent, and the Shares have been fully paid for in cash;
- the Shares purchased do not carry rights or restrictions prohibited by the *Small Business Venture Capital Act and Regulations*;
- I have not received any financial assistance to purchase these shares from the EBC, the VCC or any business that the VCC has invested in or any affiliate of the EBC, VCC or business.;
- neither myself or my associates (i.e relatives) or my affiliates (ie. other companies controlled by myself or associates) have voting control over the EBC or in any manner control the EBC;
- I have not disposed of any class or type of EBC shares in the two years prior to the investment date;
- I am the beneficial and registered owner of the Shares (except as noted on the share certificate); and
- all information set out above is true and correct.

I am aware that the Province of British Columbia in no way guarantees the value of any shares issued by an EBC or VCC registered under the Small Business Venture Capital Act nor does it in any way express an opinion as to the financial condition of the issuing company or the merits of an investment in shares of the issuing company. **I am aware that the information provided in this form will be used to issue a tax credit certificate and may be shared with Canada Revenue Agency.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Full Name

\_\_\_\_\_  
Date

**EXHIBIT E**

**Risk acknowledgement under blanket order 31-505 registration exemption for  
Trades in connection with certain prospectus-exempt distribution**

**Name of Issuer:** Empire Hydrogen Energy Systems Inc.

**Name of Seller:** Empire Hydrogen Energy Systems Inc.

**I acknowledge that:**

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all my money; and
- I am investing entirely at my own risk.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of purchaser

\_\_\_\_\_  
Print name of purchaser

\_\_\_\_\_  
Name of salesperson acting on behalf of seller

Sign two (2) copies of this document. Keep one (1) copy for your records.

National Instrument 45-106 *Prospectus and Registration Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.