



CHARBONE HYDROGEN CORPORATION

PRESS RELEASE

For immediate release

CHARBONE HYDROGEN Announces Purchase & Sale Agreement with NORTHWOODS HYDROPOWER Inc. for the Acquisition of a Hydropower Plant in Shawano, Wisconsin and a \$1.2M Debenture Financing with a group lead by FINEXCORP

Brossard, Québec, October 11, 2022 – CHARBONE HYDROGEN CORPORATION (TSXV:CH) (“**Charbone**”) is pleased to announce that it has concluded the final negotiations and executed a Purchase and Sale Agreement (the “**PSA**”), dated as of October 7, 2022, between its wholly-owned subsidiary, Charbone Corporation USA (“**Charbone USA**”) and NORTHWOODS HYDROPOWER INC. (“**Northwoods**”), for the acquisition of all of the general partner and limited partner interests of Wolf River Hydro Limited Partnership (“**Wolf River**”), the owner of the 700 kW operating hydropower plant in Shawano, Wisconsin. The purchase price for the acquisition is \$700,000 USD, subject to adjustments.

The terms and conditions of the PSA stipulate that the acquisition of Wolf River is to be closed on or before November 15, 2022, subject to customary closing conditions. Concurrently, Charbone and Northwoods will negotiate PSAs for the Tower Kleber Limited Partnership and the Black River Limited Partnership (collectively, the “**Limited Partnerships**”), with the acquisition of the Limited Partnerships to be concluded on or before December 15, 2022. The Limited Partnerships have the capacity to produce 2,760 kW of hydropower. The operating hydropower plants owned by the Limited Partnerships are each located in the Onaway region of Michigan and will be financed independently of the Shawano hydropower plant owned by Wolf River.

The acquisition of Wolf River is being financed in part through a private placement by Charbone of an aggregate principal amount of \$1.2 million CAD of 14% secured convertible debentures maturing on October 7, 2024 (the “**Debentures**”) to four arm’s length investors led by FINEXCORP. The Debentures were accompanied by an aggregate of 3,000,000 common share purchase warrants (the “**Warrants**”), with each Warrant exercisable to acquire one additional common share in the capital of Charbone, at a price per share of \$0.60 CAD, for a period of 24 months. The Debentures bear interest at a rate of 14% per annum payable quarterly in arrears on the last day of March, June, September, and December in each year until the maturity date. The first interest payment will be made at the end of the first calendar quarter following the closing date (the “**Initial Interest Payment Date**”) and will consist of interest accrued from and including the closing date to the Initial Interest Payment Date. The Debentures’ aggregate principal amount of \$1.2 million CAD is convertible into an aggregate of up to 3,000,000 common shares of Charbone, at a conversion price per share of \$0.40 CAD, until the maturity



date. The Debentures are secured by way of a pledge of the securities held by Charbone USA in its operating subsidiaries that own hydropower plants.

In addition to the acquisition of Wolf River, proceeds from the sale of the Debentures and Warrants will be used for the advancement of Charbone’s development initiatives and for general working capital purposes. Charbone did not pay any commission or finder’s fee in connection with the private placement. The Debentures and Warrants are subject to a restrictive legend expiring after four months and one day, as required by applicable securities laws and the policies of the TSX Venture Exchange. The private placement is subject to final acceptance by the TSX Venture Exchange.

The Limited Partnerships are parties to long-term power purchase agreements with large local utilities that are expected to generate recurrent revenues for Charbone USA in Q4-2022. Charbone’s strategy is to acquire its own hydropower plants, modernize and optimize them in order to increase their respective production capacities and, consequently, the value of the assets for Charbone and its shareholders, and to further assist Charbone with its deployment of a green hydrogen regional hub.

Charbone plans to develop and construct modular and scalable green hydrogen production facilities in both Wisconsin and Michigan within the next few years. All plants boast sufficient land space to accommodate green hydrogen facilities or increase capacities through automation and modernization of the facilities with newer hydro turbines and other technologies that would allow Charbone USA to produce power at one end and then transmit its own power via utilities’ power lines, subject to a transmission fee, to a hydrogen production facility in a large industrial or urban centre near the end-users of that hydrogen.

The Northwoods management and operation teams have agreed to continue to perform their duties under Charbone’s ownership and will assist Charbone’s engineering team in implementing optimization, modernization, and automation projects at each of the plants. Charbone aims to be one of the first green hydrogen producers in the Midwestern United States.

“This acquisition is the first step in Charbone’s strategy to enter the Midwest. This hydropower plant is in the heart of the famous US “rust-belt” around the Great Lakes, where the green hydrogen we produce will be used both in steel production and, in the near future, for heavy mobility,” said Dave B. Gagnon, Chairman and CEO of Charbone. *“Charbone’s strategy to produce, in part, its own renewable energy and procure locally from local utilities or from Independent Power Producers (IPP’s) gives Charbone not only a competitive advantage in pricing, but also provides us with leverage to negotiate better rates for the available renewable energies in those regions.”*



About Charbone

Charbone is a Canadian green hydrogen company established in North America. The company's strategy consists of developing modular and expandable hydrogen facilities. Through the acquisition of hydropower plants in the United States and in Canada, Charbone intends to produce green dihydrogen molecules using reliable and sustainable energy to distinguish itself as a supplier of an environmentally friendly solution for industrial and commercial companies.

About Northwoods

Northwoods, Wolf River Hydro Limited Partnership, Tower Kleber Limited Partnership and Black River Limited Partnership are U.S. based businesses, wholly owned by a Canadian family, that have been operating the Michigan and the Wisconsin hydropower plants for over 20 years.

Forward-Looking Statements

*This news release contains statements that are "forward-looking information" as defined under Canadian securities laws ("**forward-looking statements**"). These forward-looking statements are often identified by words such as "intends", "anticipates", "expects", "believes", "plans", "likely", or similar words. Specifically, this news release includes forward-looking statements regarding Charbone's expected revenues to be generated by the acquisition of the Limited Partnerships, the negotiation and completion of the PSAs between Charbone USA and each of the Limited Partnerships, other statements regarding future product developments, and markets, including with respect to specific indications, and any other statements which are other than statements of historical fact and the expected timing of such events. The forward-looking statements reflect Charbone management's expectations, estimates, or projections concerning future results or events, based on the opinions, assumptions and estimates considered reasonable by management at the date each respective statement is made. Although Charbone believes that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on forward-looking statements, as unknown or unpredictable factors could cause actual results to be materially different from those reflected in the forward-looking statements. Among the key factors that could cause actual results to differ materially: whether Charbone USA and each of the Limited Partnerships are successful in negotiating and entering the PSAs and the availability of substantial capital in the future to fund its operations. The forward-looking statements may be affected by risks and uncertainties in the business of Charbone.*

Except as required under applicable securities legislation, Charbone undertakes no obligation to publicly update or revise forward-looking information.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.



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