



Condensed Interim Consolidated Financial Statements

Three Month Period Ended

March 31, 2021

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the first quarter 2021 report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim consolidated financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	March 31,	December 31,
	2021	2020
	(\$)	(\$)
ASSETS		
Current assets		
Cash	797,027	676,087
Receivables	295,882	121,312
Due from related party (Note 5)	164,805	129,805
Prepaid expenses	138,856	45,067
Right-of-use asset	93,556	103,128
Total current assets	1,490,126	1,075,399
Non-current assets		
Oil and gas interests (Note 4)	1,606,847	733,233
TOTAL ASSETS	3,096,973	1,808,632
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	1,622,970	1,496,098
Loans	-	244,265
Lease liability	42,758	29,581
Total current liabilities	1,665,728	1,769,944
Lease liability	52,953	78,095
Decommissioning liability (Note 6)	389,215	388,190
TOTAL LIABILITIES	2,107,896	2,236,229
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 7)	14,841,044	12,431,471
Shares subscribed (Note 7)	22,485	672,500
Contributed surplus (Note 7)	1,605,683	1,605,683
Reserves (Note 7)	183,583	183,473
Deficit	(15,663,718)	(15,320,724)
Total shareholders' equity (deficiency)	989,077	(427,597)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIENCY)	3,096,973	1,808,632

Nature of operations and going concern (Note 1)

Commitments (Note 8)

Subsequent events (Note 12)

On behalf of the Board of Directors:

"Kylie Dickson"
Director

"Thomas Milne"
Director

HILLCREST ENERGY TECHNOLOGIES LTD.**(formerly Hillcrest Petroleum Ltd.)****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

	Three Month Period Ended	
	March 31,	March 31,
	2021	2020
	(\$)	(\$)
Revenue and costs		
Oil sales	285,759	136,244
Royalties	(82,010)	(29,104)
Operating costs	(69,034)	(126,865)
Depletion (Note 4)	(66,302)	(50,422)
	68,412	(70,147)
General and administrative expenses		
Management and consulting fees (Note 5)	299,242	30,176
Office and general	112,764	90,668
	412,006	120,844
Loss from operations	(343,593)	(190,991)
Financing expenses	1,332	(41,137)
Foreign exchange gain	(732)	(102)
Net loss	(342,994)	(232,230)
Item that may be subsequently reclassified to net loss		
Exchange differences on translating foreign operations	110	1,110
Comprehensive loss for the period	(342,884)	(231,120)
Basic and diluted loss per share	(0.00)	(0.00)
Weighted average common shares outstanding:		
Basic	213,585,326	124,101,277
Diluted	213,585,326	124,101,277

The accompanying notes are an integral part of these consolidated financial statements

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Share Capital		Reserves					Shareholders' Equity (Deficiency)
	Number of Shares	Amount	Shares subscribed	Contributed Surplus	Warrants	Foreign Currency Translation	Deficit	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2019	123,679,299	8,980,016	-	1,357,361	129,550	116,534	(13,073,487)	(2,490,026)
Conversion of convertible debentures	600,000	30,000	-	-	5,601	-	-	35,601
Net loss and comprehensive loss for the period	-	-	-	-	-	1,110	(232,230)	(231,120)
Balance at March 31, 2020	124,279,299	9,010,016	-	1,357,361	135,151	117,644	(13,305,717)	(2,685,545)
								-
Balance at December 31, 2020	184,920,696	12,431,471	672,500	1,605,683	63,550	119,923	(15,320,724)	(427,597)
Proceeds from exercise of stock options	2,150,000	107,500	-	-	-	-	-	107,500
Proceeds from exercise of warrants	12,913,334	1,068,833	-	-	-	-	-	1,068,833
Proceeds from private placement	25,340,000	1,267,000	(672,500)	-	-	-	-	594,500
Share issuance costs	-	(33,760)	-	-	-	-	-	(33,760)
Shares subscribed for relating to stock options	-	-	22,485	-	-	-	-	22,485
Net loss and comprehensive loss for the period	-	-	-	-	-	110	(342,994)	(342,884)
Balance at March 31, 2021	225,324,030	14,841,044	22,485	1,605,683	63,550	120,033	(15,663,718)	989,077

The accompanying notes are an integral part of these consolidated financial statements

HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Three Month Period Ended	
	March 31, 2021	March 31, 2020
	(\$)	(\$)
Net loss for the period	(342,994)	(232,230)
Adjusted for items not involving cash:		
Accretion expense	1,025	6,008
Accrued interest expense	3,280	31,846
Depletion and depreciation of right-of-use asset	75,874	56,206
Changes in non-cash working capital:		
Prepaid expenses	(93,789)	(6,581)
Receivables	(174,570)	65,523
Due from related party	(35,000)	-
Accounts payable and accrued liabilities	123,702	52,532
Cash flows used in operating activities	(442,472)	(26,696)
Property and equipment expenditures	(939,916)	(4,063)
Cash flows provided by (used in) investing activities	(939,916)	(4,063)
Share subscriptions received in advance	22,485	-
Proceeds from private placement, net of share issue costs	560,740	-
Proceeds from exercise of stock options	107,500	-
Proceeds from exercise of warrants	1,068,833	-
Repayment of lease liability	(11,965)	(6,176)
Repayment of loan principal and interest	(244,265)	32,108
Repayment of convertible debenture principal and interest	-	2,632
Cash flows provided by financing activities	1,503,328	28,564
Change in cash	120,940	(2,195)
Cash, beginning of the period	676,087	41,749
Cash, end of the period	797,027	39,554

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HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hillcrest Energy Technologies (formerly “Hillcrest Petroleum Ltd”). (the “Company”) was incorporated on May 2, 2006 under the Business Corporations Act of British Columbia, and is in the business of acquiring, exploring, and developing exploration interests in oil and gas projects located in North America. The Company is transitioning its business from oil and gas production to clean energy technology development and deployment, and is currently building its capability to expand the scope of the Company’s activities in several new technology fields. The Company’s registered office is Suite 1910 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

On March 30, 2021, the Company delisted from the TSX Venture Exchange and listed on the Canadian Securities Exchange (“CSE”), trading under the symbol “HEAT”. Concurrent with the new listing on the CSE, the Company changed its name from Hillcrest Petroleum Ltd. to Hillcrest Energy Technologies Ltd.

The Company is subject to several categories of risk associated with the exploration and development of oil and gas resources. Oil and gas exploration and production is a speculative business and involves a high degree of risk. Among the factors that have a direct bearing on the Company’s prospects are uncertainties inherent in estimating oil and gas reserves, future hydrocarbon production, and cash flows, particularly with respect to wells that have not been fully tested and with wells having limited production histories; access to additional capital; changes in the price of oil and gas; availability and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

These consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of its creditors and its shareholders and ultimately, the attainment of profitable operations. There is no certainty that the Company will continue to produce revenue due to the inherent production risks associated with the oil and natural gas industry. In the past, the Company has relied on sales of equity securities, debt instruments and asset sales to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to satisfy operational requirements and cash commitments. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to it. Failure to obtain such financing on a timely basis could cause the Company to reduce or terminate its operations.

Due to the conditions and events as noted above, there is material uncertainty casting significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on May 26, 2021.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the parent company, Hillcrest Petroleum Ltd., and its wholly-owned subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Principal Activity</u>
Hillcrest Exploration Ltd. ("HEL")	USA	Oil and Gas exploration
ALSET Innovation Ltd.	Canada	Clean Technology
2044573 Alberta Ltd.	Canada	Oil and Gas exploration
102031850 Saskatchewan Ltd.	Canada	Oil and Gas exploration
Hillcrest Resources (Arizona) Ltd. ("HARL")	USA	Dormant

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the parent, 1084580 BC Ltd., 2044573 Alberta Ltd., 102031850 Saskatchewan Ltd. and HARL is the Canadian dollar. The functional currency of HEL is the United States dollar.

(e) Use of Estimates and Judgments

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ. Significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited consolidated financial statements for the year ended December 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these condensed interim financial statements are consistent with those stated in the Company's most recent annual audited financial statements, except for any new standards and amendments adopted (Note 3). Accordingly, these condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

4. OIL AND GAS INTERESTS

	\$
Cost	
At December 31, 2019	2,746,270
Additions	4,063
At March 31, 2020	2,750,333
At December 31, 2020	2,955,994
Additions	939,916
At March 31, 2021	3,895,910
Accumulated depletion	
At December 31, 2019	1,368,131
Depletion for the period	50,422
At March 31, 2020	1,418,553
At December 31, 2020	1,528,693
Depletion for the period	66,302
At March 31, 2021	1,594,995
Impairment	
At December 31, 2019 and March 31, 2020	694,068
At December 31, 2020 and March 31, 2021	694,068
Carrying amounts	
At March 31, 2020	637,712
At March 31, 2021	1,606,847

West Hazel, Saskatchewan

In February 2019, three wells under the West Hazel farm-in agreement were reactivated, and as a result the Company reclassified the associated costs from exploration and evaluation assets to property and equipment on the consolidated statement of financial position. The Company is the joint venture operator with its working interest of 62.25%. The owners of the other working interests are:

- 2042870 Alberta Ltd. (Charterhouse subsidiary): 25%;
- KFG Resources Ltd: 11.25%; and
- Geronimo Corp.: 1.5%

During the three-month period ended March 31, 2021, the Company incurred costs of \$939,916 related to drilling a short-lateral oil well.

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Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

4. OIL AND GAS INTERESTS (continued)

Impairment

The Company's oil production assets were assessed for impairment against the proved and probable reserves. The valuation determined that the pre-tax net present value of oil and gas reserves at a discount rate of 10% is \$2.695 million.

Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Probable reserves are defined as those which have a better than 50% chance of being technically and economically recoverable.

At March 31, 2021, the Company's estimated total Proven and Probable Reserves were 352.2 Mboe. Assumptions for the fair value calculation included heavy oil prices ranging from \$54 – 63 bbl (2020 – 2026) and an inflation rate of 2%.

During the period ended March 31, 2021, the Company reviewed the carrying value of its oil and gas interests and determined there were no indicators of impairment with respect to the performance and operating costs of the West Hazel wells. For the year ended December 31, 2020, the Company recorded an impairment charge of \$Nil (2019: \$Nil).

5. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the period ended March 31, 2021 and 2020. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	March 31, 2021	March 31, 2020
	(\$)	(\$)
Management and consulting fees paid or accrued to directors, officers or corporations controlled by directors and officers of the Company	115,500	30,176
	115,500	30,176

- a) As at March 31, 2021, a total of \$Nil (March 31, 2020 - \$69,431) was included in accounts payable and accrued liabilities owing to the directors and officers or corporations controlled by directors and officers of the Company for unpaid consulting fees and reimbursable expenses. These liabilities are non-interest bearing and payable on demand.
- b) As at March 31, 2021, the Company owed \$Nil (March 31, 2020 - \$53,488) in loan principal and interest to the Chairman of the Company pursuant to a December 27, 2018 loan agreement where the Company borrowed \$45,000 from the Chairman. The loan bears interest at 15% and is repayable on demand.
- c) As at March 31, 2021, the Company was owed \$164,805 (2019 - \$Nil) from the CEO.

HILLCREST ENERGY TECHNOLOGIES LTD.

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Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

6. DECOMMISSIONING LIABILITY

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the Hartburg Project was \$9,167 (US\$7,200) (March 31, 2020 - \$10,957 (US\$8,436)) as at March 31, 2021. The provision has been estimated using a risk-free discount rate of 0.33% (March 31, 2020 - 1.98%) and an inflation rate of 2.00% (March 31, 2020 - 2.00%).

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the Flaxcombe Project was \$50,000 (March 31, 2020 - \$60,950) at March 31, 2021. The provision has been estimated using a risk-free discount rate of 0.58% (March 31, 2020 - 1.98%) and an inflation rate of 2.00% (March 31, 2020 - 2.00%).

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel Project was \$306,491 (March 31, 2020 - \$338,391) at March 31, 2021. The provision has been estimated using a risk-free discount rate of 0.58% (March 31, 2020 - 1.68%) and an inflation rate of 2.00% (March 31, 2020 - 2.00%).

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

Three Month Period Ended March 31, 2021

- a) The Company issued 25,340,000 units in connection with a private placement at \$0.05 per unit for gross proceeds of \$1,267,000, \$672,500 of which were received during 2020. Each unit consists of one common share and one share purchase warrant. Each Warrant will be exercisable into an additional common share of the Company at a price of \$0.10 per share for a period of two years.
- b) A total of 2,150,000 stock options were exercised for gross proceeds of \$107,500.

Three Month Period Ended March 31, 2020

- a) The Company issued 600,000 common shares in connection with the conversion of a \$30,000 portion of the outstanding Convertible Debentures at \$0.05 per share

Share Purchase Warrants

Three Month Period Ended March 31, 2021

- a) A total of 12,913,334 share purchase warrants were exercised for gross proceeds of \$1,068,833.
- b) A total of 25,340,000 warrants were issued at \$0.10 per share for a period of two years.

Three Month Period Ended March 31, 2020

- a) A total of 4,396,000 share purchase warrants exercisable at \$0.05 expired unexercised on February 27, 2020.
- b) A total of 600,000 share purchase warrants exercisable at \$0.10 expired unexercised on March 23, 2020.

HILLCREST ENERGY TECHNOLOGIES LTD.**(formerly Hillcrest Petroleum Ltd.)**

Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

The continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2019	29,749,112	0.05
Issued	27,700,668	0.09
Exercised	(22,594,445)	0.05
Expired	(6,582,667)	0.06
Balance, December 31, 2020	28,272,668	0.09
Issued	26,015,200	0.10
Exercised	(12,913,334)	0.07
Balance, March 31, 2021	41,374,534	0.10

The following table summarizes the share purchase warrants outstanding as at March 31, 2021:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
32,000	0.10	May 10, 2021	0.11
200,000	0.05	May 10, 2021	0.11
2,971,000	0.07	July 14, 2022	1.29
12,156,334	0.10	September 1, 2022	1.42
26,015,200	0.10	January 18, 2023	1.80
41,374,534	0.10		1.59

Stock Options

Effective November 4, 2010, the Company adopted a stock option plan to grant stock options to its directors, officers, employees and consultants. In accordance with the policies of the TSXV, the aggregate number of securities reserved for issuance under the plan, at any point in time, will be 10% of the number of common shares of the Company issued and outstanding at the time the option is granted, less any common share reserved for issuance under share options granted under share compensation arrangements other than the plan. The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the common shares on the Exchange at the time of grant. All unexercised options granted under the plan will expire no later than five years from the date of grant.

The options granted were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

	2020
Risk-free interest rate	1.62%
Expected life of options	1.55-2.43 years
Volatility	86-129%
Expected Dividend yield	Nil
Forfeiture rate	Nil
Weighted average fair value	\$0.002

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Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

The continuity of the Company's stock options is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2019	4,650,000	0.06
Issued	9,100,000	0.05
Repriced – original prices	(2,050,000)	0.07
Repriced – amended prices	2,050,000	0.05
Exercised	(2,800,000)	0.05
Balance, December 31, 2020	10,950,000	0.05
Exercised	(2,150,000)	0.05
Balance, March 31, 2021	8,800,000	0.05

The following table summarizes the stock options outstanding and exercisable as at March 31, 2021:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
900,000	900,000	0.05	February 21, 2022	0.90
300,000	300,000	0.05	May 1, 2022	1.08
5,600,000	5,600,000	0.05	July 8, 2025	4.27
1,000,000	1,000,000	0.05	Oct 7, 2025	4.52
1,000,000	1,000,000	0.05	Nov 9, 2025	4.61
8,800,000	8,800,000	0.05		3.89

8. COMMITMENTS

The Company had the following commitments as at March 31, 2021:

- a) The Company has an office rental agreement with a term of 72 months, terminating on February 28, 2023. The landlord issued a notice of termination to the Company effective January 31, 2019 and has sent a demand for payment of \$43,961 (US\$32,245) representing unpaid rental charges under the rental agreement. The Company has recognized the full liability as at December 31, 2020.
- b) On November 19, 2020, the Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, commencing December 1, 2020 and terminating on November 30, 2023. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$45,910 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.
- c) On August 21, 2020, the Company signed a Financial and Advisory Services Agreement with a New York-based capital and advisory firm. The agreement has a term of one (1) year at a cost of US\$15,000 per quarter.

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Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

9. GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in one business activity, being the acquisition, exploration, development and production of oil and gas reserves in Canada and the United States. For the year ended December 31, 2020 and three month period ended March 31, 2021, all revenues were derived from operations in Canada and all non-current assets were located in Canada (March 31, 2020 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is primarily dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed using best efforts. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, loans, and lease obligations. The carrying amounts of these financial instruments are a reasonable estimate of their fair values based on their current nature and current market rates for similar financial instruments. Derivative financial instruments are the only instruments measured at fair value through profit and loss in accordance with IFRS 9 – Financial Instruments, which requires the classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

12. SUBSEQUENT EVENTS

- a) On March 2, 2021, the Company entered into a non-binding term sheet under which a third party would, upon closing, commit to purchase up to \$5,000,000 of units from the Company. Each unit is to consist of one Company common share issued at a 20% discount to the Company's 20-day volume weighted average price ("VWAP") and one-half of one Company share purchase warrant exercisable for 24 months at a 50% premium to the 20-day VWAP. On April 9, 2021, the first tranche of financing under this term sheet closed, with the Company issuing 13,176,470 units at \$0.17 per unit for proceeds of \$2,240,000 and 588,235 finder's units valued at \$0.17 per unit to pay a \$100,000 financing fee.
- b) On April 7, 2021, the Company acquired ANIGO Technologies Inc. ("ANIGO") by paying \$200,000 cash and issuing 6,000,000 Company common shares.
- c) On April 7, 2021, the Company granted 13,700,000 restricted share units ("RSUs") exercisable into Company common shares for nil proceeds to various Company directors, officers and consultants. The RSUs were exercised during April 2021 at a deemed value of \$0.22 per share.
- d) On April 8, 2021, the Company granted 10,700,000 share purchase options exercisable at \$0.24 per share for five years to various Company officers, directors and consultants.

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Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period Ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

12. SUBSEQUENT EVENTS (Continued)

- e) On April 13, 2021, the Company entered into a Joint Development Agreement with Systematec GmbH ("Systematec"), under which the Company and Systematec would engage in joint development activities and under which the Company is to issue to Systematec 2,750,000 Company common shares at a price of \$0.24 per share for total value of \$660,000 and 2,000,000 Company common share purchase warrants exercisable at \$0.24 per share for 60 months after issuance.

- f) On April 16, 2021, the Company entered into a non-binding Memorandum of Intent under which the Company would have the opportunity to acquire up to a 51% interest in a Canadian private Company ("Privco"), with the intent of the Company and Privco together developing and commercializing energy efficiency projects and opportunities by combining IP and technologies.