Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

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HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,221,335	$ 3,685,100
Receivables		31,689	43,588
Due from related party	**8**	129,615	-
Prepaid expenses		516,984	539,704
Right-of-use asset		129,488	165,490
Total current assets		2,029,111	4,433,882
Non-current assets			
Intangible assets	**5**	1,550,000	1,550,000
Property, plant and equipment	**6**	669,376	605,101
Assets of discontinued operations	**4**	14,115	42,432
TOTAL ASSETS		$ 4,262,602	$ 6,631,415
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**7**	$ 206,196	$ 640,918
Lease liability		70,964	67,585
Total current liabilities		277,160	708,503
Lease liability		73,779	110,950
Liabilities of discontinued operations	**4**	434,702	566,129
TOTAL LIABILITIES		785,641	1,385,582
SHAREHOLDERS' EQUITY			
Share capital	**9**	29,726,789	29,196,232
Share subscriptions receivable	**9, 14(b)**	(237,000)	(566,054)
Contributed surplus	**9**	4,349,450	4,795,660
Reserves		336,001	335,996
Deficit		(30,698,279)	(28,516,001)
TOTAL SHAREHOLDERS' EQUITY		3,476,961	5,245,833
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		$ 4,262,602	$ 6,631,415

Nature of operations and going concern (Note 1)
Commitments (Note 10)
Subsequent events (Note 14)

On behalf of the Board of Directors:

"Kylie Dickson"
Director

"Thomas Milne"
Director

(Expressed in Canadian dollars)

	Notes		Three Months Ended June 30, 2022		June 30, 2021		Six Months Ended June 30, 2022		June 30, 2021
General and administrative expenses									
Management and consulting	**8**	**$**	301,086	**$**	497,716	**$**	460,648	**$**	785,753
Research and development			370,986		213,463		644,913		213,463
Office and general			736,855		1,004,398		1,289,934		1,117,637
Share-based compensation			(63,493)		5,724,037		43,915		5,724,037
			1,345,434		7,439,614		2,439,410		7,840,890
Loss from operations			(1,345,434)		(7,439,614)		(2,439,410)		(7,840,890)
Financing expenses			(6,384)		(7,608)		(12,768)		(13,300)
Write-off of payables and other liabilities			253,588		-		253,588		-
Foreign exchange loss			(10,381)		(2,354)		(12,995)		(3,086)
Net loss for the period from continuing operations		**$**	**(1,108,611)**	**$**	**(7,449,576)**	**$**	**(2,211,585)**	**$**	**(7,857,276)**
Net gain from discontinued operations			23,178		36,100		29,307		100,807
Total net loss for the period		**$**	**(1,085,433)**	**$**	**(7,413,476)**	**$**	**(2,182,278)**	**$**	**(7,756,469)**
Items that may be subsequently reclassified to net loss									
Exchange differences on translating foreign operations			5		(12)		5		98
Total comprehensive loss for the period		**$**	**(1,085,428)**	**$**	**(7,413,488)**	**$**	**(2,182,273)**	**$**	**(7,756,371)**
Basic and diluted loss per share from continuing operations		**$**	(0.00)	**$**	(0.03)	**$**	(0.01)	**$**	(0.03)
Basic and diluted loss per share from discontinuing operations		**$**	0.00	**$**	0.00	**$**	0.00	**$**	0.00
Weighted average common shares outstanding:									
Basic			322,724,644		264,373,245		322,487,843		239,119,583
Diluted			322,724,644		264,373,245		322,487,843		239,119,583

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes	Three Months Ended June 30 2022	Three Months Ended June 30 2021	Six Months Ended June 30 2022	Six Months Ended June 30 2021
OPERATING ACTIVITIES					
Net loss from continuing operations		$ (1,108,611)	$ (7,449,576)	$ (2,211,585)	$ (7,857,276)
Adjusted for items not involving cash:					
Write-off of payables and other liabilities		(253,588)	-	(253,588)	-
Finance expense		6,384	4,885	12,768	8,165
Depreciation		60,879	8,107	101,589	17,679
Share-based compensation		(63,493)	5,724,037	43,915	5,724,037
Shares issued pursuant to joint development agreement		-	591,250	-	591,250
Changes in non-cash working capital items:					
Receivables		(25,537)	(10,247)	11,899	6,158
Prepaid expenses		(65,194)	(70,640)	22,720	(164,429)
Due from related party		(129,615)	-	(129,615)	(35,000)
Accounts payable and accrued liabilities		25,414	289,766	(181,140)	151,387
Cash used in operating activities from continuing operations		(1,553,361)	(912,418)	(2,583,037)	(1,558,029)
Cash used in operating activities from discontinued operations		(47,865)	(419,867)	(73,803)	(55,729)
Cash used in operating activities		(1,601,226)	(1,332,285)	(2,656,840)	(1,613,758)
INVESTING ACTIVITIES					
Additions to equipment	6	(85,238)	(40,226)	(129,862)	(40,226)
Intangible asset	5	-	(200,000)	-	(200,000)
Cash used in investing activities from continuing operations		(85,238)	(240,226)	(129,862)	(240,226)
Cash used in investing activities from discontinued operations		-	(298,438)	-	(1,238,354)
Cash used in investing activities		(85,238)	(538,664)	(129,862)	(1,478,580)
FINANCING ACTIVITIES					
Share subscriptions received		309,054	(22,485)	329,054	-
Private placement		-	(138,915)	-	421,825
Exercise of options		-	237,500	-	345,000
Exercise of warrants		-	2,680,300	-	3,749,133
Proceeds from equity facility		-	2,240,000	-	2,240,000
Repayment of lease liability		(23,280)	(10,990)	(46,560)	(22,955)
Share issuance costs		-	-	40,432	-
Repayment of loan		-	-	-	(244,265)
Cash from financing activities from continuing operations		285,774	4,985,410	322,926	6,488,738
Cash from financing activities from discontinued operations		-	-	-	-
Cash from financing activities		285,774	4,985,410	322,926	6,488,738
Effect of foreign exchange on cash		8	98	11	98
Increase (decrease) in cash		(1,400,682)	3,114,559	(2,463,765)	3,396,498
Cash, beginning of the period		2,622,017	758,477	3,685,100	476,538
Cash, end of the period		$ 1,221,335	$ 3,873,036	$ 1,221,335	$ 3,873,036

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Share Capital		Share Subscriptions Receivable	Shares Subscribed	Reserves			Deficit	Shareholders' Equity
		Number of Shares	Amount			Contributed Surplus	Warrants	Foreign Currency Translation		
			($)	($)	($)	($)	($)	($)	($)	($)
Balance, December 31, 2020		184,920,696	12,431,471	-	672,500	1,605,683	63,550	119,923	(15,320,724)	(427,597)
Exercise of options		6,900,000	694,266	-	-	(349,266)	-	-	-	345,000
Exercise of warrants		45,416,334	4,319,133	-	-	-	-	-	-	4,319,133
Private placement		25,340,000	1,267,000	-	(672,500)	-	-	-	-	594,500
Proceeds from equity facility		13,176,470	2,240,000	-	-	-	-	-	-	2,240,000
Redemption of RSUs		14,200,000	3,182,500	-	-	(3,182,500)	-	-	-	-
Share-based compensation		-	-	-	-	5,724,037	-	-	-	5,724,037
Share issuance costs		588,235	(172,675)	-	-	-	-	-	-	(172,675)
Shares issued pursuant to joint development agreement		2,750,000	591,250	-	-	-	-	-	-	591,250
Shares issued upon purchase of asset		6,000,000	1,350,000	-	-	-	-	-	-	1,350,000
Conversion of convertible debenture		-	(164,805)	-	-	-	-	-	-	(164,805)
Net loss and comprehensive loss for the period		-	-	-	-	-	-	98	(7,756,469)	(7,756,371)
Balance, June 30, 2021		299,291,735	25,738,140	-	-	3,797,954	63,550	120,021	(23,077,193)	6,642,472
Balance, December 31, 2021		319,159,435	29,196,232	(566,054)	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833
Proceeds from share subscriptions	**9(a)**	-	-	329,054	-	-	-	-	-	329,054
Redemption of RSUs	**9(b)**	3,712,500	490,125	-	-	(490,125)	-	-	-	-
Share-based compensation		-	-	-	-	43,915	-	-	-	43,915
Share issuance costs	**9(c)**	202,160	40,432	-	-	-	-	-	-	40,432
Net loss and comprehensive loss for the period		-	-	-	-	-	-	5	(2,182,278)	(2,182,273)
Balance, June 30, 2022		323,074,095	29,726,789	(237,000)	-	4,349,450	216,108	119,893	(30,698,279)	3,476,961

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hillcrest Energy Technologies Ltd. (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 developing high-value, high-performance clean energy technologies in its transition from oil and gas production to clean energy technology development and commercialization. The Company is currently building its capability to expand the scope of its 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 development of clean energy technologies. Among the factors that have a direct bearing on the Company's prospects are uncertainties inherent in technology product development; intellectual property risks including litigation; access to additional capital; inflation and supply chain risks; availability and cost of labour, services and equipment; and the presence of competitors with greater financial resources and capacity.

These condensed interim 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 as it transitions from oil and gas production and into clean energy technology development and commercialization. Revenue may not be achieved from the technology portfolio in the near term. 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 condensed interim 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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard 34: *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements.

These condensed interim consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on August 24, 2022.

(b) Basis of Measurement

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

2. BASIS OF PREPARATION (continued)

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the parent company, Hillcrest Energy Technologies 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 condensed interim consolidated financial statements. 2044573 Alberta Ltd. and Hillcrest Resources (Arizona) Ltd. were dissolved as at June 30, 2022. The activities of any dissolved subsidiary are recorded up to the date of dissolution.

Name of Subsidiary	Jurisdiction of Incorporation	Principal Activity
Hillcrest Exploration Ltd. (“HEL”)	USA	Oil and Gas exploration
ALSET Innovation Ltd.	Canada	Clean Technology
1198007 B.C. Ltd. (“ANIGO”)	Canada	Clean Technology
102031850 Saskatchewan Ltd.	Canada	Oil and Gas exploration

(d) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the parent, ALSET Innovation Ltd., ANIGO, 2044573 Alberta Ltd., 102031850 Saskatchewan Ltd. and Hillcrest Resources (Arizona) Ltd. is the Canadian dollar. The functional currency of HEL is the United States dollar.

(e) Use of Estimates and Judgments

In preparing these condensed interim consolidated 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, 2021.

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 consolidated 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 consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2021.

4. DISCONTINUED OPERATIONS

Oil and Gas

In November 2021, the Company’s oil and gas property at West Hazel, Saskatchewan ceased production and oil wells were shut down due to the lack of production and extended production interruptions causing oil wells to be uneconomical to produce. Revenues in 2022 are the result of sales of existing oil inventory produced in 2021. On June 29, 2022, the Company formally ceased oil and gas operations.

The Company commenced abandonment and reclamation activities at West Hazel in 2021, with the abandonment of seven wellbores. All wellbores have now been abandoned with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work by Q3 2023.

(Expressed in Canadian dollars)

4. DISCONTINUED OPERATIONS (continued)

The Company's ceasing of oil and gas operations at its West Hazel field has completed the Company's exit from the fossil fuel business. As at June 30, 2022, the assets and liabilities related to the oil and gas properties have been reclassified as assets and liabilities of discontinued operations in the condensed interim consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as a net gain from discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss, and as cash flow from discontinued operations in the condensed interim consolidated statements of cash flows, respectively. Comparative information for the three and six months ended June 30, 2021 and as at December 31, 2021 have also been consequently reclassified as discontinued operations.

Net assets and net liabilities of discontinued operations:

	June 30, 2022	December 31, 2021
	($)	($)
Assets		
Cash and cash equivalents	2,458	37,856
Receivables	5,186	4,576
Prepaid expenses	6,471	-
Total Assets	**14,115**	**42,432**
Liabilities		
Accounts payable and accrued liabilities	172,726	191,966
Decommissioning Liability	261,976	374,163
Total Liabilities	**434,702**	**566,129**

Net gain and comprehensive gain from discontinued operations:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	($)	($)	($)	($)
Revenue and costs				
Oil sales	-	269,689	51,965	555,448
Royalties	-	(47,877)	(4,319)	(129,887)
Operating costs	(46,252)	(122,911)	(70,940)	(191,945)
Depletion	-	(46,408)	-	(112,710)
	(46,252)	**52,493**	**(23,294)**	**120,906**
General and Administrative				
Management and consulting	(13,072)	(11,913)	(28,567)	(23,118)
Office and general	(415)	(1,149)	(825)	(674)
Change in decommissioning estimate	62,791	-	62,791	-
	49,304	(13,062)	33,399	(23,792)
Gain from discontinued operations	**3,052**	**39,431**	**10,105**	**97,114**
Financing expenses	(745)	(3,331)	(1,669)	3,693
Other income	20,871	-	20,871	-
Net gain from discontinued operations	**23,178**	**36,100**	**29,307**	**100,807**

(Expressed in Canadian dollars)

4. DISCONTINUED OPERATIONS (continued)

Oil And Gas Interests

Net assets of discontinued operations include the Company's oil and gas properties, which are summarized below:

Cost		
At December 31, 2021	$	4,533,916
At June 30, 2022	**$**	**4,533,916**
Accumulated depletion		
At December 31, 2021	$	1,659,793
At June 30, 2022	**$**	**1,659,793**
Impairment		
At December 31, 2021	$	2,874,123
At June 30, 2022	**$**	**2,874,123**
Carrying amounts		
At December 31, 2021	$	-
At June 30, 2022	**$**	**-**

<u>West Hazel, Saskatchewan</u>

The Company is the joint venture operator in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin, with a working interest of 75%.

<u>Impairment</u>

During the year ended December 31, 2021, the Company reviewed its oil production assets at the cash-generating unit ("CGU") level and determined that the following factors were indicators of impairment:

- The lack of production and extended production interruptions from oil wells and gathering lines; and
- The Company's planned exit from all business related to oil and gas production as it transitions from oil and gas to clean energy technology.

As a result of the impairment indicators, the recoverable amounts of the oil production assets were estimated based on the proved and probable reserves and compared against their respective carrying values. 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 December 31, 2021, the Company's remaining reserves of oil, gas and natural gas liquids (NGL's) were nil as there were no remaining reserves that were economically recoverable. As a result, the Company wrote down the value of its oil and gas properties to $Nil and recognized an impairment loss of $2,180,055 during the year ending December 31, 2021. In November 2021, the West Hazel joint venture ceased production.

(Expressed in Canadian dollars)

4. DISCONTINUED OPERATIONS (continued)

Decommissioning Liability

Net liabilities of discontinued operations include the decommissioning liabilities associated with the Company's oil and gas properties, which are summarized below:

		West Hazel, Saskatchewan		Flaxcombe, Saskatchewan		Hartburg, Texas		Total
Balance, December 31, 2020	$	322,301	$	55,934	$	9,955	$	388,190
Additions		17,941		-		-		17,941
Change in estimate		24,509		-		-		24,509
Change in discount rate		(12,212)		(4,057)		-		(16,269)
Settlements during the year		(54,904)		-		-		(54,904)
Accretion		13,915		706		116		14,737
Foreign exchange movement		-		-		(41)		(41)
Balance, December 31, 2021	$	311,550	$	52,583	$	10,030	$	374,163
Accretion		1,490		178		-		1,668
Change in estimate		-		(52,761)		(10,030)		(62,791)
Cash settlements		(30,193)		-		-		(30,193)
ASCP settlements		(20,871)		-		-		(20,871)
Balance, June 30, 2022	**$**	**261,976**	**$**	**-**	**$**	**-**	**$**	**261,976**

At June 30, 2022, the provision for the decommissioning liability for the Hartburg Project was re-estimated and it was determined that there were no amounts owing and the total undiscounted remaining amount of estimated cash flows required to settle the provision was $Nil (December 31, 2021 - $9,128 (US$7,200)). The provision had been estimated using a risk-free discount rate of 1.18% (December 31, 2021 – 1.18%) and an inflation rate of 2.00% (December 31, 2021 – 2.00%).

At June 30, 2022, the provision for the decommissioning liability for the Flaxcombe Project was re-estimated and it was determined that there were no amounts owing and the total undiscounted remaining amount of estimated cash flows required to settle the provision was $Nil (December 31, 2021 - $50,000). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2021 – 1.36%) and an inflation rate of 2.00% (December 31, 2021 – 2.00%).

At June 30, 2022, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was $250,530 (December 31, 2021 - $301,594). During the period ending June 30, 2022, the Company was granted funding of up to $100,000 from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP"). The Company submitted $50,291 of eligible costs as at June 30, 2022, $20,871 of which represents the Company's 41.5% share of the decommissioning liability. The Company also had cash settlements of $30,193 for a total of $51,064 decommissioning costs settled during the period ending June 30, 2022 (June 30, 2021 - $Nil). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2021 – 1.36%) and an inflation rate of 2.00% (December 31, 2021 – 2.00%).

5. INTANGIBLE ASSETS

On April 7, 2021, the Company acquired all of the issued and outstanding shares in the capital of ANIGO Technologies Inc. ("ANIGO"), an engineering product development company in the business of developing proven electric machine control software intellectual property ("IP"). The aggregate purchase price of $1,550,000 for ANIGO was comprised of a cash consideration of $200,000 and the issuance of 6,000,000 common shares of the Company at a price of $0.225, for a fair value of $1,350,000. The Company, through ANIGO, acquired a portfolio of software IP. Management determined all the value was attributable to the software IP acquired.

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS (continued)

During 2021 and during the period ended June 30, 2022, the Company acquired tangible assets in connection with the development of its intangible assets and related business activities, and these have been capitalized within property, plant and equipment ("PP&E"). Other costs incurred in this connection, but not related to the acquisition of PP&E, are expensed as incurred.

During the period ended June 30, 2022, the Company reviewed the carrying value of its intangible assets and determined there were no indicators of impairment with respect to the development of its technology.

6. PROPERTY, PLANT AND EQUIPMENT

		R&D Equipment		IT Infrastructure		Equipment and Other		Total
Cost								
At December 31, 2021	$	462,090	$	58,337	$	93,181	$	613,608
Additions		107,533		13,550		8,779		129,862
At June 30, 2022	**$**	**569,623**	**$**	**71,887**	**$**	**101,960**	**$**	**743,470**
Accumulated Depreciation								
At December 31, 2021	$	800	$	6,287	$	1,420	$	8,507
Depreciation		45,888		11,271		8,428		65,587
At June 30, 2022	**$**	**46,688**	**$**	**17,558**	**$**	**9,848**	**$**	**74,094**
Net book value								
At December 31, 2021	$	461,290	$	52,050	$	91,761	$	605,101
At June 30, 2022	**$**	**522,935**	**$**	**54,329**	**$**	**92,112**	**$**	**669,376**

Equipment and other includes leasehold improvements of $65,725.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022	December 31, 2021
	($)	($)
Trade payables	45,523	312,608
Accrued liabilities	134,083	308,702
Payroll liabilities	26,590	19,608
	206,196	640,918

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months and six months ended June 30, 2022 and 2021. 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

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	($)	($)	($)	($)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	153,280	109,000	289,870	224,500
Director fees paid or accrued to directors	29,208	33,438	56,333	33,438
Share-based compensation	(141,375)	3,762,245	(117,938)	3,762,245
	41,113	3,904,683	228,265	4,020,183

As at June 30, 2022, the Company was owed $129,615 (June 30, 2021 - $Nil) from the officers of the Company related to the taxes owing on the redemption of Restricted Share Units ("RSUs"), of which $43,643 was received subsequent to June 30, 2022. See Note 14(e).

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

Six Months Ended June 30, 2022

a) The Company received $329,054 from its share subscriptions receivable in connection with a private placement in December 2021 in which the Company issued 18,164,500 units at $0.20 per unit for gross proceeds of $3,632,900. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share of the Company at a price of $0.35 per share for a period of two years. The balance of the receivable of $237,000 was received in full subsequent to period end. See Note 14(b).

b) A total of 3,712,500 Restricted Share Units ("RSUs") issued to certain employees, consultants, officers and directors of the Company were redeemed into 3,712,500 common shares for no additional consideration.

c) Included as a 2021 share issuance cost is the issuance of 202,160 common shares in connection with the closing of a private placement in December 2021. See Note 9(a).

Six Months Ended June 30, 2021

a) The Company issued 25,340,000 units in connection with a private placement in January 2021 at $0.05 per unit for gross proceeds of $1,267,000, $672,500 of which was received during 2020. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share of the Company at a price of $0.10 per share for a period of two years.

b) The Company acquired ANIGO and issued 6,000,000 common shares as part of the acquisition (Note 5).

9. SHARE CAPITAL (continued)

c) The Company closed an equity facility agreement, which provides for unit private placement offerings over a 12-month period commencing April 9, 2021. Each unit consists of one common share and one-half of one common share purchase warrant. On April 9, 2021, the Company closed the First Tranche in the amount of $2,240,000, pursuant to which the Company issued 13,176,470 units consisting of 13,176,470 common shares and 6,588,235 warrants exercisable at a price of $0.26 per common share until April 9, 2023. In connection with the First Tranche, the Company issued an investor fee of CDN $100,000, paid in 588,235 common shares.

d) The Company issued 2,750,000 common shares and 2,000,000 performance-based warrants to Systematec GmbH ("Systematec") as part of a Joint Development Agreement under which the Company and Systematec would engage in joint development activities. The warrants issued are exercisable at $0.24 per share, which will vest when the Company's value from joint development commercialization revenues exceeds funds contributed to the collaboration with Systematec to that date.

e) A total of 6,900,000 stock options were exercised for gross proceeds of $345,000.

f) A total of 45,416,334 warrants were exercised for gross proceeds of $4,319,133.

g) A total of 14,200,000 Restricted Share Units ("RSUs") vested and were redeemed into 14,200,000 common shares.

h) Included in share capital is $164,805 related to the Company's reimbursement of its CEO of the cost of paying, substantially on behalf of the Company, a debt owing to a third-party creditor for amounts initially advanced to the Company, in the name of the CEO, under a convertible debenture. This debenture had converted to common shares in 2019; however, the aggregate proceeds realized at current market value were deficient, by this above-noted amount, relative to the remaining outstanding debt then owed to the third-party creditor.

Share Purchase Warrants

Six Months Ended June 30, 2022

There was no share purchase warrant activity during the period.

Six Months Ended June 30, 2021

a) 25,340,000 subscriber warrants and 675,200 finder warrants exercisable at $0.10 per share for two years after issuance were issued in connection with the January 2021 private placement.

b) A total of 2,000,000 performance-based warrants were issued at $0.24 per share, which will vest when the Company's value from joint development commercialization revenues exceeds funds contributed to the collaboration with Systematec to that date.

c) A total of 45,416,334 share purchase warrants were exercised for gross proceeds of $4,319,133.

d) A total of 200,000 share purchase warrants exercisable at $0.05 and 32,000 share purchase warrants exercisable at $0.10 expired unexercised on May 10, 2021.

(Expressed in Canadian dollars)

9. 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, 2021	43,224,494	0.27
Balance, June 30, 2022	**43,224,494**	**0.27**

The following table summarizes the share purchase warrants outstanding as at June 30, 2022:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	($)		(yrs)
2,971,000	0.07	July 14, 2022	0.04
593,334	0.10	September 1, 2022	0.17
14,781,500	0.25	January 5, 2023	0.52
3,972,000	0.10	January 18, 2023	0.55
14,425,000	0.35	December 9, 2023	1.44
4,481,660	0.35	December 17, 2023	1.47
2,000,000	0.24	April 30, 2026	3.84
43,224,494	0.27		1.04

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 plan, the aggregate number of securities reserved for issuance under the plan, at any point in time, will not exceed 10% of the number of common shares of the Company issued and outstanding at the time the option is granted, less any common shares 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 CSE at the time of grant. All unexercised options granted under the plan will expire by the date fixed by the Board of Directors at the time the option is granted.

No stock options were granted during the six months ended June 30, 2022. During the period ended June 30, 2021, the Company granted an aggregate of 10,800,000 stock options, which vested immediately, and the Company expensed $2,516,637 as share-based compensation.

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

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2021	16,450,000	0.19
Expired	(400,000)	0.19
Balance, June 30, 2022	16,050,000	0.19

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Stock Options (continued)

The following table summarizes the stock options outstanding and exercisable as at June 30, 2022:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
		($)		(yrs)
3,350,000	3,350,000	0.05	July 8, 2025	3.02
9,900,000	9,900,000	0.24	April 8, 2026	3.78
600,000	600,000	0.24	May 19, 2026	3.89
1,700,000	1,700,000	0.20	August 30, 2026	4.17
500,000	500,000	0.20	September 16, 2026	4.22
16,050,000	16,050,000	0.19		3.68

Restricted Share Units ("RSUs")

In November of 2019, the Company established a Restricted Share Unit ("RSU") plan known as the "Hillcrest Restricted Share Unit Plan," which provides for the issuance of RSUs in such amounts as approved by the Company's Board of Directors. The purpose of this Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Persons related to the achievement of long-term financial and strategic objectives of the Company and the resulting increases in shareholder value.

The aggregate maximum number of common shares made available for issuance under the plan shall not exceed 10% of the number of outstanding common shares. The plan is a "rolling plan" and therefore, when RSUs are cancelled, terminated, or redeemed, common shares will be available for issuance pursuant to RSUs granted under the plan.

The grant of an RSU award shall entitle the participant to the right to receive at the election of the Company, either one common share or an amount in cash equal to the market price of one common share on the settlement date. RSUs settled in common shares are equity-settled and the related share-based compensation expense is measured at fair value based on the Company's share price on the date of grant subject to vesting criteria.

The share-based compensation expense related to RSUs settled in cash are accrued over the vesting period of the units based on the Company's share price on the date of grant. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

No RSUs were granted during the period ended June 30, 2022 (June 30, 2021 – 14,700,000). 3,712,500 RSUs were redeemed for common stock during the six months ended June 30, 2022 (June 30, 2021 – 14,200,000). The Company recorded $43,914 in share-based compensation expense relating to the vesting and redemption of RSUs during the six months ended June 30, 2022 (June 30, 2021 – $3,207,400).

As at June 30, 2022, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value
		($)
Balance, December 31, 2021	6,100,000	0.20
Redeemed	(3,712,500)	0.13
Balance, June 30, 2022	2,387,500	0.20

(Expressed in Canadian dollars)

10. COMMITMENTS

The Company had the following commitments as at June 30, 2022:

a) 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, to accommodate the Company's corporate operations. 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.

b) On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2021 and terminating on August 31, 2024, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $47,209 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.

11. SEGMENTED INFORMATION

Management determined that the Company has two reportable operating segments, being the development and commercialization of its clean energy technology in Canada and Europe and the discontinued oil and gas operations in Canada and the United States. Corporate includes the Company's head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers. At June 30, 2022, $4,102,418 of non-current assets were located in Canada and $160,184 of non-current assets were in Europe (June 30, 2021 - all non-current assets were located in Canada).

Three Months Ended June 30, 2022	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	**$**	**$**	**$**
General and administration	543,359	802,075	-	1,345,434
Loss from operations	(543,359)	(802,075)	-	(1,345,434)
Net finance expenses	(7,561)	1,177	-	(6,384)
Non-operating expenses	-	243,207	-	243,207
Net loss from continuing operations	(550,920)	(557,691)	-	(1,108,611)
Net gain from discontinued operations	-	-	23,178	23,178
Capital expenditures	85,238	-	-	85,238
Total assets	2,581,755	1,666,732	14,115	4,262,602

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION (continued)

Three Months Ended June 30, 2021	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	$	$	$
General and administration	210,353	7,229,261	-	7,439,614
Loss from operations	(210,353)	(7,229,261)	-	(7,439,614)
Net finance expenses	-	(7,608)	-	(7,608)
Non-operating expenses	-	(2,354)	-	(2,354)
Net loss from continuing operations	(210,353)	(7,239,223)	-	(7,449,576)
Net gain from discontinued operations	-	-	36,100	36,100
Capital expenditures	240,226	-	298,438	538,664
Total assets	1,590,226	5,676,833	1,020,793	8,287,852

Six Months Ended June 30, 2022	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	$	$	$
General and administration	1,095,041	1,334,369	-	2,439,410
Loss from operations	(1,095,041)	(1,334,369)	-	(2,439,410)
Net finance expenses	(7,561)	(5,207)	-	(12,768)
Non-operating expenses	-	240,593	-	240,593
Net loss from continuing operations	(1,102,602)	(1,108,983)	-	(2,211,585)
Net gain from discontinued operations	-	-	29,307	29,307
Capital expenditures	117,090	12,772	-	129,862
Total assets	2,581,755	1,666,732	14,115	4,262,602

Six Months Ended June 30, 2021	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	$	$	$
General and administration	210,353	7,630,537	-	7,840,890
Loss from operations	(210,353)	(7,630,537)	-	(7,840,890)
Net finance expenses	-	(13,300)	-	(13,300)
Non-operating expenses	-	(3,086)	-	(3,086)
Net loss from continuing operations	(210,353)	(7,646,923)	-	(7,857,276)
Net gain from discontinued operations	-	-	100,807	100,807
Capital expenditures	240,226	-	1,238,354	1,478,580
Total assets	1,590,226	5,676,833	1,020,793	8,287,852

12. 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 development of its clean energy technology and discontinued oil and gas operations. 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 clean technology, research and development activities 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 clean technology opportunities and seek to acquire an interest in additional technologies 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 June 30, 2022. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, 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.

14. SUBSEQUENT EVENTS

a) Subsequent to June 30, 2022, 2,971,000 share purchase warrants were exercised for gross proceeds of $207,970.

b) Subsequent to June 30, 2022, the Company received the remaining balance of $237,000 from its share subscriptions receivable in connection with a private placement in December 2021. See Note 9(a). The balance has now been received in full and there are no amounts owing.

c) On July 18, 2022, the Company granted an aggregate of 2,400,000 options to eligible officers and employees under the Company's Stock Option Plan. Each stock is exercisable for one common share of the Company at an exercise price of $0.15 per share. The Options are subject to vesting criteria and have a term of 5 years.

d) On July 18, 2022, the Company granted an aggregate of 3,893,332 Restricted Share Units ("RSUs") to eligible officers and directors under the Company's Hillcrest Restricted Share Unit Plan. The units are subject to vesting criteria and have a term of 3 years.

e) Subsequent to June 30, 2022, the Company received $43,643 from its officers related to the taxes owing on the redemption of Restricted Share Units ("RSUs") resulting in a net balance of $85,971 still owing to the Company.