



**Condensed Interim Consolidated Financial Statements**

**Three and Nine Months Ended September 30, 2022 and 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 third quarter 2022 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.

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



	Notes	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 877,513	\$ 3,685,100
Receivables		22,712	43,588
Due from related party	8	120,972	-
Prepaid expenses		382,299	539,704
Right-of-use asset		111,487	165,490
<b>Total current assets</b>		<b>1,514,983</b>	<b>4,433,882</b>
<b>Non-current assets</b>			
Intangible assets	5	1,550,000	1,550,000
Property, plant and equipment	6	689,970	605,101
Assets of discontinued operations	4	69,263	42,432
<b>TOTAL ASSETS</b>		<b>\$ 3,824,216</b>	<b>\$ 6,631,415</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 242,835	\$ 640,918
Lease liability		74,514	67,585
<b>Total current liabilities</b>		<b>317,349</b>	<b>708,503</b>
Lease liability		53,333	110,950
Liabilities of discontinued operations	4	259,462	566,129
<b>TOTAL LIABILITIES</b>		<b>630,144</b>	<b>1,385,582</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	30,336,009	29,196,232
Share subscriptions receivable	9	-	(566,054)
Shares subscribed	14(a)	235,200	-
Contributed surplus	9	4,916,039	4,795,660
Reserves		336,001	335,996
Deficit		(32,629,177)	(28,516,001)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,194,072</b>	<b>5,245,833</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>\$ 3,824,216</b>	<b>\$ 6,631,415</b>

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

**HILLCREST ENERGY TECHNOLOGIES LTD.**

 Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)  
 (Expressed in Canadian dollars)


Notes	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>General and administrative expenses</b>				
Management and consulting	8	\$ 67,241	\$ 260,504	\$ 527,889
Research and development		415,821	208,233	1,060,734
Office and general	8	940,613	426,964	2,230,547
Share-based compensation	8, 9	597,839	385,445	641,754
		2,021,514	1,281,146	4,460,924
<b>Loss from operations</b>		(2,021,514)	(1,281,146)	(4,460,924)
Financing expenses		(6,383)	(5,643)	(19,151)
Write-off of payables and other liabilities		-	-	253,588
Foreign exchange loss		(6,548)	(7,679)	(19,543)
<b>Net loss for the period from continuing operations</b>		\$ (2,034,445)	\$ (1,294,468)	\$ (4,246,030)
Net gain (loss) from discontinued operations		103,547	(83,679)	132,854
<b>Total net loss for the period</b>		\$ (1,930,898)	\$ (1,378,147)	\$ (4,113,176)
<b>Items that may be subsequently reclassified to net loss</b>				
Exchange differences on translating foreign operations		-	(34)	5
<b>Total comprehensive loss for the period</b>		\$ (1,930,898)	\$ (1,378,181)	\$ (4,113,171)
<b>Basic and diluted loss per share from continuing operations</b>		\$ (0.01)	\$ (0.00)	\$ (0.01)
<b>Basic and diluted gain (loss) per share from discontinuing operations</b>		\$ 0.00	\$ (0.00)	\$ 0.00
<b>Weighted average common shares outstanding:</b>				
Basic		327,322,845	299,791,161	323,171,321
Diluted		327,322,845	299,791,161	323,171,321

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



Notes	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>				
Net loss from continuing operations	\$ (2,034,445)	\$ (1,294,468)	\$ (4,246,030)	\$ (9,151,744)
Adjusted for items not involving cash:				
Write-off of payables and other liabilities	-	-	(253,588)	-
Finance expense	6,383	5,643	19,151	13,807
Depreciation	68,851	13,814	170,440	31,493
Share-based compensation	597,839	385,445	641,754	6,109,482
Shares issued pursuant to joint development agreement	-	-	-	591,250
Changes in non-cash working capital items:				
Receivables	8,977	(4,443)	20,876	1,715
Prepaid expenses	134,685	(32,062)	157,405	(196,491)
Due from related party	8,643	-	(120,972)	(35,000)
Accounts payable and accrued liabilities	36,645	(431,569)	(144,494)	(280,181)
<b>Cash used in operating activities from continuing operations</b>	<b>(1,172,422)</b>	<b>(1,357,640)</b>	<b>(3,755,458)</b>	<b>(2,915,669)</b>
<b>Cash used in operating activities from discontinued operations</b>	<b>(126,841)</b>	<b>(292,283)</b>	<b>(200,644)</b>	<b>(348,012)</b>
<b>Cash used in operating activities</b>	<b>(1,299,263)</b>	<b>(1,649,923)</b>	<b>(3,956,102)</b>	<b>(3,263,681)</b>
<b>INVESTING ACTIVITIES</b>				
Additions to equipment	6 (71,444)	(364,280)	(201,307)	(404,506)
Intangible asset	5 -	-	-	(200,000)
<b>Cash used in investing activities from continuing operations</b>	<b>(71,444)</b>	<b>(364,280)</b>	<b>(201,307)</b>	<b>(604,506)</b>
<b>Cash used in investing activities from discontinued operations</b>	<b>-</b>	<b>(106,646)</b>	<b>-</b>	<b>(1,345,000)</b>
<b>Cash used in investing activities</b>	<b>(71,444)</b>	<b>(470,926)</b>	<b>(201,307)</b>	<b>(1,949,506)</b>
<b>FINANCING ACTIVITIES</b>				
Share subscriptions received	9 237,000	-	566,054	-
Shares subscribed	14(a) 235,200	-	235,200	-
Private placement	-	172,675	-	594,500
Exercise of options	-	30,000	-	375,000
Exercise of warrants	9 577,970	418,320	577,970	4,167,453
Proceeds from equity facility	-	-	-	2,240,000
Repayment of lease liability	(23,279)	(15,412)	(69,839)	(38,367)
Share issuance costs	-	(172,675)	40,432	(172,675)
Repayment of loan	-	-	-	(244,265)
<b>Cash from financing activities from continuing operations</b>	<b>1,026,891</b>	<b>432,908</b>	<b>1,349,817</b>	<b>6,921,646</b>
<b>Cash from financing activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash from financing activities</b>	<b>1,026,891</b>	<b>432,908</b>	<b>1,349,817</b>	<b>6,921,646</b>
<b>Effect of foreign exchange on cash</b>	<b>(6)</b>	<b>(34)</b>	<b>5</b>	<b>64</b>
<b>Increase (decrease) in cash</b>	<b>(343,822)</b>	<b>(1,687,975)</b>	<b>(2,807,587)</b>	<b>1,708,523</b>
<b>Cash, beginning of the period</b>	<b>1,221,335</b>	<b>3,873,036</b>	<b>3,685,100</b>	<b>476,538</b>
<b>Cash, end of the period</b>	<b>\$ 877,513</b>	<b>\$ 2,185,061</b>	<b>\$ 877,513</b>	<b>\$ 2,185,061</b>

**HILLCREST ENERGY TECHNOLOGIES LTD.**

 Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)  
 (Expressed in Canadian Dollars)


Notes	Share Capital			Reserves					Shareholders' Equity
	Number of Shares	Amount	Share Subscriptions Receivable	Shares Subscribed	Contributed Surplus	Warrants	Foreign Currency Translation	Deficit	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Balance, December 31, 2020</b>	184,920,696	12,431,471	-	672,500	1,605,683	63,550	119,923	(15,320,724)	(427,597)
Exercise of options	7,500,000	750,560	-	-	(375,560)	-	-	-	375,000
Exercise of warrants	46,019,534	4,379,453	-	-	-	-	-	-	4,379,453
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	-	-	-	-	6,109,482	-	-	-	6,109,482
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	-	-	-	-	-	-	64	(9,134,616)	(9,134,552)
<b>Balance, September 30, 2021</b>	<b>300,494,935</b>	<b>25,854,754</b>	<b>-</b>	<b>-</b>	<b>4,157,105</b>	<b>63,550</b>	<b>119,987</b>	<b>(24,455,340)</b>	<b>5,740,056</b>
<b>Balance, December 31, 2021</b>	319,159,435	29,196,232	(566,054)	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833
Exercise of warrants	6,671,000	577,970	-	-	-	-	-	-	577,970
Proceeds from share subscriptions	9(a)	-	566,054	-	-	-	-	-	566,054
Redemption of RSUs	9(b)	3,962,500	521,375	-	(521,375)	-	-	-	-
Share-based compensation	-	-	-	-	641,754	-	-	-	641,754
Share issuance costs	9(c)	202,160	40,432	-	-	-	-	-	40,432
Shares subscribed for relating to private placement	-	-	-	235,200	-	-	-	-	235,200
Net loss and comprehensive loss for the period	-	-	-	-	-	-	5	(4,113,176)	(4,113,171)
<b>Balance, September 30, 2022</b>	<b>329,995,095</b>	<b>30,336,009</b>	<b>-</b>	<b>235,200</b>	<b>4,916,039</b>	<b>216,108</b>	<b>119,893</b>	<b>(32,629,177)</b>	<b>3,194,072</b>



## 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 voluntarily 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 consolidated financial statements.

These condensed interim consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on November 21, 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 September 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. Comparative information as at December 31, 2021 related to the assets and liabilities of the oil and gas properties has been consequently reclassified as discontinued operations (Note 4).

## 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.



#### 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 September 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 or loss 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 nine months ended September 30, 2021, and as at December 31, 2021 have also been consequently reclassified as discontinued operations.

Net assets and net liabilities of discontinued operations:

	September 30, 2022	December 31, 2021
	(\$)	(\$)
<b>Assets</b>		
Cash and cash equivalents	62,111	37,856
Receivables	2,446	4,576
Prepaid expenses	4,706	-
<b>Total Assets</b>	<b>69,263</b>	<b>42,432</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	84,870	191,966
Decommissioning Liability	174,592	374,163
<b>Total Liabilities</b>	<b>259,462</b>	<b>566,129</b>

Net gain (loss) and comprehensive gain (loss) from discontinued operations:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(\$)	(\$)	(\$)	(\$)
<b>Revenue and costs</b>				
Oil sales	-	20,487	51,965	575,935
Royalties	-	(11,555)	(4,319)	(141,442)
Operating costs	(62,464)	(58,049)	(133,404)	(249,994)
Depletion	-	(5,258)	-	(117,968)
	<b>(62,464)</b>	<b>(54,375)</b>	<b>(85,758)</b>	<b>66,531</b>
<b>General and Administrative</b>				
Management and consulting	(13,072)	(13,072)	(41,639)	(36,190)
Office and general	(721)	(4,337)	(1,546)	(5,011)
Change in decommissioning estimate	-	-	62,791	-
<b>Gain (loss) from discontinued operations</b>	<b>(76,257)</b>	<b>(71,784)</b>	<b>(66,152)</b>	<b>25,330</b>
Financing expenses	(745)	(11,895)	(2,414)	(8,202)
Other income	180,549	-	201,420	-
<b>Net gain (loss) from discontinued operations</b>	<b>103,547</b>	<b>(83,679)</b>	<b>132,854</b>	<b>17,128</b>



#### 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
<b>At September 30, 2022</b>	<b>\$</b>	<b>4,533,916</b>

##### Accumulated depletion

At December 31, 2021	\$	1,659,793
<b>At September 30, 2022</b>	<b>\$</b>	<b>1,659,793</b>

##### Impairment

At December 31, 2021	\$	2,874,123
<b>At September 30, 2022</b>	<b>\$</b>	<b>2,874,123</b>

##### Carrying amounts

At December 31, 2021	\$	-
<b>At September 30, 2022</b>	<b>\$</b>	<b>-</b>

##### West Hazel, Saskatchewan

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%.

##### Impairment

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.



#### 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	2,235	178	-	2,413
Change in estimate	-	(52,761)	(10,030)	(62,791)
Cash settlements	(69,743)	-	-	(69,743)
ASCP settlements	(69,450)	-	-	(69,450)
<b>Balance, September 30, 2022</b>	<b>\$ 174,592</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 174,592</b>

During the period ended September 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%).

During the period ended September 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 September 30, 2022, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$162,401 (December 31, 2021 - \$301,594). During the period ending September 30, 2022, the Company was granted funding of up to \$200,000 from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP"). The Company submitted \$167,348 of eligible costs as at September 30, 2022, \$69,450 of which represents the Company's 41.5% share of the decommissioning liability. The Company also had cash settlements of \$69,743 for a total of \$139,193 decommissioning costs settled during the period ending September 30, 2022 (September 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"), now named 1198007 B.C. Ltd., 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.



## 5. INTANGIBLE ASSETS (continued)

During 2021 and during the period ended September 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 September 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
<b>Cost</b>							
At December 31, 2021	\$	462,090	\$	58,337	\$	93,181	\$ 613,608
Additions		170,243		22,285		8,779	201,307
<b>At September 30, 2022</b>	<b>\$</b>	<b>632,333</b>	<b>\$</b>	<b>80,622</b>	<b>\$</b>	<b>101,960</b>	<b>\$ 814,915</b>
<b>Accumulated Depreciation</b>							
At December 31, 2021	\$	800	\$	6,287	\$	1,420	\$ 8,507
Depreciation		81,544		17,505		17,389	116,438
<b>At September 30, 2022</b>	<b>\$</b>	<b>82,344</b>	<b>\$</b>	<b>23,792</b>	<b>\$</b>	<b>18,809</b>	<b>\$ 125,945</b>
<b>Net book value</b>							
At December 31, 2021	\$	461,290	\$	52,050	\$	91,761	\$ 605,101
<b>At September 30, 2022</b>	<b>\$</b>	<b>549,989</b>	<b>\$</b>	<b>56,830</b>	<b>\$</b>	<b>83,151</b>	<b>\$ 689,970</b>

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

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
	(\$)	(\$)
Trade payables	215,279	312,608
Payroll liabilities	27,556	19,608
Accrued liabilities	-	308,702
	<b>242,835</b>	<b>640,918</b>



## 8. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months and nine months ended September 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		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(\$)	(\$)	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	161,625	202,645	451,495	444,645
Director fees paid or accrued to directors	32,500	34,480	88,833	67,918
Share-based compensation	674,410	154,857	496,472	3,917,102
	<b>868,535</b>	<b>391,982</b>	<b>1,036,800</b>	<b>4,429,665</b>

- As at September 30, 2022, the Company was owed \$120,972 (December 31, 2021 - \$Nil) from the Officers of the Company.
- As at September 30, 2022, a total of \$Nil (December 31, 2021 - \$107,500) was included in accounts payable and accrued liabilities in bonuses that were payable to the Company's Officers.

## 9. SHARE CAPITAL

### Authorized

Unlimited number of common shares without par value

### Issued and outstanding

#### Nine Months Ended September 30, 2022

- The Company received \$566,054 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 has now been received in full.
- A total of 3,962,500 Restricted Share Units ("RSUs") issued to certain employees, consultants, officers and directors of the Company were redeemed into 3,962,500 common shares for no additional consideration.
- 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).

#### Nine Months Ended September 30, 2021

- 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.



## 9. SHARE CAPITAL (continued)

### Nine Months Ended September 30, 2021 (continued)

- b) The Company acquired ANIGO and issued 6,000,000 common shares as part of the acquisition (Note 5).
- 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 7,500,000 stock options were exercised for gross proceeds of \$375,000.
- f) A total of 46,019,534 warrants were exercised for gross proceeds of \$4,379,453.
- 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**

#### Nine Months Ended September 30, 2022

- a) A total of 3,071,000 share purchase warrants were exercised for gross proceeds of \$217,970.
- b) A total of 3,000,000 warrants were exercised pursuant to a temporary warrant exercise program for gross proceeds of \$360,000. Each warrant exercised consisted of 1.2 common shares of the Company.
- c) A total of 593,334 share purchase warrants exercisable at \$0.10 expired unexercised on September 1, 2022.

#### Nine Months Ended September 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 46,019,534 share purchase warrants were exercised for gross proceeds of \$4,379,453.
- 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.
- e) A total of 14,781,500 incentive warrants were issued at \$0.25 per share for a period of one and a half years.



**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
Exercised	(6,071,000)	0.10
Expired	(593,334)	0.10
<b>Balance, September 30, 2022</b>	<b>36,560,160</b>	<b>0.29</b>

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

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	(\$)		(yrs)
11,781,500	0.25	January 5, 2023	0.27
3,872,000	0.10	January 18, 2023	0.30
14,425,000	0.35	December 9, 2023	1.19
4,481,660	0.35	December 17, 2023	1.21
2,000,000	0.24	April 30, 2026	3.58
<b>36,560,160</b>	<b>0.29</b>		<b>0.93</b>

**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.

During the period ended September 30, 2022 the Company granted an aggregate of 2,400,000 (September 30, 2021 - 13,000,000) stock options subject to vesting criteria and expensed \$188,537 (September 30, 2021 - \$2,852,018) as share-based compensation.

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

	<b>2022</b>
Risk-free interest rate	3.07%
Expected life of options	5 years
Volatility	137%
Expected Dividend yield	Nil
Forfeiture rate	5%
Weighted average fair value	\$0.10





**9. SHARE CAPITAL** (continued)

**Stock Options** (continued)

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
Issued	2,400,000	0.15
Expired	(400,000)	0.19
<b>Balance, September 30, 2022</b>	<b>18,450,000</b>	<b>0.19</b>

The following table summarizes the stock options outstanding and exercisable as at September 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	2.77
9,900,000	9,900,000	0.24	April 8, 2026	3.52
600,000	600,000	0.24	May 19, 2026	3.64
1,700,000	1,700,000	0.20	August 30, 2026	3.92
500,000	500,000	0.20	September 16, 2026	3.96
2,400,000	1,800,000	0.15	July 18, 2027	4.80
<b>18,450,000</b>	<b>17,850,000</b>	<b>0.19</b>		<b>3.61</b>

**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.



## 9. SHARE CAPITAL (continued)

During the nine months ended September 30, 2022, 3,893,332 RSUs were granted (September 30, 2021 – 14,700,000) and 3,962,500 RSUs were redeemed for common shares (September 30, 2021 – 14,200,000). The Company recorded \$453,216 in share-based compensation expense relating to the vesting and redemption of RSUs during the nine months ended September 30, 2022 (September 30, 2021 – \$3,257,464).

As at September 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
Granted	3,893,332	0.12
Redeemed	(3,962,500)	0.13
Balance, September 30, 2022	6,030,832	0.15

## 10. COMMITMENTS

The Company had the following commitments as at September 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 September 30, 2022, \$2,159,728 of non-current assets were located in Canada and \$149,505 of non-current assets were in Europe (September 30, 2021 - \$3,168,096 of non-current assets were located in Canada and \$84,912 of non-current assets were in Europe).



**11. SEGMENTED INFORMATION** (continued)

<b>Three Months Ended September 30, 2022</b>				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	742,721	1,278,793	-	2,021,514
Loss from operations	(742,721)	(1,278,793)	-	(2,021,514)
Net finance expenses	(3,780)	(2,603)	-	(6,383)
Non-operating expenses	-	(6,548)	-	(6,548)
Net loss from continuing operations	(746,501)	(1,287,944)	-	(2,034,445)
Net gain from discontinued operations	-	-	103,547	103,547
Capital expenditures	67,077	4,367	-	71,444
Total assets	2,461,785	1,293,168	69,263	3,824,216

<b>Three Months Ended September 30, 2021</b>				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	343,885	937,261	-	1,281,146
Loss from operations	(343,885)	(937,261)	-	(1,281,146)
Net finance expenses	-	(5,643)	-	(5,643)
Non-operating expenses	-	(7,679)	-	(7,679)
Net loss from continuing operations	(343,885)	(950,583)	-	(1,294,468)
Net gain from discontinued operations	-	-	(83,679)	(83,679)
Capital expenditures	338,129	26,151	106,646	470,926
Total assets	2,065,154	2,741,125	2,209,313	7,015,592

<b>Nine Months Ended September 30, 2022</b>				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	1,837,762	2,623,162	-	4,460,924
Loss from operations	(1,837,762)	(2,623,162)	-	(4,460,924)
Net finance expenses	(11,341)	(7,810)	-	(19,151)
Non-operating expenses	-	234,045	-	234,045
Net loss from continuing operations	(1,849,103)	(2,396,927)	-	(4,246,030)
Net gain from discontinued operations	-	-	132,854	132,854
Capital expenditures	184,167	17,139	-	201,306
Total assets	2,461,785	1,293,168	69,263	3,824,216



## 11. SEGMENTED INFORMATION (continued)

	Nine Months Ended September 30, 2021			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	554,238	8,567,798	-	9,122,036
Loss from operations	(554,238)	(8,567,798)	-	(9,122,036)
Net finance expenses	-	(18,943)	-	(18,943)
Non-operating expenses	-	(10,765)	-	(10,765)
Net loss from continuing operations	(554,238)	(8,597,506)	-	(9,151,744)
Net gain from discontinued operations	-	-	17,128	17,128
Capital expenditures	578,355	26,151	1,345,000	1,949,506
Total assets	2,065,154	2,741,125	2,209,313	7,015,592

## 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 September 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**

Subsequent to September 30, 2022:

- a) The Company received \$1,060,000 in connection with a private placement expected to close at the end of November 2022 at \$0.12 per unit, of which \$235,200 was received before September 30, 2022. Each unit consists of 1.2 common shares.
- b) In connection with a temporary warrant exercise program, the Company received written commitments to exercise 3,750,000 of the eligible warrants, resulting in 4,500,000 common shares being issued with gross proceeds of \$450,000, of which \$360,000 was received prior to September 30, 2022. The program offered current holders of eligible warrants to acquire 1.2 common shares at an exercise price of \$0.12 per warrant.
- c) The Company granted an aggregate of 3,093,923 options to eligible officers, directors, consultants 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) The Company granted an aggregate of 1,960,590 Restricted Share Units ("RSUs") to eligible officers, directors and employees under the Company's Hillcrest Restricted Share Unit Plan. The units are subject to vesting criteria and have a term of 3 years.