HILLCREST
energy technologies™

Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated interim financial statements of Hillcrest Energy Technologies Ltd. for the three months ended March 31, 2023, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		$ 59,690	$ 456,285
Receivables		11,666	16,877
Due from related parties	**9**	120,971	120,971
Prepaid expenses		181,274	246,690
Right-of-use asset	**7**	57,900	69,057
Total current assets		431,501	909,880
Non-current assets			
Right-of-use asset	**7**	18,322	24,430
Intangible assets	**4**	1,550,000	1,550,000
Property and equipment	**5**	584,936	621,928
Assets of discontinued operations	**6**	7,816	9,541
TOTAL ASSETS		$ 2,592,575	$ 3,115,779
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**8**	$ 414,131	$ 311,855
Lease liability	**7**	68,288	81,102
Total current liabilities		482,419	392,957
Lease liability	**7**	22,387	29,849
Liabilities of discontinued operations	**6**	253,652	267,854
TOTAL LIABILITIES		758,458	690,660
SHAREHOLDERS' EQUITY			
Share capital	**10**	31,885,322	30,607,322
Shares subscribed	**15(a)**	716,000	1,204,000
Contributed surplus	**10**	5,300,911	5,153,997
Reserves		299,646	336,002
Deficit		(36,297,762)	(34,876,202)
TOTAL SHAREHOLDERS' EQUITY		1,834,117	2,425,119
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		$ 2,592,575	$ 3,115,779

Nature of operations and going concern (Note 1)
Commitments (Note 11)
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On behalf of the Board of Directors:

"Kylie Dickson"
Director

"Dave Farrell"
Director

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three Months Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three Months Ended March 31, 2023	2022
General and administrative expenses			
Management and consulting	**9**	$ 34,800	$ 159,562
Research and development		522,427	273,927
Office and general	**9**	804,747	553,080
Share-based compensation	**9, 10**	40,558	107,407
		1,402,532	1,093,976
Loss from operations		(1,402,532)	(1,093,976)
Financing expenses		(3,004)	(6,384)
Foreign exchange loss		(3,499)	(2,614)
Net loss for the period from continuing operations		**$ (1,409,035)**	**$ (1,102,974)**
Net loss from discontinued operations		(12,525)	6,129
Total net loss for the period		**$ (1,421,560)**	**$ (1,096,845)**
Items that may be subsequently reclassified to net loss			
Exchange differences on translating foreign operations		6	-
Total comprehensive loss for the period		**$ (1,421,554)**	**$ (1,096,845)**
Basic and diluted loss per share from continuing operations		$ (0.00)	$ (0.00)
Basic and diluted gain (loss) per share from discontinuing operations		$ (0.00)	$ (0.00)
Weighted average common shares outstanding:			
Basic		338,584,909	319,379,179
Diluted		338,584,909	319,379,179

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three Months Ended March 31, 2023	2022
OPERATING ACTIVITIES			
Net loss from continuing operations		$ (1,409,035)	$ (1,102,974)
Adjusted for items not involving cash:			
Write-off of payables and other liabilities		-	-
Finance expense		3,003	6,384
Depreciation		71,251	40,710
Share-based compensation		40,558	107,407
Shares issued pursuant to joint development agreement		-	-
Changes in non-cash working capital items:			
Receivables		5,211	37,436
Prepaid expenses		65,416	87,914
Due from related party		-	-
Accounts payable and accrued liabilities		102,277	(206,553)
Cash used in operating activities for continuing operations		(1,121,049)	(1,029,676)
Cash used in operating activities for discontinued operations		(25,002)	(25,938)
Cash used in operating activities		(1,146,051)	(1,055,614)
INVESTING ACTIVITIES			
Additions to equipment	**5**	(17,264)	(44,624)
Cash used in investing activities for continuing operations		(17,264)	(44,624)
Cash from (used in) investing activities for discontinued operations		-	-
Cash used in investing activities		(17,264)	(44,624)
FINANCING ACTIVITIES			
Share subscriptions received	**10**	-	60,432
Shares subscribed	**15(a)**	716,000	-
Private placement	**10**	74,000	-
Repayment of lease liability		(23,280)	(23,280)
Cash from financing activities for continuing operations		766,720	37,152
Cash from financing activities for discontinued operations		-	-
Cash from financing activities		766,720	37,152
Effect of foreign exchange on cash		-	2
Increase (decrease) in cash		(396,595)	(1,063,084)
Cash, beginning of the period		456,285	3,685,100
Cash, end of the period		$ 59,690	$ 2,622,016

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

		Share Capital				Reserves				
	Notes	Number of Shares	Amount	Share Subscriptions Receivable	Shares Subscribed	Contributed Surplus	Warrants	Foreign Currency Translation	Deficit	Shareholders' Equity
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	**10**	-	-	60,432	-	-	-	-	-	60,432
Redemption of RSUs	**10**	1,062,500	145,625	-	-	(145,625)	-	-	-	-
Share-based compensation		-	-	-	-	107,408	-	-	-	107,408
Share issuance costs	**10**	202,160	-	-	-	-	-	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(1,096,845)	(1,096,845)
Balance, March 31, 2022		320,424,095	29,341,857	(505,622)	-	4,757,443	216,108	119,888	(29,612,846)	4,316,828
Balance, December 31, 2022		329,995,095	30,607,322	-	1,204,000	5,153,997	216,108	119,894	(34,876,202)	2,425,119
Proceeds from share subscriptions	**10**	-	-	-	716,000	-	-	-	-	716,000
Proceeds from private placement		12,780,000	1,278,000	-	(1,204,000)	-	-	-	-	74,000
Share-based compensation		-	-	-	-	40,558	-	-	-	40,558
Expiry of warrants	**10**	-	-	-	-	152,558	(106,356)	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(1,421,560)	(1,421,560)
Balance, March 31, 2023		342,775,095	31,885,322	-	716,000	5,347,113	109,752	119,894	(36,297,762)	1,834,117

The accompanying notes are an integral part of these unaudited 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. The Company is currently engaged in a variety of R&D activities associated with its Zero Voltage Switching (ZVS) technology platform and commercializing projects associated with specific applications being developed on the ZVS technology platform. 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; availability and cost of 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 May XX, 2023.

(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 consolidated financial statements.

Name of Subsidiary	Jurisdiction of Incorporation	Principal Activity
Hillcrest Exploration Ltd. ("HEL")	USA	Oil and Gas exploration
ALSET Innovation Ltd.	Canada	Clean Technology
Hillcrest Energy Technologies Royalty Holdings 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, and 102031850 Saskatchewan 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, 2022.

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, 2022.

4. 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 Hillcrest Energy Technologies Royalty Holdings 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 of the consideration issued was attributable to the software IP acquired.

Since then, 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 research and development.

(Expressed in Canadian dollars)

4. INTANGIBLE ASSETS (continued)

During the period ended March 31, 2023, the Company reviewed the carrying value of its intangible assets and determined there were no indicators of impairment with respect to it.

5. PROPERTY, PLANT AND EQUIPMENT

		R&D Equipment		IT Infrastructure		Equipment and Other		Total
Cost								
At December 31, 2022	$	616,952	$	80,839	$	101,960	$	799,751
Additions		17,264		-		-		17,264
At March 31, 2023	**$**	**634,216**	**$**	**80,839**	**$**	**101,960**	**$**	**817,015**
Accumulated Depreciation								
At December 31, 2022	$	119,537	$	30,516	$	27,770	$	177,823
Depreciation		38,559		6,737		8,960		54,256
At March 31, 2023	**$**	**158,096**	**$**	**37,253**	**$**	**36,730**	**$**	**232,079**
Net book value								
At December 31, 2022	$	497,415	$	50,323	$	74,190	$	621,928
At March 31, 2023	**$**	**476,120**	**$**	**43,586**	**$**	**65,230**	**$**	**584,936**

Equipment and other includes leasehold improvements of $39,905 as of March 31, 2023 (December 31, 2022 - $46,947).

6. DISCONTINUED OPERATIONS

The Company has a 75% Working Interest before payout ("BPO") and a 50% Working Interest after payout ("APO") and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin. The Company formally ceased production in November 2021 and oil-wells have been shut-in. All wells have now been abandoned and surface equipment removed with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2023 or 2024.

As at March 31, 2023, 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.

Net assets and net liabilities of discontinued operations:

	March 31, 2023 ($)	December 31, 2022 ($)
Assets		
Cash and cash equivalents	64	891
Receivables	6,575	5,709
Prepaid expenses	1,177	2,941
Total Assets	**7,816**	**9,541**
Liabilities		
Accounts payable and accrued liabilities	7,773	8,188
Decommissioning Liability	245,879	259,666
Total Liabilities	**253,652**	**267,854**

(Expressed in Canadian dollars)

6. DISCONTINUED OPERATIONS (continued)

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

	Year Ended	
	March 31, 2023	March 31, 2022
	($)	($)
Revenue and costs		
Oil sales	-	51,965
Royalties	-	(4,319)
Operating costs	(2,440)	(24,688)
	(2,440)	**22,958**
General and administrative		
Management and consulting	(14,000)	-
Office and general	(675)	(15,905)
Change in decommissioning estimate	4,590	-
Income (loss) from discontinued operations	**(12,525)**	**7,053**
Financing expenses	-	(924)
Net income (loss) from discontinued operations	**(12,525)**	**6,129**

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, 2022	$	4,533,916
At March 31, 2023	**$**	**4,533,916**
Accumulated depletion		
At December 31, 2022	$	1,659,793
At March 31, 2023	**$**	**1,659,793**
Impairment		
At December 31, 2022	$	2,874,123
At March 31, 2023	**$**	**2,874,123**
Carrying amounts		
At December 31, 2022	$	-
At March 31, 2023	**$**	**-**

The Company's oil and gas assets were fully impaired during the year ended December 31, 2021.

(Expressed in Canadian dollars)

6. 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, 2021	$	311,550	$	52,583	$	10,030	$	374,163
Accretion		2,235		179		-		2,414
Change in estimate		239,985		(52,762)		(10,030)		177,193
Cash settlements		(170,887)		-		-		(170,887)
ASCP settlements		(123,217)		-		-		(123,217)
Balance, December 31, 2022	$	259,666	$	-	$	-	$	259,666
Change in estimate		11,870		-		-		11,870
Cash settlements		(25,657)		-		-		(25,657)
Balance, March 31, 2023	**$**	**245,879**	**$**	**-**	**$**	**-**	**$**	**245,879**

At March 31, 2023, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was $394,986 (December 31, 2022 - $417,134), $245,879 of which represents the Company's 62.25% share of the decommissioning liability. During the year ended December 31, 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 incurred $197,439 of eligible costs during 2022, $123,217 of which represents the Company's 62.25% share. The Company also incurred cash costs of $41,491, $25,657 of which represents the Company's 62.25% share, for a total of $41,216 decommissioning costs settled during the three months ended March 31, 2023 (December 31, 2022 - $294,104). The provision is presented on an undiscounted basis as at March 31, 2023 and December 31, 2022, as it has been estimated by management that the Company will incur remaining decommissioning liability costs during 2023.

7. RIGHT-OF-USE ASSET/LEASE LIABILITY

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.

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.

a) Right-of-use assets continuity

Changes in the Company's right-of-use assets during the three months ended March 31, 2023 and year ended December 31, 2022 were as follows:

	March 31, 2023 $	December 31, 2022 $
Balance, beginning of period	93,487	165,490
Amortization	(17,265)	(72,003)
Balance, end of period	76,222	93,487

(Expressed in Canadian dollars)

7. RIGHT-OF-USE ASSET/LEASE LIABILITY (continued)

b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting as at March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023 $	December 31, 2022 $
Undiscounted minimum lease payments:		
Less than one year	77,708	93,119
One to three years	23,604	31,473
Effect of discounting	(10,637)	(13,641)
Present value of minimum lease payments	90,675	110,951

c) Lease liability continuity

Changes in the Company's lease liabilities during the three months ended March 31, 2023 and year ended December 31, 2022 were as follows:

	March 31, 2023 $	December 31, 2022 $
Balance, beginning of period	110,951	178,535
New premises lease	-	-
Accrued interest	3,004	25,535
Principal payments	(23,280)	(93,119)
Balance, end of period	90,675	110,951

Interest of $3,004 for the three months ended March 31, 2023 (March 31, 2022 – $6,384) is included in financing expenses.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023 ($)	December 31, 2022 ($)
Trade payables	327,467	220,437
Accrued liabilities	44,329	33,179
Payroll liabilities	42,335	58,239
	414,131	311,855

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months ended March 31, 2023 and 2022. 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	
	March 31, 2023 ($)	March 31, 2022 ($)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	202,016	136,590
Director fees paid or accrued to directors	32,600	27,125
Share-based compensation	19,043	(36,563)
	253,659	127,152

As at March 31, 2023, the Company was owed $120,972 (December 31, 2022 - $120,972) from officers of the Company. These amounts are non-interest bearing and are due on demand.

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As at March 31, 2023, the Company had 342,775,095 (December 31, 2022 – 329,995,095) common shares issued and outstanding.

Three Months Ended March 31, 2023

a) In January 2023, the Company closed a non-brokered private placement of 10,650,000 units of the Company at a price of $0.12 per unit for gross proceeds of $1,278,000, including $1,204,000 received as at December 31, 2022. Each unit consists of 1.2 common shares in the capital of the Company, resulting in the issuance of a total of 12,780,000 common shares.

Three Months Ended March 31, 2022

a) The Company received $60,432 from its share subscriptions receivable in connection with a private placement in December 2021 in which the Company issued 18,164,500 at $0.05 per unit for gross proceeds of $3,632,900. Each unit consisted 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 $0.35 per share for a period of two years.

b) A total of 1,062,500 Restricted Share Units ("RSUs"), issued to certain employees, consultants, officers and directors of the Company were redeemed into 1,062,000 common shares for no additional consideration.

c) Included as a 2022 share issuance cost is the issuance of 202,160 common shares in connection with the closing of a private placement in December 2022. See Note 10(a).

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Share Purchase Warrants

Three Months Ended March 31, 2023

There was no share purchase warrant activity during the period.

Three Months Ended March 31, 2022

There was no share purchase warrant activity during the period.

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
Balance, December 31, 2022	36,560,160	0.29
Expired	(3,872,000)	0.10
Balance, March 31, 2023	**32,688,160**	**0.31**

The following table summarizes the share purchase warrants outstanding as at March 31, 2023:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	($)		**(yrs)**
14,425,000	0.35	December 9, 2023	0.69
4,481,660	0.35	December 17, 2023	0.72
11,781,500	0.25	January 5, 2024	0.77
2,000,000	0.24	April 30, 2026	3.08
32,688,160	0.31		0.87

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 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 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 three months ended March 31, 2023 (March 31, 2022 – Nil). A total of 1,050,000 stock options with an exercise price of $0.15 were cancelled during the three months ended March 31, 2023. 100,000 options with an exercise price of $0.05 expired without exercise during the three months ended March 31, 2022.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (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	5,643,923	0.15
Cancelled	(300,000)	0.24
Expired	(100,000)	0.05
Balance, December 31, 2022	21,693,923	0.18
Cancelled	(900,000)	0.18
Balance, March 31, 2023	20,793,923	0.18

Stock Options (continued)

The following table summarizes the stock options outstanding and exercisable as at March 31, 2023:

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	2.27
9,900,000	9,900,000	0.24	April 8, 2026	3.02
600,000	600,000	0.24	May 19, 2026	3.14
1,200,000	1,200,000	0.20	August 30, 2026	3.42
500,000	500,000	0.20	September 16, 2026	3.47
2,000,000	1,400,000	0.15	July 18, 2027	4.30
1,508,333	133,333	0.15	October 27, 2027	4.58
1,585,590	-	0.15	November 4, 2027	4.60
150,000	-	0.15	November 30, 2027	4.67
20,793,923	17,083,333	0.18		3.31

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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 three months ended March 31, 2023 (March 31, 2022 – Nil). No RSUs were settled for common stock during the three months ended March 31, 2023 (March 31, 2022 – Nil). The Company recorded Nil in share-based compensation expense (March 31, 2022 – $Nil) relating to the vesting and redemption of RSUs during the quarter.

As at March 31, 2023, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value ($)
Balance, December 31, 2021	6,100,000	0.20
Granted	6,353,922	0.12
Settled	(3,962,500)	0.20
Balance, March 31, 2023 and December 31, 2022	8,491,422	0.14

11. COMMITMENTS

The Company had the following commitments as at March 31, 2023:

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, 2022, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2022 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.

(Expressed in Canadian dollars)

12. 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 its 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. For the period ended March 31, 2023 all revenues were derived from operations in Canada. At March 31, 2023, $2,051,420 of non-current assets were located in Canada and $125,596 of non-current assets were in Europe (March 31, 2022 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).

Three Months Ended March 31, 2023				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	**$**	**$**	**$**
General and administration	788,908	613,624	-	1,402,532
Loss from operations	(788,908)	(613,624)	-	(1,402,532)
Net finance expenses	(2,176)	(828)	-	(3,004)
Non-operating expenses	-	(3,499)	-	(3,499)
Net loss from continuing operations	(791,084)	(617,951)	-	(1,409,035)
Net loss from discontinued operations	-	-	(12,525)	(12,525)
Capital expenditures	17,264	-	-	17,264
Total assets	2,447,816	136,943	7,816	2,592,575

Three Months Ended March 31, 2022				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	$	**$**	**$**	**$**
Revenues	-	-	51,965	51,965
Cost of sales	-	-	(29,007)	(29,007)
Gross profit (loss)	-	-	22,958	22,958
General and administration	551,682	542,294	15,905	1,109,881
Loss from operations	(551,682)	(542,294)	7,053	(1,086,923)
Net finance expenses	-	(6,384)	(924)	(7,308)
Non-operating expenses	-	(2,614)	-	(2,614)
Net loss	(551,682)	(551,292)	6,129	(1,096,845)
Capital expenditures	31,851	12,773	-	44,624
Total assets	2,412,429	2,992,036	20,699	5,425,164

13. 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 current oil 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.

13. CAPITAL MANAGEMENT (continued)

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 March 31, 2023. The Company is not subject to externally imposed capital requirements.

14. 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.

15. SUBSEQUENT EVENTS

a) In April and May 2023, the Company closed its non-brokered private placement, over 3 tranches, for a total of 25,162,500 units of the Company at a price of $0.08 per unit for gross proceeds of $2,013,000, with each unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of $0.15 per share for a period of two years. In connection with this placement, 6,000 finder's warrants were granted with an exercise price of $0.15 and exercisable over two years.

b) The Company granted RSUs to several consultants of the Company for up to 2,000,000 shares, at a grant price of $0.15 per share, pursuant to the Company's RSU Plan dated July 28, 2021. All the RSUs have a three-year term. 250,000 of the RSUs vest on June 1, 2023, 1,500,000 of the RSUs vest on August 30, 2023, and 250,000 of the RSUs vest on February 28, 2024.

c) The Company granted 3,000,000 common shares at a value of $0.15 per share to a third-party company, subject to vesting requirements, with one third vesting 30 days after applicable work by the company is completed, one third vesting 60 days after applicable work by the company is completed and the remaining one third vesting 90 days after applicable work by the company is completed.

d) 150,000 stock options with an exercise price of $0.15 were cancelled.

e) 250,000 options with an exercise price of $0.15 and an expiry of two years were granted to a consultant of the Company in May.