



Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 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 nine months ended September 30, 2023, have been prepared by the management of the Company and approved by 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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HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)



	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 184,366	\$ 456,285
Receivables		65,967	16,877
Due from related parties	9	85,971	120,971
Prepaid expenses		401,982	246,690
Right-of-use asset	7	35,587	69,057
Total current assets		773,873	909,880
Non-current assets			
Right-of-use asset	7	6,107	24,430
Intangible assets	4	1,550,000	1,550,000
Property and equipment	5	480,803	621,928
Assets of discontinued operations	6	11,498	9,541
TOTAL ASSETS		\$ 2,822,281	\$ 3,115,779
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 876,440	\$ 311,855
Lease liability	7	42,662	81,102
Total current liabilities		919,102	392,957
Lease liability	7	7,462	29,849
Liabilities of discontinued operations	6	238,077	267,854
TOTAL LIABILITIES		1,164,641	690,660
SHAREHOLDERS' EQUITY			
Share capital	10	34,197,082	30,607,322
Securities subscribed		1,402,000	1,204,000
Contributed surplus		6,765,026	5,153,997
Reserves		305,736	336,002
Deficit		(41,012,204)	(34,876,202)
TOTAL SHAREHOLDERS' EQUITY		1,657,640	2,425,119
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 2,822,281	\$ 3,115,779

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent events (Note 16)

On behalf of the Board of Directors:

"Kylie Dickson"

Director

"David Farrell"

Director

HILLCREST ENERGY TECHNOLOGIES LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)



	Notes	Three Months		Nine Months	
		Ended September 30, 2023	2022	Ended September 30, 2023	2022
General and administrative expenses					
Management and consulting	9	\$ 48,911	\$ 67,241	\$ 165,219	\$ 527,889
Research and development		536,391	415,821	1,545,595	1,060,734
Office and general	9, 13	1,026,253	940,613	2,752,731	2,230,547
Share-based compensation	9, 10	918,492	597,839	1,751,892	641,754
		\$ 2,530,047	\$ 2,021,514	\$ 6,215,437	\$ 4,460,924
Loss from operations					
		(2,530,047)	(2,021,514)	(6,215,437)	(4,460,924)
Financing expenses		(3,004)	(6,383)	(9,013)	(19,151)
Write-off of payable and other liabilities		-	-	-	253,588
Foreign exchange loss		(2,579)	(6,548)	(8,165)	(19,543)
Other Income		67,075	-	113,081	-
Net loss for the period from continuing operations					
		\$ (2,468,555)	\$ (2,034,445)	\$ (6,119,534)	\$ (4,246,030)
Net loss from discontinued operations					
		(2,784)	103,547	(16,468)	132,854
Total net loss for the period					
		\$ (2,471,339)	\$ (1,930,898)	\$ (6,136,002)	\$ (4,113,176)
Items that may be subsequently reclassified to net loss					
Exchange differences on translating foreign operations		-	-	4	5
Total comprehensive loss for the period					
		\$ (2,471,339)	\$ (1,930,898)	\$ (6,135,998)	\$ (4,113,171)
Basic and diluted loss per share from continuing operations					
		\$ (0.04)	\$ (0.04)	\$ (0.10)	\$ (0.08)
Basic and diluted gain (loss) per share from discontinuing operations					
		\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00
Weighted average common shares outstanding (note 10):					
Basic		61,465,574	54,553,808	59,545,834	53,861,887
Diluted		61,465,574	54,553,808	59,545,834	53,861,887

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

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Cash Flows
For the Nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)



	Notes	Three Months		Nine Months	
		Ended September 30, 2023	2022	Ended September 30, 2023	2022
OPERATING ACTIVITIES					
Net loss from continuing operations		\$ (2,471,339)	\$ (2,034,445)	\$ (6,136,002)	\$ (4,246,030)
Adjusted for items not involving cash:					
Write-off of payables and other liabilities		-	-	-	(253,588)
Finance expense		3,004	6,383	9,013	19,151
Depreciation		74,126	68,851	216,954	170,440
Share-based compensation		918,492	597,839	1,751,892	641,754
Shares issued pursuant to service agreement		206,000	-	206,000	-
Changes in non-cash working capital items:					
Receivables		(52,139)	8,977	(48,851)	20,876
Prepaid expenses		788	134,685	(155,292)	157,405
Due from related party		35,000	8,643	35,000	(120,972)
Accounts payable and accrued liabilities		310,557	36,645	564,585	(144,494)
Cash used in operating activities for continuing operations		(975,511)	(1,172,422)	(3,556,701)	(3,755,458)
Cash used in operating activities for discontinued operations		2,584	(126,841)	(31,734)	(200,644)
Cash used in operating activities		(972,927)	(1,299,263)	(3,588,435)	(3,956,102)
INVESTING ACTIVITIES					
Additions to equipment	5	(6,772)	(71,444)	(24,036)	(201,307)
Cash used in investing activities for continuing operations		(6,772)	(71,444)	(24,036)	(201,307)
Cash from (used in) investing activities for discontinued operations		-	-	-	-
Cash used in investing activities		(6,772)	(71,444)	(24,036)	(201,307)
FINANCING ACTIVITIES					
Share subscriptions received	10	-	237,000	-	566,054
Securities subscribed		1,084,800	235,200	1,414,300	235,200
Exercise of warrants		-	577,970	-	577,970
Private placement	10	-	-	2,087,000	-
Share issuance costs		(90,364)	-	(90,908)	40,432
Repayment of lease liability		(23,280)	(23,280)	(69,840)	(69,839)
Cash from financing activities for continuing operations		971,156	1,026,891	3,340,552	1,349,817
Cash from financing activities for discontinued operations		-	-	-	-
Cash from financing activities		971,156	1,026,891	3,340,552	1,349,817
Effect of foreign exchange on cash		-	(6)	-	5
Increase (decrease) in cash		(8,543)	(343,823)	(271,919)	(2,807,587)
Cash, beginning of the period		192,909	1,221,336	456,285	3,685,100
Cash, end of the period		\$ 184,366	\$ 877,513	\$ 184,366	\$ 877,513

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

HILLCREST ENERGY TECHNOLOGIES LTD.

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



	Notes	Share Capital				Reserves				Shareholders' Equity	
		Number of Shares ^A	Amount	Share Subscriptions Receivable	Securities Subscribed	Warrants Subscribed	Contributed Surplus	Warrants	Foreign Currency Translation		Deficit
Balance, December 31, 2021		53,193,239	29,196,232	(566,054)	-	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833
Exercise of warrants	10	1,111,833	577,970	-	-	-	-	-	-	-	577,970
Proceeds from share subscriptions	10	-	-	566,054	-	-	-	-	-	-	566,054
Redemption of RSUs	10	660,417	521,375	-	-	(521,375)	-	-	-	-	-
Share-based compensation		-	-	-	-	641,754	-	-	-	-	641,754
Share issuance costs	10	33,693	40,432	-	-	-	-	-	-	-	40,432
Shares subscribed for relating to private placement	10	-	-	-	235,200	-	-	-	-	-	235,200
Net loss and comprehensive loss for the period		-	-	-	-	-	-	5	(4,113,176)	-	(4,113,171)
Balance, September 30, 2022		54,999,182	30,336,009	-	235,200	-	4,916,039	216,108	119,893	(32,629,177)	3,194,072
Balance, December 31, 2022		54,999,182	30,607,322	-	1,204,000	-	5,153,997	216,108	119,893	(34,876,202)	2,425,118
Proceeds from warrants subscriptions	10	-	-	-	-	-	12,540	-	-	-	12,540
Proceeds from shares subscribed		-	-	-	1,402,000	-	-	-	-	-	1,402,000
Redemption of RSUs	10	283,444	183,668	-	-	(183,668)	-	-	-	-	-
Proceeds from private placement	10	6,323,750	3,291,000	-	(1,204,000)	-	-	-	-	-	2,087,000
Share-based compensation		-	-	-	-	1,751,892	-	-	-	-	1,751,892
Shares issued for services	10	400,000	206,000	-	-	-	-	-	-	-	206,000
Share issuance costs	10	-	(90,908)	-	-	-	-	-	-	-	(90,908)
Expiry of warrants	10	-	-	-	-	42,805	(42,805)	-	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(6,136,002)	-	(6,136,002)
Balance, September 30, 2023		62,006,376	34,197,082	-	1,402,000	-	6,765,026	185,843	119,893	(41,012,204)	1,657,640

^A – The Company completed a consolidation of its common shares on a six to one basis in June 2023. The changes in the number of shares above have been presented on a post six to one share consolidation basis.



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 completed a consolidation of its common shares on a six to one basis in June 2023. Effective on June 8, 2023, the common shares of the Company commenced trading on a post-consolidation basis. All share numbers shown in these unaudited condensed interim consolidated financial statements reflect the post consolidated numbers except as indicated otherwise.

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 the Board of Directors of the Company on November 22, 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.



4. INTANGIBLE ASSETS (continued)

During the period ended September 30, 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		5,478		1,294	24,036
At September 30 2023	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Accumulated Depreciation							
At December 31, 2022	\$	119,537	\$	30,516	\$	27,770	\$ 177,823
Depreciation		117,836		20,210		27,115	165,161
At September 30 2023	\$	237,373	\$	50,726	\$	54,885	\$ 342,984
Net book value							
At December 31, 2022	\$	497,415	\$	50,323	\$	74,190	\$ 621,928
At September 30 2023	\$	396,843	\$	35,591	\$	48,369	\$ 480,803

Equipment and other includes leasehold improvements of \$26,884 as of September 30, 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. 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 2024 or 2025.

As at September 30, 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:

	September 30, 2023	December 31, 2022
	(\$)	(\$)
Assets		
Cash and cash equivalents	54	891
Receivables	6,738	5,709
Prepaid expenses	4,706	2,941
Total Assets	11,498	9,541
Liabilities		
Accounts payable and accrued liabilities	13,146	8,188
Decommissioning Liability	224,931	259,666
Total Liabilities	238,077	267,854



6. DISCONTINUED OPERATIONS (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Revenue and costs				
Oil sales	-	-	-	51,965
Royalties	-	-	-	(4,319)
Operating costs	(2,358)	(62,464)	(4,617)	(133,404)
	(2,358)	(62,464)	(4,617)	(85,758)
General and Administrative				
Management and consulting	-	(13,072)	(8,715)	(41,639)
Office and general	(426)	(721)	(1,265)	(1,546)
Change in decommissioning	-	-	(1,871)	62,791
	(426)	(13,793)	(11,851)	19,606
Gain (Loss) from discontinued	(2,784)	(76,257)	(16,468)	(66,152)
Financing expenses	-	(745)	-	(2,414)
Other income	-	180,549	-	201,420
Net gain (loss) from discontinued operations	(2,784)	103,547	(16,468)	132,854

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 September 30, 2023 \$ 4,533,916

Accumulated depletion

At December 31, 2022 \$ 1,659,793

At September 30, 2023 \$ 1,659,793

Impairment

At December 31, 2022 \$ 2,874,123

At September 30, 2023 \$ 2,874,123

Carrying amounts

At December 31, 2022 \$ -

At September 30, 2023 \$ -

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



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	14,303	-	-	14,303
Cash settlements	(49,038)	-	-	(49,038)
Balance, September 30, 2023	\$ 224,931	\$ -	\$ -	\$ 224,931

At September 30, 2023, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$361,335 (December 31, 2022 - \$417,134), \$224,931 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 \$49,038, \$30,526 of which represents the Company's 62.25% share, for a total of \$49,038 decommissioning costs settled during the nine months ended September 30, 2023 (December 31, 2022 - \$294,104). The provision is presented on an undiscounted basis as at September 30, 2023 and December 31, 2022, as it has been estimated by management that the Company will incur the remaining decommissioning liability costs during 2024 and 2025.

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 nine months ended September 30, 2023 and year ended December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 93,487	\$ 165,490
Amortization	(51,793)	(72,003)
Balance, end of period	\$ 41,694	\$ 93,487



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 September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
Undiscounted minimum lease payments:		
Less than one year	\$ 46,885	\$ 93,119
One to three years	7,868	31,473
Effect of discounting	18,651	(13,641)
Present value of minimum lease payments	\$ 73,404	\$ 110,951

(c) Lease liability continuity

Changes in the Company's lease liabilities during the nine months ended September 30, 2023, and year ended December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 110,951	\$ 178,535
New premises lease	-	-
Accrued interest	9,013	25,535
Principal payments	(46,560)	(93,119)
Balance, end of period	\$ 73,404	\$ 110,951

Interest of \$9,012 for the nine months ended September 30, 2023 (2022 – \$19,152) is included in financing expenses.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Trade payables	\$ 796,694	\$ 220,437
Accrued liabilities	44,329	33,179
Payroll liabilities	35,417	58,239
Balance, end of period	\$ 876,440	\$ 311,855



9. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the nine months ended September 30, 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 Month Ended		Nine Month Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	\$ 231,517	\$ 161,625	\$ 695,445	\$ 451,495
Director fees paid or accrued to directors	32,500	32,500	97,600	88,833
Share-based compensation	906,995	674,410	1,440,726	496,472
	\$ 1,171,012	\$ 868,535	\$ 2,233,771	\$ 1,036,800

As at September 30, 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 September 30, 2023, the Company had 62,006,376 (December 31, 2023 - 54,999,182 post consolidation) common shares issued and outstanding. The Company completed a consolidation of its common shares on a six to one basis in June 2023. All share numbers shown in these unaudited condensed interim consolidated financial statements reflect the post consolidated numbers except as indicated otherwise.

Nine months ended September 30, 2023

- In January 2023, the Company closed a non-brokered private placement of 1,775,000 units of the Company at a price of \$0.72 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 2,130,000 common shares.
- In April and May 2023, the Company closed its non-brokered private placement, over 3 tranches, for a total of 4,193,750 units of the Company at a price of \$0.48 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 \$0.90 per share for a period of two years. In connection with this placement, 1,000 finder's warrants were granted with an exercise price of \$0.90 and exercisable over two years.
- A total of 283,444 Restricted Share Units ("RSUs"), issued to various consultants of the Company were redeemed into 283,444 common shares for no additional consideration.
- Pursuant to a corporate services agreement, a total of 400,000 common shares was issued to a consultant of the Company during July and August at a total deemed value of \$206,000.



10. SHARE CAPITAL (continued)

Issued and outstanding (continued)

Nine months ended September 30, 2023 (continued)

- e) On July 17, 2023, the Company announced that it had closed its previously announced non-brokered private placement for total gross proceeds of \$12,540 (the "Offering"). The Offering was made available to those who had participated in the Company's non-brokered private placement in January 2023 and consisted of an aggregate of 12,540,000 pre-consolidation common share purchase warrants of the Company (each, a "Warrant") sold at a price of \$0.001 per Warrant. Upon consolidation of the Company's common shares, the Offering size was adjusted to one Warrant issued for every six Warrants subscribed for, with a post-consolidation Offering size of an aggregate of 2,090,000 Warrants. Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.90 per Common Share for a period of 24 months following the closing date of the Offering.

Nine months ended September 30, 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 3,027,416 units at \$0.30 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 \$2.10 per share for a period of two years.
- b) A total of 177,083 RSUs issued to certain employees, consultants, officers and directors of the Company were redeemed into 177,000 common shares for no additional consideration.
- c) Included as a 2022 share issuance cost is the issuance of 33,693 common shares in connection with the closing of a private placement in December 2022. See Note 10(a).

Share Purchase Warrants

Nine months ended September 30, 2023

- a) In connection with the private placement closed in April and May 2023, 4,193,746 share purchase warrants and 1,000 finder's warrants were granted with an exercise price of \$0.90 and exercisable over two years.
- b) In connection with the private placement closed in July 2023, 2,090,000 share purchase warrants were issued for gross proceeds of \$12,540 with an exercise price of \$0.90 and exercisable over two years.

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.



10. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	7,204,082	1.62
Exercised	(1,011,833)	0.57
Expired	(98,889)	0.60
Balance, December 31, 2022	6,093,360	1.74
Issued	6,284,746	0.90
Expired	(645,333)	0.60
Balance, September 30, 2023	11,732,773	1.34

The following table summarizes the share purchase warrants outstanding as at September 30, 2023:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
2,404,166	2.10	December 9, 2023	0.19
746,942	2.10	December 17, 2023	0.21
1,963,583	1.50	January 5, 2024	0.27
333,333	1.44	April 30, 2026	2.58
1,752,083	0.90	April 11, 2025	1.53
630,166	0.90	April 28, 2025	1.58
1,812,500	0.90	May 15, 2025	1.62
2,090,000	0.90	July, 14, 2025	1.79
9,642,773	1.34		1.05

Stock Options

The Company has 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.

Nine months ended September 30, 2023

- Subsequent to the consolidation of the Company's common shares, 261,650 stock options with an exercise price of \$0.57 and a 5 year expiry were granted to employees of the Company.
- 41,666 stock options with an exercise price of \$0.90 and a two-year expiry was granted in April 2023
- A total of 91,667 stock options with an exercise price of \$0.90 were cancelled.
- 50,000 and 83,333 stock options with an exercise price of \$1.44 and \$1.20 respectively were cancelled.



10. SHARE CAPITAL (continued)

Stock Options (continued)

Nine months ended September 30, 2022

- a) A total of 16,666 stock options with an exercise price of \$0.30 expired without exercise.
- b) 50,000 stock options with an exercise price of \$1.44 were cancelled.

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

Risk-free interest rate	2.97% – 3.67%
Expected life of options	2 - 5 years
Volatility	136% – 137%
Expected Dividend yield	Nil
Forfeiture rate	5%
Weighted average fair value	\$0.49

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2022	3,615,652	1.08
Issued	303,317	0.62
Cancelled	(225,000)	1.13
Balance, September 30, 2023	3,693,969	1.06

The following table summarizes the stock options outstanding and exercisable as at September 30, 2023:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
41,666	41,666	0.90	April 28, 2025	1.58
558,333	558,333	0.30	July 8, 2025	1.77
1,600,000	1,600,000	1.44	April 8, 2026	2.52
100,000	100,000	1.44	May 19, 2026	2.64
200,000	200,000	1.20	August 30, 2026	2.92
83,333	83,333	1.20	September 16, 2026	2.96
333,333	291,667	0.90	July 18, 2027	3.80
251,389	105,556	0.90	October 27, 2027	4.08
264,265	264,265	0.90	November 4, 2027	4.10
261,650	261,650	0.57	June 13, 2028	4.71
3,693,969	3,506,470	1.06		2.92



10. SHARE CAPITAL (continued)

Restricted Share Units (“RSUs”)

The Company has 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. None of the RSUs settled during the current period were in cash.

Nine months ended September 30, 2023

- a) 333,333 RSUs with an expiry of December 1, 2026 were granted to certain consultants of the Company in April 2023.
- b) Subsequent to the consolidation of the Company’s common shares, a total of 3,359,283 RSUs with an expiry of December 1, 2026 were granted to directors, officers and employees of the Company.
- c) 283,444 RSUs were settled in the current period.
- d) The Company recorded \$1,504,688 in share-based compensation expense relating to the vesting and redemption of RSUs during the current period.

Nine months ended September 30, 2022

- a) 648,889 RSUs were granted during the nine months ended September 30, 2022
- b) 660,417 RSUs were redeemed for common shares during the nine months ended September 30, 2022.
- c) 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

As at September 30, 2023, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2022	1,415,239	0.84
Granted	3,692,616	0.60
Settled	(283,444)	0.90
Balance, September 30, 2023	4,824,411	0.66



11. COMMITMENTS

The Company had the following commitments as at September 30, 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 Statement of Financial Position.
- 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 Statement of Financial Position.
- c) In July 2023, the Company entered into two separate office rental agreements in Vancouver, British Columbia.

The first agreement is a sublet agreement with a term of 11 months, commencing December 1, 2023 and terminating on October 31, 2024, 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 \$77,097 per annum, plus common costs and taxes.

The second agreement has a term of 36 months, commencing November 1, 2024 and terminating on October 31, 2027, 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 \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

These rental agreements will be accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the Statement of Financial Position.

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. As at September 30, 2023, \$2,757,242 and \$126,688 of total assets were located in Canada and Europe respectively (September 30, 2022 - \$4,102,418 and \$160,184 respectively).

	Three Months Ended September 30, 2023			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
General and administration	\$ 863,077	\$ 1,666,970	\$ -	\$ 2,530,047
Loss from operations	(863,077)	(1,666,970)	-	(2,530,047)
Net finance expenses	(2,176)	(828)	-	(3,004)
Non-operating expenses	-	(2,579)	-	(2,579)
Other Income	67,075	-	-	67,075
Net loss from continuing operations	(798,178)	(1,670,377)	-	(2,468,555)
Net loss from discontinued operations	-	-	(2,784)	(2,784)
Capital expenditures	6,772	-	-	6,772
Total assets	\$ 2,207,463	\$ 603,320	\$ 11,498	\$ 2,822,281



12. SEGMENTED INFORMATION (Continued)

	Nine Months Ended September 30, 2023			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
General and administration	\$ 2,392,070	\$ 3,823,367	\$ -	\$ 6,215,437
Loss from operations	(2,392,070)	(3,823,367)	-	(6,215,437)
Net finance expenses	(6,528)	(2,485)	-	(9,013)
Non-operating expenses	-	(8,165)	-	(8,165)
Other income	113,081	-	-	113,081
Net loss from continuing operations	(2,285,517)	(3,834,017)	-	(6,119,534)
Net loss from discontinued operations	-	-	(16,468)	(16,468)
Capital expenditures	24,036	-	-	24,036
Total assets	\$ 2,207,463	\$ 603,320	\$ 11,498	\$ 2,822,281

	Three Months Ended September 30, 2022			
	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 loss 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

	Nine Months Ended September 30, 2022			
	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 loss 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



13. OFFICE AND GENERAL EXPENSES

The following is a breakdown of the office and general expenses for the nine and three months ended September 30, 2023.

	Three Months ended September 30,		Nine Months ended September 30,	
	2023	2022	2023	2022
Business development	\$ 98,542	\$ 203,296	\$ 284,313	\$ 426,831
Depreciation and amortization	72,832	68,851	216,954	170,439
Investor relations	360,807	161,524	747,415	361,721
Office	45,079	51,404	127,275	161,128
Professional fees	(38,408)	144,372	97,331	203,107
Salaries and wages	418,109	277,368	1,096,548	807,492
Transfer agent and filing	15,829	4,446	95,638	30,943
Travel	53,463	29,352	87,257	68,886
Total office and general	\$ 1,026,253	\$ 940,613	\$ 2,752,731	\$ 2,230,547

14. 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.

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

15. 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.



16. SUBSEQUENT EVENTS

- a) On October 4, 2023, the Company announced that it has closed the first tranche of its non-brokered private placement in the amount of 4,350,000 units of the Company (the "Units") at a price of \$0.40 per Unit for gross proceeds of \$1,740,000 (the "First Tranche"). Each Unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.50 per Common Share for a period of 24 months from the date of issuance. However, the Warrants will be subject to an accelerated expiry upon 30 business days' notice from the Company in the event the Common Shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.60 on the Canadian Securities Exchange.
- b) In October 2023, the Company granted 88,889 RSUs to an employee at a grant price of \$0.45 per Share, pursuant to the Company's RSU Plan dated July 28, 2021. These RSUs carry a three-year term, with 44,444 of the RSUs vesting on February 14, 2024, and 44,445 of the RSUs vesting on August 15, 2024.
- c) Pursuant to separate corporate services agreements, 38,440 and 100,000 common shares were issued to two consultants of the Company respectively in October 2023.
- d) The Company received further financing proceeds totaling \$255,000 in October and November 2023.