



Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2024 and 2023

(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, 2024, 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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HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)



	Notes	March 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		\$ 143,499	\$ 74,356
Receivables		31,861	63,968
Due from related parties	8	85,971	85,971
Prepaid expenses		510,101	223,184
Right-of-use asset	6	78,415	84,523
Total current assets		849,847	532,002
Non-current assets			
Right-of-use asset	6	155,240	170,263
Intangible assets	4	1,550,000	1,550,000
Property and equipment	5	369,854	425,327
Deposits		53,663	25,526
Assets of discontinued operations	15	10,013	9,923
TOTAL ASSETS		\$ 2,988,617	\$ 2,713,041
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,022,861	\$ 1,073,526
Lease liability	6	62,896	65,317
Total current liabilities		1,085,757	1,138,843
Lease liability	6	184,750	197,470
Liabilities of discontinued operations	15	261,009	261,701
TOTAL LIABILITIES		1,531,516	1,598,014
SHAREHOLDERS' EQUITY			
Share capital	9	37,169,139	35,952,064
Shares subscribed	9(a)	1,212,758	627,500
Contributed surplus	9	7,423,658	7,250,112
Reserves		305,864	305,864
Deficit		(44,654,318)	(43,020,513)
TOTAL SHAREHOLDERS' EQUITY		1,457,101	1,115,027
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 2,988,617	\$ 2,713,041

Nature of operations and going concern (Note 1)
Commitments (Note 10)
Subsequent events (Note 16)

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, 2024 and 2023
 (Expressed in Canadian Dollars)
 (Unaudited)



	Notes	Three Months Ended March 31,	
		2024	2023
General and administrative expenses			
Management and consulting		\$ 53,320	\$ 34,800
Research and development		448,915	522,427
Office and general	11	881,908	804,747
Share-based compensation	9,10	381,027	40,558
		1,765,170	1,402,532
Loss from operations		(1,765,170)	(1,402,532)
Financing expenses		(12,002)	(3,004)
Foreign exchange loss		6,790	(3,499)
Other income		137,095	-
Net loss for the period from continuing operations		\$ (1,633,287)	\$ (1,409,035)
Net loss from discontinued operations		(518)	(12,525)
Total net loss for the period		\$ (1,633,805)	\$ (1,421,560)
Items that may be subsequently reclassified to net loss			
Exchange differences on translating foreign operations		2,338	6
Total comprehensive loss for the period		\$ (1,631,467)	\$ (1,421,554)
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		67,444,921	56,430,818
Diluted		67,444,921	56,430,818

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)



Notes	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net loss from continuing operations	\$ (1,633,805)	\$ (1,409,035)
Adjusted for items not involving cash:		
Write-off of payables and other liabilities	-	-
Finance expense	12,001	3,003
Depreciation	76,604	71,521
Share-based compensation	381,028	40,558
Shares issued pursuant to joint development agreement	-	-
Changes in non-cash working capital items:		
Receivables	32,107	5,211
Prepaid expenses	(286,917)	65,416
Accounts payable and accrued liabilities	(50,665)	102,277
Cash used in operating activities for continuing operations	(1,469,647)	(1,121,049)
Cash used in operating activities for discontinued operations	(782)	(25,002)
Cash used in operating activities	(1,470,429)	(1,146,051)
INVESTING ACTIVITIES		
Additions to equipment	5	(17,264)
Cash used in investing activities for continuing operations	-	(17,264)
Cash from (used in) investing activities for discontinued operations	-	-
Cash used in investing activities	-	(17,264)
FINANCING ACTIVITIES		
Exercise of options	100,050	-
Shares subscribed	9(a) 9	716,000
Private placement	1,001,852	74,000
Share issue costs	(92,309)	-
Deposit	(28,137)	-
Repayment of lease liability	(27,142)	(23,280)
Cash from financing activities for continuing operations	1,539,572	766,720
Cash from financing activities for discontinued operations	-	-
Cash from financing activities	1,539,572	766,720
Increase (decrease) in cash	69,143	(396,595)
Cash, beginning of the period	74,356	456,285
Cash, end of the period	\$ 143,499	\$ 59,690

HILLCREST ENERGY TECHNOLOGIES LTD.

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



	Notes	Share Capital		Share Subscriptions Receivable	Shares Subscribed	Contributed Surplus	Reserves		Shareholders' Equity	
		Number of Shares	Amount				Warrants	Foreign Currency Translation		Deficit
Balance, December 31, 2022		54,999,182	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		2,130,000	1,278,000	-	(1,204,000)	-	-	-	-	74,000
Share-based compensation		-	-	-	-	40,558	-	-	-	40,558
Expiry of warrants	10	-	-	-	-	106,356	(106,356)	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(1,421,560)	(1,421,560)
Balance, March 31, 2023		57,129,181	31,885,322	-	716,000	5,300,911	109,752	119,894	(36,297,762)	1,834,117
Balance, December 31, 2023		66,494,816	35,952,064	-	627,500	7,250,112	185,966	119,898	(43,020,513)	1,115,027
Proceeds from share subscriptions	10	-	-	-	895,258	-	-	-	-	895,258
Proceeds from private placement		6,130,000	1,001,852	-	(310,000)	-	-	-	-	691,852
Share issue costs		-	(92,309)	-	-	-	-	-	-	(92,308)
Share-based compensation		-	-	-	-	381,027	-	-	-	381,027
Redemption of RSU's		768,451	207,482	-	-	(207,482)	-	-	-	-
Exercise of options	10	345,000	100,050	-	-	-	-	-	-	100,050
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(1,633,805)	(1,633,805)
Balance, March 31, 2024		73,738,267	37,169,139	-	1,212,758	7,423,658	185,966	119,898	(44,654,318)	1,457,101



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 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

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 28, 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, 2023.

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, 2023.

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 March 31, 2024, 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, 2023	\$	634,216	\$	86,317	\$	103,255	\$ 823,788
Additions		-		-		-	-
At March 31, 2024	\$	634,216	\$	86,317	\$	103,255	\$ 823,788
Accumulated Depreciation							
At December 31, 2023	\$	277,012	\$	57,463	\$	63,985	\$ 398,460
Depreciation		39,639		6,737		9,099	55,474
At March 31, 2024	\$	316,651	\$	64,200	\$	73,084	\$ 453,934
Net book value							
At December 31, 2023	\$	357,204	\$	28,854	\$	39,270	\$ 425,328
At March 31, 2024	\$	317,566	\$	22,117	\$	30,171	\$ 369,854

Equipment and other includes leasehold improvements of \$67,019 as of March 31, 2024 (December 31, 2023 - \$67,019).

6. RIGHT-OF-USE ASSET/LEASE LIABILITY

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.

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.

a) Right-of-use assets continuity

Changes in the Company's right-of-use assets during the three months ended March 31, 2024 and year ended December 31, 2023 were as follows:

	March 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	254,786	93,487
New premises lease	-	235,364
Amortization	(21,131)	(74,065)
Balance, end of year	233,655	254,786



6. 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, 2024 and December 31, 2023 were as follows:

	March 31, 2024	December 31, 2023
	\$	\$
Undiscounted minimum lease payments:		
Less than one year	90,146	110,642
Two to three years	183,624	182,380
Three to five years	55,129	78,755
Effect of discounting	(81,253)	(108,990)
Present value of minimum lease payments	<u>247,646</u>	<u>262,787</u>

c) Lease liability continuity

Changes in the Company's lease liabilities during the three months ended March 31, 2024 and year ended December 31, 2023 were as follows:

	March 31, 2023	December 31, 2023
	\$	\$
Balance, beginning of period	262,787	110,951
New premises lease	-	235,364
Accrued interest	12,002	16,016
Principal payments	(27,143)	(99,544)
Balance, end of period	<u>247,646</u>	<u>262,787</u>

Interest of \$12,002 for the three months ended March 31, 2024 (March 31, 2023 – \$3,004) is included in financing expenses.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
	(\$)	(\$)
Trade payables	908,770	969,881
Accrued liabilities	103,174	78,173
Payroll liabilities	10,917	19,872
	<u>1,022,861</u>	<u>1,067,926</u>



8. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months ended March 31, 2024 and 2023. 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, 2024	March 31, 2023
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	204,126	202,016
Director fees paid or accrued to directors	35,000	32,600
Share-based compensation	53,525	19,043
	<u>292,651</u>	<u>253,659</u>

As at March 31, 2024, the Company was owed \$85,971 (December 31, 2023 - \$85,971) from officers of the Company. These amounts are non-interest bearing and are due on demand.

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As at March 31, 2024, the Company had 73,738,267 (December 31, 2023 – 35,952,064) common shares issued and outstanding.

Three Months Ended March 31, 2024

- a) In January 2024, the Company secured a \$5 million equity drawdown facility. Pursuant to the Equity Facility, the Company shall pay the investor a commitment fee equal to 4.9% of the total capital of the Company committed, payable in cash or common shares in the capital of the Company (the "Shares") at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"), at the election of the Company. On any drawdown amount, the Company shall pay 12% drawdown fee, which may be payable in Shares or by deduction from the funded advance, at the option of the investor. Each drawdown will be in units (the "Units"), with each Unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Drawdown Warrant"). The Units will be issued at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"). All Drawdown Warrants issued as part of the Units will be exercisable at an exercise price equal to the greater of 125% of the Issue Price, and the minimum exercise price permitted by policies of the CSE and will be exercisable for a period of three years from the date of issuance. The Company closed the first drawdown, issuing 1,483,082 common shares for proceeds of \$331,045. Pursuant to the drawdown, 741,541 warrants with an exercise price of \$0.31 and exercisable over three years were issued.
- b) On February 14, 2024, the Company closed the second drawdown on the equity drawdown facility, issuing 1,094,088 Company common shares for proceeds of \$234,448. Pursuant to the drawdown, 547,044 warrants with an exercise price of \$0.30 and exercisable over three years were issued.



9. SHARE CAPITAL (continued)

- c) In February 2024, the Company closed the first tranche of a non-brokered private placement for a total of 2,530,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$632,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's 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 \$0.50 on the Canadian Securities Exchange. Of these proceeds, \$310,000 had been received prior to December 31, 2023.

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.

Share Purchase Warrants

Three Months Ended March 31, 2024

- a) In connection with the first drawdown on the equity draw down facility which closed in January 2024, the Company issued 741,541 share purchase warrants with an exercise price of \$0.31 and expire January 2027.
- b) In connection with the private placement closed in February 2024, the Company issued 2,530,000 share purchase warrants with an exercise price of \$0.30 and expire February 2027.
- c) In connection with the second drawdown on the equity draw down facility which closed in February 2024, the Company issued 547,044 share purchase warrants with an exercise price of \$0.30 and expire February 2027.

Three Months Ended March 31, 2023

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, 2022	6,093,356	1.04
Issued	10,634,750	0.74
Expired	(645,333)	0.60
Balance, December 31, 2023	16,082,773	0.63
Issued	3,818,585	0.30
Expired	(5,114,690)	0.35
Balance, March 31, 2024	14,786,668	0.64



9. SHARE CAPITAL (continued)

The following table summarizes the share purchase warrants outstanding as at March 31, 2024:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	(\$)		(yrs)
333,333	1.44	April 30, 2026	2.08
1,752,083	0.90	April 11, 2025	1.03
630,167	0.90	April 28, 2025	1.08
1,812,500	0.90	May 15, 2025	1.12
2,090,000	0.90	July 14, 2025	1.29
4,350,000	0.50	October 4, 2025	1.51
741,541	0.31	January 8, 2027	2.78
2,530,000	0.30	February 8, 2027	2.86
547,044	0.30	February 13, 2027	2.87
14,786,668	0.64		1.71

Stock Options

In July of 2021, the Company adopted a new 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 quarter ended March 31, 2024, the Company granted an aggregate of 345,000 (March 31, 2023 – nil) stock options subject to vesting criteria and expensed \$64,000 (March 31, 2023 - \$40,558) as share-based compensation.

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2022	3,615,652	1.10
Issued	405,317	0.55
Cancelled	(225,000)	1.13
Balance, December 31, 2023	3,795,969	1.04
Issued	345,000	0.29
Exercised	(345,000)	0.29
Cancelled	(51,666)	0.90
Balance, March 31, 2024	3,744,303	1.04



9. SHARE CAPITAL (continued)

The following table summarizes the stock options outstanding and exercisable as at March 31, 2024:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
41,667	41,667	0.90	April 28, 2025	1.08
558,333	558,333	0.30	July 8, 2025	1.27
1,600,000	1,600,000	1.44	April 8, 2026	2.02
100,000	100,000	1.44	May 19, 2026	2.13
200,000	200,000	1.20	August 30, 2026	2.42
83,333	83,333	1.20	September 16, 2026	2.46
291,667	291,667	0.90	July 18, 2027	3.30
241,388	170,556	0.90	October 27, 2027	3.58
264,265	264,265	0.90	November 4, 2027	3.60
261,650	261,650	0.57	June 14, 2028	4.21
102,000	25,500	0.35	December 4, 2028	4.68
3,744,303	3,596,971	1.04		2.47

Restricted Share Units (“RSUs”)

In July of 2021, the Company adopted a new 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.

During the three months ended March 31, 2024, the Company granted 933,333 RSUs (March 31, 2023 – Nil), of which 550,000 were exercised and settled for common stock (March 31, 2023 – Nil). The Company recorded \$317,027 in share-based compensation expense (March 31, 2023 – nil) relating to the vesting and redemption of RSUs during the quarter. In addition, 227,929 were cancelled during the quarter (March 31, 2023 – nil).



9. SHARE CAPITAL (continued)

As at March 31, 2024, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2022	1,415,240	0.84
Granted	3,919,838	0.55
Redeemed	(283,444)	0.63
Balance, December 31, 2023	5,051,634	0.62
Granted	933,333	0.30
Expired	(499,129)	0.56
Redeemed	(550,000)	0.36
Balance, March 31, 2024	4,935,838	0.61

10. COMMITMENTS

The Company had the following commitments as at March 31, 2024:

- a) 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.
- 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. OFFICE AND GENERAL

The following is a breakdown of the office and general expenses for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
Business development	\$97,187	\$124,598
Depreciation and amortization	76,604	71,520
Investor relations	167,353	162,146
Office	68,672	40,394
Professional fees	117,334	41,330
Salaries and wages	330,627	340,646
Transfer agent and filing	8,992	9,435
Travel	15,139	14,679
Total office and general	\$881,908	\$804,747

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, 2024 all revenues were derived from operations in Canada. At March 31, 2024, \$2,055,449 (March 31, 2023 - \$2,051,420) of non-current assets were located in Canada and \$74,321 (March 31, 2023 - \$125,596) of non-current assets were in Europe (March 31, 2023 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).

	Three Months Ended March 31, 2024			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	799,875	965,295	-	1,765,170
Loss from operations	(799,875)	(965,295)	-	(1,765,170)
Net finance expenses	(406)	(11,596)	-	(12,002)
Other income	137,095	-	-	137,095
Non-operating expenses	-	6,790	-	6,790
Net loss from continuing operations	(663,186)	(970,101)	-	(1,633,287)
Net loss from discontinued operations	-	-	(518)	(518)
Capital expenditures	-	-	-	-
Total assets	1,991,736	986,868	10,013	2,988,617



12. SEGMENTED INFORMATION

	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

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.

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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, 2024. 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. 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, 2024, 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, 2024	December 31, 2023
	(\$)	(\$)
Assets		
Cash and cash equivalents	213	150
Receivables	6,859	6,832
Prepaid expenses	2,941	2,941
Total Assets	10,013	9,923
Liabilities		
Accounts payable and accrued liabilities	1,343	2,035
Decommissioning Liability	259,666	259,666
Total Liabilities	261,009	261,701



15. DISCONTINUED OPERATIONS (continued)

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

	Year Ended	
	March 31, 2024	March 31, 2023
	(\$)	(\$)
Revenue and costs		
Operating costs	-	(2,440)
	-	(2,440)
General and administrative		
Management and consulting	-	(14,000)
Office and general	(518)	(675)
Change in decommissioning estimate	-	4,590
Income (loss) from discontinued operations	(518)	(12,525)
Financing expenses	-	-
Net income (loss) from discontinued operations	(518)	(12,525)

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, 2023	\$	4,533,916
At March 31, 2024	\$	4,533,916
Accumulated depletion		
At December 31, 2023	\$	1,659,793
At March 31, 2024	\$	1,659,793
Impairment		
At December 31, 2023	\$	2,874,123
At March 31, 2024	\$	2,874,123
Carrying amounts		
At December 31, 2023	\$	-
At March 31, 2024	\$	-

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



15. 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, 2022	\$ 259,666	\$ -	\$ -	\$ 259,666
Accretion	-	-	-	-
Change in estimate	-	-	-	-
Cash settlements	-	-	-	-
ASCP settlements	-	-	-	-
Balance, December 31, 2023 and March 31, 2024	\$ 259,666	\$ -	\$ -	\$ 259,666

At March 31, 2024, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$417,134 (December 31, 2023 - \$417,134), \$259,666 of which represents the Company's 62.25% share of the decommissioning liability. The provision is presented on an undiscounted basis as at December 31, 2023, as it has been estimated by management that the Company will incur remaining decommissioning liability costs during 2024 and 2025.

16. SUBSEQUENT EVENTS

- On April 12, 2024, the Company closed the third drawdown on the equity drawdown facility, issuing 1,201,023 Company common shares for proceeds of \$203,745. Pursuant to the drawdown, 536,171 warrants with an exercise price of \$0.25 and exercisable over three years were issued.
- On April 16, 2024, the Company closed the second tranche of a non-brokered private placement for a total of 3,582,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$895,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's 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 \$0.50 on the Canadian Securities Exchange. Of these proceeds, \$45,000 had been received prior to December 31, 2023.
- On April 30, 2024, the Company closed the third and final tranche of a non-brokered private placement for a total of 6,762,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$1,690,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's 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 \$0.50 on the Canadian Securities Exchange. In connection with the closing of the final tranche, the Company paid commissions and finders fees in the amount of \$630 in cash finder's fees, issued an aggregate of 2,520 share purchase warrants and 459,540 units.

The total placement size, cumulative of all tranches, was 12,874,000 units for gross proceeds of \$3,218,500.

- On May 9, 2024, the Company closed the fourth drawdown on the equity drawdown facility, issuing 811,147 common shares of the Company for proceeds of \$156,435. Pursuant to the drawdown, 362,119 warrants were issued at an exercise price of \$0.28 and a term of three years.



16. SUBSEQUENT EVENTS *(continued)*

- e) On May 24, 2024, the Company granted 2,410,000 RSUs and 4,663,867 stock options to various executives, employees and consultants of the Company. The RSUs have a 3-year term and vest immediately. The stock options have an exercise price of \$0.25, a 5-year term and are subject to vesting criteria.
- f) On May 27, 2024, the Company announced a non-brokered private placement for a total of 3,000,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$750,000. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's 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 \$0.50 on the Canadian Securities Exchange.