



Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hillcrest Energy Technologies Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hillcrest Energy Technologies Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024 and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue as at December 31, 2025 and is therefore dependent upon the future receipt of financing to maintain its operations. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there is the following key audit matter to communicate in our auditor's report.

<u>Key audit matter:</u>	<u>How our audit addressed the key audit matter:</u>
Assessment of impairment indicators of Intangible assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to note 2(e) – Use of Estimates and Judgments, note 3(b) – Material Accounting Policy Information for Intangible assets and note 4 – Intangible assets</i>	Evaluating the reasonableness of management's assessment of impairment indicators, which included the following:
Management assesses, on at least an annual basis or if there	Assessing the Company's recent levels of market

are indications that their values have declined, the current recoverable amount of its intangible assets to ensure that this amount remains in excess of the assets' carrying value. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Even greater subjectivity and judgment is required in the preparation of cash flow projections associated with establishing an estimated 'value in use' for the assets.

We considered this a key audit matter due to (i) the significance of the intangible assets balance in the context of the Company's current business focus and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which themselves require significant judgment.

capitalization in comparison to its net assets, which may be an indication of impairment.

- Assessing circumstances concerning the Company's use of intangible assets in operations by assessing the current use and relevance of these intangible assets in its research and development activities.
 - Assessing the reasonability of variables used in internal projections of expected future cash flows developed by management in respect to the intangible assets.
 - Assessing the reasonability of the Company's overall financial statement disclosures in this area, including the inherent measurement uncertainties associated with all variables in a 'value in use' projection for intangibles, in the context of the expectations and requirements of the anticipated readers of the financial statements.
-

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.



Chartered Professional Accountants

Vancouver, BC, Canada
April 30, 2026



	Notes	December 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash		\$ 58,655	\$ 15,582
Receivables		113,555	26,284
Due from related parties	7	14,447	906
Prepaid expenses		51,074	801,084
Right-of-use asset	18	105,485	105,485
Assets of discontinued operations	19	780	10,687
Total current assets		343,996	960,028
Non-current assets			
Restricted cash equivalents		28,750	28,750
Right-of-use asset	18	80,338	185,823
Intangible assets	4	1,550,000	1,550,000
Property and equipment	5	35,918	208,955
Deposits		28,137	28,137
TOTAL ASSETS		\$ 2,067,139	\$ 2,961,693
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	6, 7	\$ 3,430,409	\$ 1,406,840
Lease liability	18	118,791	92,683
Convertible debentures	9	2,050,452	-
Promissory notes	8	242,000	1,898,964
Liabilities of discontinued operations	19	462,817	440,209
Total current liabilities		6,304,469	3,838,696
Lease liability	18	111,549	230,340
TOTAL LIABILITIES		6,416,018	4,069,036
SHAREHOLDERS' DEFICIENCY			
Share capital	10	47,939,754	43,980,719
Share subscriptions receivable	7	(8,000)	(8,000)
Convertible debentures - equity component	9	363,142	-
Securities subscribed		174,200	-
Contributed surplus		8,109,092	8,581,776
Reserves		310,228	310,228
Deficit		(61,237,295)	(53,972,066)
TOTAL SHAREHOLDERS' DEFICIENCY		(4,348,879)	(1,107,343)
TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY		\$ 2,067,139	\$ 2,961,693

Nature of operations and going concern (Note 1)

Commitments (Note 11)

Subsequent events (Note 21)

On behalf of the Board of Directors:

"Don Currie"

Director

"David Farrell"

Director

HILLCREST ENERGY TECHNOLOGIES LTD.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)



	Notes	Year Ended December 31,	
		2025	2024
General and administrative expenses			
Management and consulting	7	\$ 566,174	\$ 941,801
Research and development		2,288,480	2,041,425
Office and general	12	2,863,202	4,751,194
Share-based compensation	7, 10	690,707	2,980,662
		\$ 6,408,563	\$ 10,715,082
Loss from operations		(6,408,563)	(10,715,082)
Financing expenses	20	(890,413)	(164,121)
Foreign exchange loss		(81,672)	(45,120)
Other income		135,078	157,897
Gain on settlement of debt	9, 10	10,977	-
Net loss for the period from continuing operations		\$ (7,234,593)	\$ (10,766,426)
Net loss from discontinued operations	19	(30,636)	(190,729)
Net loss and comprehensive loss for the year		\$ (7,265,229)	\$ (10,957,155)
Basic and diluted loss per share from continuing operations		\$ (0.07)	\$ (0.12)
Basic and diluted loss per share from discontinued operations		\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding:			
Basic		105,850,221	90,659,616
Diluted		105,850,221	90,659,616

HILLCREST ENERGY TECHNOLOGIES LTD.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)



		Year Ended December 31,	
	Notes	2025	2024
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (7,234,593)	\$ (10,766,426)
Adjusted for items not involving cash:			
Financing expenses		831,735	164,121
Depreciation		278,522	316,025
Share-based compensation		690,707	2,980,662
Gain on settlement of debt		(10,977)	-
Changes in non-cash working capital items:			
Receivables		(87,271)	37,684
Prepaid expenses		750,010	(577,900)
Due from related party		(13,541)	85,065
Accounts payable and accrued liabilities		2,667,702	254,215
Cash used in operating activities for continuing operations		(2,127,706)	(7,506,554)
Cash used in operating activities for discontinued operations		(88)	(12,985)
Cash used in operating activities		(2,127,794)	(7,519,539)
FINANCING ACTIVITIES			
Securities subscribed		174,200	-
Exercise of options	10	-	100,050
Exercise of warrants	10	-	760,991
Proceeds received for promissory notes	8	1,270,263	1,788,985
Proceeds received for convertible debentures	9	401,400	-
Proceeds received for private placements	10	764,650	4,944,674
Repayment of promissory notes	8	(290,457)	-
Share issuance costs	10	-	(630)
Long-term deposit		-	25,526
Repayment of lease liability	18	(149,189)	(130,081)
Cash from financing activities for continuing operations		2,170,867	7,489,515
Cash from financing activities		2,170,867	7,489,515
Net increase (decrease) in cash		43,073	(30,024)
Cash and cash equivalents, beginning of the year		44,332	74,356
Cash and cash equivalents, end of the year		\$ 87,405	\$ 44,332
Cash and cash equivalents consist of the following:			
Cash and cash equivalents		58,655	15,582
Restricted cash equivalents		28,750	28,750
		87,405	44,332

See Note 16 for supplemental cash flow information.

HILLCREST ENERGY TECHNOLOGIES LTD.

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



	Notes	Share Capital		Share Subscriptions Receivable	Securities Subscribed	Contributed Surplus	Equity Component of Convertible Debentures	Reserves			Shareholders' Equity (Deficiency)
		Number of Shares	Amount					Warrants	Foreign Currency Translation	Deficit	
Balance, December 31, 2023		66,494,816	35,952,064	-	627,500	7,250,112	-	185,966	119,898	(43,014,911)	1,120,629
Exercise of options	10	345,000	176,635	-	-	(76,585)	-	-	-	-	100,050
Exercise of warrants	10	2,528,585	765,991	(5,000)	-	-	-	-	-	-	760,991
Redemption of RSUs	10	1,131,371	531,323	-	-	(531,323)	-	-	-	-	-
Private placements	10	24,342,323	5,991,203	(3,000)	(627,500)	-	-	-	-	-	5,360,703
Private placement commission shares	10	459,540	114,885	-	-	-	-	-	-	-	114,885
Share-based compensation	10	3,967,949	1,051,507	-	-	1,939,572	-	-	-	-	2,991,079
Share issuance costs	10	-	(602,889)	-	-	-	-	4,364	-	-	(598,525)
Net loss and comprehensive loss for the year		-	-	-	-	-	-	-	-	(10,957,155)	(10,957,155)
Balance, December 31, 2024		99,269,584	43,980,719	(8,000)	-	8,581,776	-	190,330	119,898	(53,972,066)	(1,107,343)
Balance, December 31, 2024		99,269,584	43,980,719	(8,000)	-	8,581,776	-	190,330	119,898	(53,972,066)	(1,107,343)
Redemption of RSUs	10	3,481,850	1,419,891	-	-	(1,419,891)	-	-	-	-	-
Private placements	10	8,496,112	764,650	-	-	-	-	-	-	-	764,650
Issuance of convertible debentures	9	-	-	-	-	-	418,152	-	-	-	418,152
Debenture conversions	9, 10	1,104,869	138,886	-	-	-	(34,886)	-	-	-	104,000
Settlement of debt for units	10	21,023,424	1,892,108	-	-	-	(20,124)	-	-	-	1,871,984
Proceeds from shares subscribed		-	-	-	174,200	-	-	-	-	-	174,200
Shares returned to treasury	10	(683,333)	(256,500)	-	-	256,500	-	-	-	-	-
Share-based compensation	10	-	-	-	-	690,707	-	-	-	-	690,707
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(7,265,229)	(7,265,229)
Balance, December 31, 2025		132,692,506	47,939,754	(8,000)	174,200	8,109,092	363,142	190,330	119,898	(61,237,295)	(4,348,879)



1. NATURE OF OPERATIONS AND GOING CONCERN

Hillcrest Energy Technologies Ltd. (formerly "Hillcrest Petroleum Ltd.") (the "Company") was incorporated on May 2, 2006 under the Business Corporations Act of British Columbia, and is in the business of developing high-value, high-performance clean energy technologies in its transition from oil and gas production to clean energy technology development and commercialization. The Company is currently building its capability to expand the scope of its activities in several new technology fields. The Company's registered office is Suite 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

On March 30, 2021, the Company voluntarily delisted from the TSX Venture Exchange and listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "HEAT". Concurrent with the new listing on the CSE, the Company changed its name from Hillcrest Petroleum Ltd. to Hillcrest Energy Technologies Ltd.

The Company is subject to several categories of risk associated with the development of clean energy technologies. Among the factors that have a direct bearing on the Company's prospects are uncertainties inherent in technology product development; intellectual property risks including litigation; access to additional capital; inflation and supply chain risks; availability and cost of labour, services and equipment; and the presence of competitors with greater financial resources and capacity.

These 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 are currently material uncertainties which cast significant doubt on the Company's ability to continue as a going concern. These 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

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on April 28, 2026.

(b) Basis of Measurement

The 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 consolidated financial statements include the accounts of the parent company, Hillcrest Energy Technologies Ltd., and its wholly owned subsidiaries as listed below, to the date of dissolution. 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
Hillcrest Energy Technologies Operating Ltd.	Canada	Clean Technology
Hillcrest Technologies Holdings Ltd.	Canada	Clean Technology

On May 1, 2024, ALSET Innovation Ltd. was dissolved.

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the parent, ALSET Innovation Ltd., ANIGO, Hillcrest Energy Technologies Operating Ltd., Hillcrest Technologies Holdings Ltd., and 102031850 Saskatchewan Ltd. is the Canadian dollar. The functional currency of HEL is the United States dollar.

(e) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant sources of estimation uncertainty at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event actual results differ from assumptions made, relate to, but are not limited to, the following:

Decommissioning provisions

Restoration costs will be incurred by the Company at the end of the operating life of the Company's oil properties. The Company estimates abandonment and reclamation costs based on a combination of publicly available industry benchmarks and internal site-specific information. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.



2. BASIS OF PREPARATION (continued)

(e) Use of Estimates and Judgments (continued)

Significant judgments that management has made in relation to these financial statements are as follows:

Fair value of stock options and other share-based payments

Management assesses the fair value of stock options and other share-based payments granted in accordance with the accounting policy stated in Note 3 to the consolidated financial statements. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. Changes in assumptions concerning volatilities, interest rates and expected life could have significant impact on the fair valuation attributed to the Company's stock options.

Going concern

In order to assess whether it is appropriate for the Company to be reported as a going concern, management applies judgment, having undertaken appropriate inquiries and having considered the business activities and the Company's principal risks. Management estimates future cash flows, including the timing of future capital expenditures and equity funding.

Carrying value and recoverability of non-financial assets, including intangible assets

Management uses estimates and judgments in the context of circumstances where the information necessary to derive credible projections of current or future fair values is not readily available. In such situations judgment is required in the application of IFRS to determine a fair presentation of these amounts, giving consideration to supplemental disclosures that can be provided and also the expectations and requirements of readers.

Right-of-Use Asset/Lease Liability

The incremental rate of borrowing used in the measurement of the lease liability was based on the interest rate of the Secured loans outstanding at December 31, 2021. See Note 18.

3. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2025.

(a) Foreign Currency Translation

Functional and presentation currency

The financial results of foreign operations that have a functional currency different from the Company's presentation currency are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the quarter except for significant individual transactions which are translated at the rate of exchange in effect at the transaction date. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income. On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in the comprehensive income are included in determining the profit or loss on disposal of that operation. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency, while the United States dollar is the functional currency of one of the Company's subsidiaries.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Foreign Currency Translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in net income (loss), except for the Company's net investment in its foreign subsidiaries which are recognised in other comprehensive income (loss).

Property and Equipment

Cost and valuation

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Capitalized costs include the fair value of consideration given to acquire or construct the asset and includes the direct charges associated with bringing the asset to the location and condition necessary for placing it into use along with the costs of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation

Depreciation commences when the asset is available for use. The major categories of property and equipment are depreciated on a straight-line basis as follows:

R & D Equipment	Straight line 1 to 10 years
IT Infrastructure	Straight line 1 to 10 years
IT Infrastructure - Computers & Equipment	Straight line 1 to 3 years
Furniture & Fixtures	Straight line 1 to 5 years
Leasehold Improvements	Over the lease term

(b) Intangible Assets

Intangible assets with indefinite useful lives comprise purchased software-related intellectual property. These are measured initially at cost and tested for impairment annually, or if there is an indication that their value has declined. The Company also, on at least an annual basis, formally estimates the current recoverable amount to ensure that it remains in excess of its carrying value.

"Recoverable amount" in this context refers to the higher of an asset's fair value net of costs of disposals and its "value in use."

(c) Oil and Gas Interests

Cost and valuation

All costs directly associated with the development of oil and gas interests are capitalized on a CGU basis as oil and gas interests and are measured at cost less accumulated depletion and net of impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of exploration and evaluation assets.

Depletion

The provision for depletion for oil and natural gas assets is calculated based on each asset's production for the period divided by the Company's estimated total proved and probable oil and natural gas reserve volumes before royalties for that asset, taking into account estimated future development costs. Production and reserves of natural gas and associated liquids are converted at the energy equivalent ratio of six thousand cubic feet of natural gas to one barrel of oil. Changes in estimates used in prior periods, such as proven and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(c) Oil and Gas Interests (continued)

Depletion (continued)

When the asset was acquired in 2021, its fair value was not readily determinable, so its cost was established with reference to the consideration issued by the Company. As of now, an independently-established market value for the asset is still indeterminable.

To determine the current recoverable amount, an estimate of the asset's "value in use" is necessary. However, such estimates are inherently uncertain and require significant judgments regarding all variables used. This process involves projecting future events and activities, which obviously cannot be established with the level of certainty associated with historical results.

The process of developing and testing new technology is typically lengthy and subject to external factors which are difficult to predict. Extended periods of time, and ongoing sources of capital, are usually necessary to advance and develop the data required to make for more accurate projections of technical feasibility and economic viability. Until that point, the measurement of recoverable amounts remains highly uncertain.

Costs incurred by the Company to create, enhance or develop intangible assets are eligible for capitalization only if specific outcomes have been achieved, generally the achievement of technical feasibility and commercial viability. Prior to that point, such costs are expensed as incurred.

(d) Decommissioning and Restoration Costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of well sites is capitalized to oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. The Company uses a risk-free discount rate that reflects the time value of money to calculate the net present value of the decommissioning provisions. The restoration asset will be depreciated on the same basis as other oil and gas properties.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to oil and gas properties with a corresponding entry to the restoration provision, except when the related oil and gas property is closed. Changes in estimates of restoration costs for closed oil and gas properties are recorded in the income statement. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The restoration provisions are accreted to full value over time through charges to finance expenses on the consolidated statement of loss and comprehensive loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred.

(e) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Financial Instruments (continued)

The following table summarizes the classification categories for the Company's financial assets and liabilities.

Financial Assets	
Cash and cash equivalents	Amortized costs
Receivables	Amortized costs
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized costs
Lease liability	Amortized costs
Loans, promissory notes and convertible debentures	Amortized costs

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money. Provisions are not recognised for future operating losses.

(g) Impairment of Non-Financial Assets

The Company reviews its oil and gas interests, property, plant and equipment and intangible assets for indicators of impairment whenever there is a change in events or circumstances that indicate an asset may be impaired and for each reporting period. Intangible assets are generally subject to annual impairment testing, notwithstanding a lack of impairment indicators. If such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use ("VIU") and its fair value less costs to dispose ("FVLCD"). The FVLCD is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, and willing parties, less the costs of disposal or in the case of lack of comparable transactions, based upon discounted cash after tax cash flow. VIU is determined by estimating the pre-tax present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

(h) Impairment of Financial Assets

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net income (loss) as an impairment expense. The recoverable amount is the greater of the value in use or fair value less costs of disposal ("FVLCD"). Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs of disposal considers the continued development of a property and market transactions in a valuation model. The Company uses the present value of the cash generating unit's estimated future cash flows from both proved and probable reserves in its fair value model. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in net income (loss). The recovery is limited to the original carrying amount less depletion and depreciation that would have been recorded had the asset not been impaired.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Convertible Debentures

The convertible debenture is a compound financial instrument as it contains a host debt component and an equity conversion feature. Accordingly, each part of the instrument is examined separately. The host debt component is classified as a financial liability in its entirety since a contractual obligation exists to deliver cash that the Company cannot avoid if the conversion right is not exercised. Furthermore, on a stand-alone basis there is no feature in the host debt component that is similar to equity.

The conversion feature is then assessed on a stand-alone basis. There is no contractual obligation to pay cash that the issuer cannot avoid on the conversion feature. The equity conversion feature can only be settled through the issue of common shares. However, the feature does not qualify as equity as it does not satisfy the "fixed for fixed" requirement. Consequently, the conversion feature is classified as a derivative liability.

Therefore, the embedded derivative liability and other liability is determined first and the residual value is assigned to the host debt component. The embedded derivative is fair valued with the initial carrying amount of the host contract being the residual. Any transaction costs are split on a pro-rata basis between the derivative and the debt. The embedded derivative liability and other liability is treated as FVTPL and is re-measured at each reporting period with any changes in fair value going through the income statement. The debt component is accounted for at amortized cost.

(j) Basic and Diluted Earnings (Loss) Per Share

Earnings (loss) per share are calculated using the weighted-average number of common shares outstanding during the year. In calculating diluted earnings (loss) per share, the Company considers the potential exercise of outstanding share purchase options and warrants to the extent each option, warrant or contingent issuance was dilutive. Potentially dilutive securities were excluded in the computation of diluted loss per share as their inclusion would be anti-dilutive.

(k) Revenue Recognition

The Company principally generated revenue from the sale of crude oil. Revenue associated with the sale of oil is recognized when control is transferred from the Company to its customers. The Company's oil sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- The Company has the present right to payment.

Revenue represents the Company's share of oil sales net of royalty obligations to governments and other mineral interest owners. The Company sells its production pursuant to variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the Company's variable revenue is considered to be constrained.

Payment terms for the oil sales contracts are on the 25th of the month following delivery. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year and therefore, the Company does not adjust its revenue transactions for the time value of money.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(l) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders the services.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

(m) Joint Venture Activities and Joint Controlled Operations

Joint control is defined as the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions essential to the relevant activities require the unanimous consent of the parties sharing control. When the Company enters into agreements that provide for specific percentage interests in oil and gas properties, a portion of the Company's development activities is conducted jointly with others, without establishment of a corporation, partnership or other entity.

Under IFRS 11 "Joint Arrangements", this type of joint control of exploration assets and joint exploration and/or development activities is considered as a joint operation, which is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In these financial statements, the Company recognizes the following in relation to its interests in joint operations:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

(n) Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(n) Taxes (continued)

Deferred tax is not recognized for the following temporary differences:

- liabilities arising from initial recognition of goodwill for which amortization is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(o) Leases

The Company accounts for leases using the requirements of IFRS 16 Leases ("IFRS 16"). IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize right-of-use assets and liabilities for leases.

At inception of a contract, the Company must assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company must assess whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if it has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

Right-of-use asset

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made and any initial direct costs incurred at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently amortized from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(o) Leases (continued)

determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee; the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early. The Company has elected to exclude non-lease components related to premises leases in the determination of the lease liability.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

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 1198007 B.C. Ltd., an engineering product development company in the business of developing proven electric machine control software intellectual property ("IP"). The aggregate purchase price of \$1,550,000 for ANIGO was comprised of a cash consideration of \$200,000 and the issuance of 6,000,000 common shares of the Company at a price of \$0.225, for a fair value of \$1,350,000. The Company, through ANIGO, acquired a portfolio of software IP. Management determined all the consideration issued was attributable to the software IP acquired.

During the years ended December 31, 2022 and 2021, 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 and equipment ("P&E"). Other costs incurred in this connection, but not related to the acquisition of P&E, are expensed as research and development.

During the year ended December 31, 2025, 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, 2024	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Additions		-		-		-	-
At December 31, 2025	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Accumulated Depreciation							
At December 31, 2024	\$	444,848	\$	78,455	\$	91,529	\$ 614,832
Depreciation		159,314		6,645		7,078	173,037
At December 31, 2025	\$	604,162	\$	85,100	\$	98,607	\$ 787,869
Net book value							
At December 31, 2024	\$	189,368	\$	7,862	\$	11,725	\$ 208,955
At December 31, 2025	\$	30,054	\$	1,217	\$	4,647	\$ 35,918

Equipment and other includes leasehold improvements of \$67,019 (2024 - \$67,019) with accumulated depreciation of \$67,019 (2024 - \$66,650).



6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2025	December 31, 2024
	(\$)	(\$)
Trade payables	2,919,861	1,273,231
Accrued interest	202,902	-
Payroll liabilities	265,646	76,609
Accrued liabilities	42,000	57,000
	<u>3,430,409</u>	<u>1,406,840</u>

7. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the year ended December 31, 2025 and 2024. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), Chief Commercialization Officer ("CCO") and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Year Ended	
	December 31, 2025	December 31, 2024
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	754,872	873,865
Director fees paid or accrued to directors	127,084	140,000
Share-based compensation	339,334	1,379,502
	<u>1,221,290</u>	<u>2,393,367</u>

- As at December 31, 2025, the Company was owed \$14,447 (December 31, 2024 - \$906 due from a director) from directors and officers of the Company. These amounts are non-interest bearing and are due on demand.
- As at December 31, 2025, the Company was owed \$8,000 (December 31, 2024 - \$8,000) in share subscriptions from an officer of the Company. This amount is non-interest bearing and due on demand.
- As at December 31, 2025, a total of \$330,699 (December 31, 2024 - \$150,463) was included in accounts payable and accrued liabilities for consulting fees, director fees, reimbursable expenses and GST payable to Company directors and officers.
- During the year ended December 31, 2025, officers and officers subscribed to \$346,715 (2024 – nil) of the convertible debentures, of which \$190,000 (2024 – nil) was for cash and \$156,715 (2024 – nil) was for the settlement of certain accounts payable. During the year ended December 31, 2025, Hillcrest incurred \$28,989 (2024 – nil) of interest expense related to the debentures. In addition, a Company officer converted debenture principal and interest totaling \$78,000 and interest totaling \$5,458 to 695,481 units at a value of \$0.12 per unit, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for three years following the conversion date.



8. PROMISSORY NOTES

A reconciliation of the promissory notes is provided below:

	2025 (\$)	2024 (\$)
Balance, opening	1,898,964	-
Issuance	1,270,263	1,788,985
Financing costs	385,494	109,979
Settlement via issuance of convertible debenture	(1,646,985)	-
Repayment in cash	(290,457)	-
Settlement via issuance of units	(1,375,279)	-
Balance, closing	242,000	1,898,964

During the year ended December 31, 2025, Hillcrest issued \$1,270,263 of promissory notes that were unsecured, repayable on demand, and included \$201,170 of financing costs added to the principal of the promissory notes.

During the year ended December 31, 2024, the Company issued promissory notes for gross proceeds of \$1,788,985. \$1,538,985 of the notes are non-interest bearing, unsecured, have no specific terms of repayment. A \$250,000 promissory note bears interest at 4.75% per month, is unsecured, and has no specific terms of repayment.

The Company incurred \$201,170 (2024 - \$108,000) of financing costs added to the promissory note balances payable and incurred \$184,324 (2024 - \$1,979) of interest expense relating to the interest-bearing promissory note issued during the year ended December 31, 2024 disclosed above.

During the year ended December 31, 2025, the Company issued 15,280,878 common shares for the settlement of \$1,220,300 of promissory notes and \$154,979 of financing costs associated with those notes. Promissory note principal and financing costs totaling \$290,457 were repaid in cash. In addition, \$1,538,985 of promissory note principal and \$108,000 of financing costs associated with those notes were converted to convertible debentures during the year ended December 31, 2025.

9. CONVERTIBLE DEBENTURES

A reconciliation of the convertible debentures is provided below:

	Liability Component (\$)	Equity Component (\$)	Total (\$)
Balance, December 31, 2024	-	-	-
Issuance	2,188,596	418,152	2,606,748
Accretion	162,524	-	162,524
Settlements in units	(191,491)	(34,886)	(226,377)
Conversions	(109,177)	(20,124)	(129,301)
Balance, December 31, 2025	2,050,452	363,142	2,413,594

On January 29, 2025, the Company closed a private placement of convertible debentures ("debentures") with a principal value of \$1,942,825. The debentures bear 10% interest per annum, mature on January 29, 2027, and are unsecured. Debentures are convertible at the option of the holder up to the maturity date or at the option of the Company on the maturity date only, including the right of full conversion of the entire principal and accrued interest into Company units at a value of \$0.12 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at a price of \$0.12 for three years following the conversion date.

The convertible debenture was determined to be a compound financial instrument composed of liability and equity components, meeting the fixed-for-fixed criteria. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 22%. The effective interest rate was based on the estimated interest rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.



9. CONVERTIBLE DEBENTURES (continued)

At the time of issuance, the value of the liability component was determined to be \$1,625,649, with a residual value of \$317,176 assigned to the equity component.

On March 4, 2025, the Company closed a private placement of convertible debentures ("debentures") with a principal value of \$663,923. The debentures bear 10% interest per annum, mature on January 29, 2027, and are unsecured. Debentures are convertible at the option of the holder up to the maturity date or at the option of the Company on the maturity date only, including the right of full conversion of the entire principal and accrued interest into Company units at a value of \$0.12 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at a price of \$0.12 for three years following the conversion date.

The convertible debenture was determined to be a compound financial instrument composed of liability and equity components, meeting the fixed-for-fixed criteria. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 22%. The effective interest rate was based on the estimated interest rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

At the time of issuance, the value of the liability component was determined to be \$562,947, with a residual value of \$100,976 assigned to the equity component.

During the year ended December 31, 2025, convertible debentures with a principal value of \$123,000 and \$9,584 of interest accrued on those debentures was converted into 1,104,869 units at a value of \$0.12 per unit at the holders' option. \$6,302 of accretion added to the book value of the convertible debentures was also reclassified to share capital upon conversion.

During the year ended December 31, 2025, convertible debentures with a principal value of \$215,400 and \$15,275 of interest accrued on those debentures was settled for 2,563,056 units at a value of \$0.09 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at a price of \$0.12 for a period of two years following the conversion date. The Company recognized a \$10,977 gain on settlement, representing the difference between the value of the settlement units and the book value of the convertible debentures and interest payable balances settled, resulting from accretion added to the book value of the convertible debentures during the year ended December 31, 2025.

See Note 20.

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As at December 31, 2025, the Company had 132,692,506 (December 31, 2024 – 99,269,584) common shares issued and outstanding.

Year Ended December 31, 2025

During the year ended December 31, 2025, the Company issued 3,481,850 common shares valued at \$1,419,891 pursuant to the redemption of RSUs.

On October 15 and 23, 2025, the Company issued an aggregate of 695,481 units at a value of \$0.12 per unit upon the conversion of a convertible debenture with a \$78,000 principal value and \$5,458 of accrued interest into units, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for three years following the conversion date. Accretion of \$3,945 added to the book value of the convertible debenture was also reclassified to share capital upon conversion.

On October 23, 2025, 683,333 common shares issued to a Company officer were returned to treasury, including 600,000 shares with a value of \$159,000 granted to the officer on May 29, 2024, the value of which was reversed against share-based compensation, and 83,333 shares with a value of \$97,500 issued pursuant to the redemption of RSUs during the year ended December 31, 2024, the value of which was reversed against contributed surplus.

On October 28, 2025, the Company closed a private placement for gross proceeds of \$764,650, issuing 8,496,112 units at a price of \$0.09 per unit. Each unit consists of one common share and one common share purchase warrant



10. SHARE CAPITAL (continued)

exercisable into an additional common share of the Company at a price of \$0.12 per share for 24 months from the date of issuance.

On October 28, 2025, the Company issued 2,563,056 units at a price of \$0.09 per unit to settle convertible debentures with a principal value of \$215,400 and \$15,275 of interest accrued on those debentures, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for a period of two years following the issuance date. The Company recognized a \$10,977 gain on settlement based on the difference between the book values of the convertible debentures, interest payable and equity component of the convertible debentures at settlement compared to the value of the settlement units.

On October 28, 2025, the Company issued 15,280,878 units at price of \$0.09 per unit to settle \$1,375,279 of promissory note balances payable, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for a period of two years following the issuance date.

On October 28, 2025, the Company issued 3,179,490 units at a price of \$0.09 per unit to settle \$286,154 of trade payable balances outstanding, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for a period of two years following the issuance date.

On December 31, 2025, the Company issued 409,388 units at a value of \$0.12 per unit upon the conversion of a convertible debenture with a \$45,000 principal value and \$4,127 of accrued interest into units, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 for three years following the conversion date. Accretion of \$2,356 added to the book value of the convertible debenture was also reclassified to share capital upon conversion.

Year Ended December 31, 2024

In January 2024, the Company secured a \$5 million equity drawdown facility (the "Equity 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 "Drawdown Units"), with each Drawdown 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 Drawdown 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 Drawdown 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.

On January 9, 2024, the Company closed the first drawdown of the Equity Facility, issuing 1,483,082 Drawdown Units for proceeds of \$331,045, \$264,000 of which was received during the year ended December 31, 2023, and payment of a \$39,725 drawdown fee. Pursuant to issuance of the Drawdown Units, 741,541 Drawdown Warrants exercisable at a price of \$0.31 per common share until February 14, 2027 were issued. The Company also issued 316,918 common shares with a value of \$79,229 as partial payment of the Equity Facility's 4.9% commitment fee.

On February 14, 2024, the Company closed the second drawdown of the Equity Facility, issuing 1,094,088 Drawdown Units for proceeds of \$234,448 and payment of a \$28,134 drawdown fee. Pursuant to the issuance of the Drawdown Units, 547,044 Drawdown Warrants exercisable at price of \$0.30 per common share until February 14, 2027 were issued. The Company also issued 705,912 common shares with a value of \$169,419 to complete payment of the Equity Facility's 4.9% commitment fee.

On February 9, 2024, the Company closed the first tranche of a non-brokered private placement, issuing 2,530,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$632,500, \$310,000 of which was received during the year ended December 31, 2023. 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, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance.



10. SHARE CAPITAL (continued)

On April 12, 2024, the Company closed the third drawdown of the Equity Facility, issuing 1,201,023 Drawdown Units for proceeds of \$203,745 and payment of a \$24,449 drawdown fee. Pursuant to the issuance of the Drawdown Units, 536,171 Drawdown Warrants exercisable at a price of \$0.25 per common share until April 12, 2027 were issued.

On April 16, 2024, the Company closed the second tranche of a non-brokered private placement, issuing 3,582,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$895,500, \$45,000 of which was received during the year ended December 31, 2023. 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, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance.

On April 30, 2024, the Company closed the third tranche of a non-brokered private placement, issuing 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, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance.

On May 10, 2024, the Company closed the fourth drawdown of the Equity Facility, issuing 811,147 Drawdown Units for proceeds of \$156,435 and payment of a \$18,772 drawdown fee. Pursuant to the issuance of the Drawdown Units, 362,875 Drawdown Warrants exercisable at a price of \$0.28 per common share until May 10, 2027 were issued.

On May 29, 2024, the Company granted 7,297,025 common shares with a deemed value of \$1,933,712 to officers, directors and consultants, including to pay \$55,833 of directors' fees. Subsequent to issuance of the shares, on December 27, 2024, certain Company officers, directors and consultants returned 3,329,076 of the shares, originally issued at a value of \$882,205, including to previously settle \$45,417 of directors' fees, to treasury, resulting in those shares being cancelled.

On June 3, 2024, the Company closed the fourth tranche of a non-brokered private placement, issuing 3,530,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$882,500, with \$3,000 of these proceeds receivable from a Company officer as at December 31, 2024. 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, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance.

On August 26, 2024, the Company closed the fifth drawdown of the Equity Facility, issuing 2,326,153 Drawdown Units for proceeds of \$540,000 and payment of a \$64,800 drawdown fee. Pursuant to the issuance of the Drawdown Units, 1,038,461 Drawdown Warrants exercisable at a price of \$0.33 per common share until August 26, 2027 were issued.

Pursuant to non-brokered private placements closing during the year ended December 31, 2024, the Company paid \$630 of cash finder's fees, issued 2,520 finder's warrants exercisable into an additional common share of the Company at a price of \$0.25 per share until April 30, 2027 for a value of \$309, issued 36,000 finder's warrants exercisable into an additional common share of the Company at a price of \$0.30 per share until June 3, 2027 for a value of \$4,054, and on May 7, 2024 issued 459,540 finder's commission units for a value of \$114,885, with each finder's commission unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance. The Company also incurred other share issue costs totaling \$58,481.

During the year ended December 31, 2024, the Company issued 1,560,027 common shares valued at \$783,815 pursuant to the redemption of RSUs. On December 27, 2024, a Company director returned 428,656 of these shares, originally issued at a value of \$252,492, to treasury, resulting in those shares being cancelled.

During the year ended December 31, 2024, the Company issued 2,528,585 common shares for gross proceeds of \$765,991 pursuant to the exercise of warrants, with \$5,000 of these proceeds receivable from a Company officer as at December 31, 2024.

During the year ended December 31, 2024, the Company issued 345,000 common shares for gross proceeds of \$100,050 pursuant to the exercise of stock options. The \$76,585 value of the options was reclassified from contributed surplus to share capital upon exercise.



10. SHARE CAPITAL (continued)

Share Purchase Warrants

Year ended December 31, 2025

On October 15 and 23, 2025, the Company issued an aggregate of 695,481 common share purchase warrants exercisable at a price of \$0.12 per common share until October 20, 2028 pursuant to the conversion of a convertible debenture with a \$78,000 principal value and \$5,458 of accrued interest into units.

On October 28, 2025, the Company issued 8,496,112 common share purchase warrants exercisable at a price of \$0.12 per common share until October 28, 2027 pursuant to the closing of a private placement of 8,496,112 units at a price of \$0.09 per unit for gross proceeds of \$764,650.

On October 28, 2025, the Company issued 2,563,056 common share purchase warrants exercisable at a price of \$0.12 per common share until October 28, 2027 pursuant to the settlement of convertible debentures with a principal value of \$215,400 and \$15,275 of interest accrued on those debentures.

On October 28, 2025, the Company issued 15,280,878 common share purchase warrants exercisable at a price of \$0.12 per common share until October 28, 2027 pursuant to the settlement of \$1,375,279 of promissory note balances payable.

On October 28, 2025, the Company issued 3,179,490 common share purchase warrants exercisable at a price of \$0.12 per common share until October 28, 2027 pursuant to the settlement of \$286,154 of trade payable balances outstanding.

On December 31, 2025, the Company issued 409,388 common share purchase warrants exercisable at a price of \$0.12 per common share until December 31, 2028 pursuant to the conversion of a convertible debenture with a \$45,000 principal value and \$4,127 of accrued interest into units.

Year ended December 31, 2024

In connection with the first drawdown on the Equity Facility, 741,541 share purchase warrants exercisable at a price of \$0.31 per common share until February 14, 2027 were issued.

In connection with the second drawdown on the Equity Facility, 547,044 share purchase warrants exercisable at a price of \$0.30 per common share until February 14, 2027 were issued.

In connection with the third drawdown on the Equity Facility, 536,171 share purchase warrants exercisable at a price of \$0.25 per common share until April 12, 2027 were issued.

In connection with the fourth drawdown on the Equity Facility, 362,875 share purchase warrants exercisable at a price of \$0.28 per common share until May 10, 2027 were issued.

In connection with the fifth drawdown on the Equity Facility, 1,038,461 share purchase warrants exercisable at a price of \$0.33 per common share until August 26, 2027 were issued.

In connection with non-brokered private placements closed during the year ended December 31, 2024, the Company issued 16,404,000 share purchase warrants exercisable into a common share of the Company at a price of \$0.30 per share for 36 months from their respective dates of issuance, subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade at a volume-weighted average price of at least \$0.50 on the CSE for ten (10) consecutive trading days any time after four (4) months from the date of issuance.

In connection with the various private placements, the Company issued 498,060 finder's warrants exercisable at prices ranging from \$0.25 to \$0.30 per common share and expiring 36 months from their respective dates of issuance. These finder's warrants were valued using the Black-Scholes option pricing model under the following assumptions:

Risk-free interest rate	3.98% – 4.23%
Expected life of options	3 years
Volatility	73% – 75%
Expected Dividend yield	Nil
Forfeiture rate	0%
Weighted average fair value	\$0.11

During the year ended December 31, 2024, the Company issued 2,528,585 common shares for gross proceeds of \$765,991 pursuant to the exercise of warrants, with \$5,000 of these proceeds receivable from a Company officer as at December 31, 2024.



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, 2023	16,082,773	0.63
Issued	20,128,152	0.30
Exercised	(2,528,585)	0.30
Expired	(5,114,690)	0.35
Balance, December 31, 2024	28,567,650	0.48
Issued	30,624,405	0.12
Expired	(6,284,750)	0.90
Balance, December 31, 2025	52,907,305	0.22

The following table summarizes the share purchase warrants outstanding as at December 31, 2025:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
4,350,000	0.50	October 4, 2027*	1.76
333,333	1.44	April 30, 2026	0.33
1,290,000	0.30	February 9, 2027	1.11
536,171	0.25	April 12, 2027	1.28
3,582,000	0.30	April 16, 2027	1.29
6,762,000	0.30	April 30, 2027	1.33
2,520	0.25	April 30, 2027	1.33
459,540	0.30	May 7, 2027	1.35
362,875	0.28	May 10, 2027	1.36
3,530,000	0.30	June 3, 2027	1.42
36,000	0.30	June 3, 2027	1.42
1,038,461	0.33	August 26, 2027	1.65
695,481	0.12	October 20, 2028	2.81
29,519,536	0.12	October 28, 2027	1.82
409,388	0.12	December 31, 2028	3.00
52,907,305	0.21		1.67

* On September 26, 2025, the expiry date of 4,350,000 warrants originally due to expire October 4, 2025 was extended to October 4, 2027.

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.



10. SHARE CAPITAL (continued)

Stock Options (continued)

During the year ended December 31, 2025, the Company granted an aggregate of 310,000 (December 31, 2024 – 5,108,867) stock options subject to vesting criteria and expensed \$418,841 (December 31, 2024 - \$490,631) as share-based compensation pursuant to the vesting of options.

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

	2025	2024
Risk-free interest rate	2.53% – 2.87%	3.36% – 4.07%
Expected life of options	5 years	3 – 5 years
Volatility	118% - 121%	75% – 126%
Expected Dividend yield	Nil	Nil
Forfeiture rate	5%	5%
Weighted average fair value	\$0.09	\$0.21

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2023	3,795,969	1.04
Granted	5,108,867	0.25
Exercised	(345,000)	0.29
Cancelled	(451,524)	0.58
Balance, December 31, 2024	8,108,312	0.60
Granted	310,000	0.12
Cancelled	(200,000)	1.44
Expired	(566,667)	0.34
Balance, December 31, 2025	7,651,645	0.58

The following table summarizes the stock options outstanding and exercisable as at December 31, 2025:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
1,366,667	1,366,667	1.44	April 8, 2026	0.27
100,000	100,000	1.44	May 19, 2026	0.38
200,000	200,000	1.20	August 30, 2026	0.66
83,333	83,333	1.20	September 16, 2026	0.71
100,000	100,000	0.25	May 9, 2027	1.35
250,000	250,000	0.90	July 18, 2027	1.55
216,666	216,666	0.90	October 27, 2027	1.82
253,154	253,154	0.90	November 4, 2027	1.84
193,158	193,158	0.57	June 14, 2028	2.45
102,000	102,000	0.35	December 4, 2028	2.93
4,476,667	932,773	0.25	May 23, 2029	3.39
100,000	100,000	0.12	January 29, 2030	4.08
210,000	210,000	0.12	March 4, 2030	4.18
7,651,645	4,107,751	0.58		2.51



10. SHARE CAPITAL (continued)

Restricted Share Units ("RSUs")

In July of 2021, the Company adopted a new 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 year ended December 31, 2025, 2,229,076 RSUs were granted (2024 – 4,526,986), 3,481,850 RSUs were redeemed for common shares (2024 – 1,560,027), and 463,890 RSUs were cancelled (2024 – 741,382). The Company recorded \$430,866 in share-based compensation expense relating to the vesting of RSUs during the year ended December 31, 2025 (2024 – \$1,448,942).

As at December 31, 2025, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2023	5,051,637	0.62
Granted	4,526,986	0.25
Expired	(741,382)	0.62
Redeemed	(1,560,027)	0.50
Balance, December 31, 2024	7,277,214	0.42
Granted	2,229,076	0.11
Expired	(463,890)	0.43
Redeemed	(3,481,850)	0.41
Balance, December 31, 2025	5,560,550	0.30

11. COMMITMENTS

The Company had the following commitments as at December 31, 2025:

- 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 are being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the Statement of Financial Position.



11. COMMITMENTS (continued)

- b) On July 16, 2024, the Company entered into an office and warehouse rental extension agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2024 and terminating on August 31, 2027, 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 \$58,317 per annum in year one, \$61,094 per annum in year two, and \$63,871 per annum in year three, 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.

12. OFFICE AND GENERAL

The following is a breakdown of the office and general expenses for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
	(\$)	(\$)
Business development	481,344	712,398
Depreciation and amortization	278,522	316,025
Investor relations	714,123	1,742,794
Office	127,409	107,724
Professional fees	371,814	448,460
Salaries and wages	766,861	1,205,063
Transfer agent and filing	45,314	52,952
Travel	77,815	165,778
Total office and general	2,863,202	4,751,194



13. SEGMENTED INFORMATION

Management determined that the Company has two reportable operating segments, being the development and commercialization of its clean energy technology in Canada and Europe and the discontinued oil and gas operations in Canada and the United States. Corporate includes the Company's head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers. At December 31, 2025, \$1,718,090 of non-current assets were located in Canada and \$5,053 of non-current assets were in Europe (December 31, 2024 - \$1,972,915 of non-current assets were located in Canada and \$43,312 of non-current assets were in Europe).

Year Ended December 31, 2025				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	2,559,912	3,848,651	-	6,408,563
Loss from operations	(2,559,912)	(3,848,651)	-	(6,408,563)
Net finance expenses	(21,868)	(868,545)	-	(890,413)
Non-operating expenses	-	(81,672)	-	(81,672)
Other income	135,078	-	-	135,078
Gain on settlement of debt	-	10,977	-	10,977
Net loss from continuing operations	(2,446,702)	(4,787,891)	-	(7,234,593)
Net loss from discontinued operations	-	-	(30,636)	(30,636)
Capital expenditures	-	-	-	-
Total assets	1,724,085	342,274	780	2,067,139

Year Ended December 31, 2024				
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	3,181,581	7,533,501	-	10,715,082
Loss from operations	(3,181,581)	(7,533,501)	-	(10,715,082)
Net finance expenses	(10,440)	(153,681)	-	(164,121)
Non-operating expenses	-	(45,120)	-	(45,120)
Other income	157,897	-	-	157,897
Net loss from continuing operations	(3,034,124)	(7,732,302)	-	(10,766,426)
Net loss from discontinued operations	-	-	(190,729)	(190,729)
Capital expenditures	-	-	-	-
Total assets	1,896,975	1,054,031	10,687	2,961,693

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 discontinued oil and gas operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.



14. 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 year ended December 31, 2025. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loans.

The fair value of cash, receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The carrying amounts of the loans approximate fair value as the applicable interest rates, which were negotiated between the Company and arm's length third parties, are similar to market interest rates which would be available to the Company at the balance sheet date. The fair value of the convertible debentures has been determined after deducting transaction costs and allocating the portion of the proceeds applicable to the retained profit interest.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets. Substantially all of the Company's customers are in the oil and natural gas industry and are subject to normal industry credit risks. The remaining customers are related to the recovery of shared office rent and share subscription proceeds. The Company has minimal collection risk related to these receivables and expects to collect the outstanding receivables in the normal course of operations. At December 31, 2025, the maximum credit exposure is the carrying amount of trade receivables of \$68,378 (December 31, 2024 - nil).

The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquid capital to meet its current liabilities as they come due. At December 31, 2025, the Company had a working capital deficiency of \$5,960,473 (December 31, 2024 - \$2,878,668). The Company finances its operations through a combination of cash, loans and equity. The Company's ability to continue as a going concern is dependent upon the Company generating positive cash flows from operations, equity financing, debt financing, disposing of assets or making other arrangements. Refer to Note 1 for further discussion.



15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's financial liabilities had contractual maturities as follows:

	2025	2024
	(\$)	(\$)
Less than 1 year	4,254,017	3,311,583
Between 1 – 2 years*	2,162,001	118,791
Between 2 – 5 years	-	111,549
	6,416,018	3,541,923

* Convertible debentures with a carrying value of \$2,050,452 mature two years after their respective dates of issuance on January 29 or March 4, 2027. However, they are convertible into Company units at each respective holder's option at any time before maturity and are classified as current liabilities as a result.

Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company operates in Canada and the United States. All of the Company's oil sales are denominated in Canadian dollars. As a result, the Company has minimal exposure to foreign exchange risk.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2025	2024
	(\$)	(\$)
Non-cash investing and financing activities:		
Common shares granted to directors, officers and consultants	-	1,051,506
Common shares issued upon redemption of RSUs	531,323	531,323
Common shares issued as part of finder's units	-	114,885
Finance costs related to promissory notes	385,494	108,000
Finance costs related to convertible debentures	390,285	-

17. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of the combined income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2025	2024
	(\$)	(\$)
Income (loss) for the year	(7,265,229)	(10,957,155)
Expected income tax recovery at 27%	(1,962,000)	(2,958,000)
Non-deductible items	236,000	782,000
True up of prior year differences	(100,000)	97,000
Change in unrecognized deductible temporary differences	1,826,000	2,079,000
Income tax expense	-	-



17. INCOME TAXES (continued)

b) Deferred Income Taxes

The components of the Company's deferred income tax asset (liabilities) balances are as follows:

	2025	2024
	(\$)	(\$)
Non-capital losses carry-forwards	11,336,000	9,674,000
Oil and gas interests	711,000	656,000
Property, plant and equipment	(446,000)	(506,000)
Share issuance costs	92,000	127,000
Other	84,000	-
	11,777,000	9,951,000

c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following:

	2025	2024
	(\$)	(\$)
Non-capital losses carry-forwards	42,012,000	35,855,000
Oil and gas interests	2,636,000	2,430,000
Property, plant and equipment and intangible assets	(1,652,000)	(1,875,000)
Share issuance costs	341,000	470,000
Other	393,000	-

18. 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 2024, the Company extended this lease for a further 36-month term, commencing September 1, 2024 and terminating August 31, 2027 at base rent rates of \$61,094 and \$63,871 per annum for the years ended August 31, 2026 and 2027, respectively, plus common costs and taxes.

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 base rent rates of \$92,019, and \$94,506 per annum for the years ended October 31, 2026 and 2027, respectively, plus common costs and taxes.



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

a) Right-of-use assets continuity

Changes in the Company's right-of-use assets during the years ended December 31, 2025 and 2024 were as follows:

	2025 \$	2024 \$
Balance, beginning of year	291,308	254,786
New premises lease	-	136,175
Amortization	(105,485)	(99,653)
Balance, end of year	185,823	291,308

b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting as at December 31, 2025 and 2024 were as follows:

	2025 \$	2024 \$
Undiscounted minimum lease payments:		
Less than one year	154,453	149,189
One to three years	121,336	233,208
Three to five years	-	42,581
Effect of discounting	(45,449)	(101,955)
Present value of minimum lease payments	230,340	323,023

c) Lease liability continuity

Changes in the Company's lease liabilities during the years ended December 31, 2025 and 2024 were as follows:

	2025 \$	2024 \$
Balance, beginning of year	323,023	262,787
New premises lease	-	136,175
Interest expense	56,506	54,142
Principal payments	(149,189)	(130,081)
Balance, end of year	230,340	323,023

Interest of \$56,506 for the year ended December 31, 2025 (2024 – \$54,142) is included in financing expenses.

19. DISCONTINUED OPERATIONS

Oil and Gas

In November 2021, the Company's oil and gas property at West Hazel, Saskatchewan ceased production and oil wells were shut down due to the lack of production and extended production interruptions causing oil wells to be uneconomical to produce. On June 29, 2022, the Company formally ceased oil and gas operations.

The Company commenced abandonment and reclamation activities at West Hazel in 2021, with the abandonment of seven wellbores. All wellbores have now been abandoned, 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 2026 or 2027.

The Company's ceasing of oil and gas operations at its West Hazel field has completed the Company's exit from the fossil fuel business. As at December 31, 2025, the assets and liabilities related to the oil and gas properties have been reclassified as assets and liabilities of discontinued operations in the consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as net income or loss from discontinued operations in the consolidated statements of loss and comprehensive loss, and as cash flows from discontinued operations in the consolidated statements of cash flows, respectively.



19. DISCONTINUED OPERATIONS (continued)

Net assets and net liabilities of discontinued operations:

	December 31, 2025	December 31, 2024
	(\$)	(\$)
Assets		
Cash and cash equivalents	633	721
Receivables	147	7,025
Prepaid expenses	-	2,941
Total Assets	780	10,687
Liabilities		
Accounts payable and accrued liabilities	45,683	23,075
Decommissioning Liability	417,134	417,134
Total Liabilities	462,817	440,209

Net loss and comprehensive loss from discontinued operations:

	Year Ended December 31, 2025	December 31, 2024
	(\$)	(\$)
Operating costs	(26,444)	(24,465)
	(26,444)	(24,465)
General and administrative		
Office and general	(4,192)	(8,796)
Change in decommissioning estimate	-	(157,468)
Net loss and comprehensive loss from discontinued operations	(30,636)	(190,729)



19. DISCONTINUED OPERATIONS (continued)

Oil And Gas Interests

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

Cost		
At December 31, 2024	\$	4,533,916
At December 31, 2025	\$	4,533,916
Accumulated depletion		
At December 31, 2024	\$	1,659,793
At December 31, 2025	\$	1,659,793
Impairment		
At December 31, 2024	\$	(2,874,123)
At December 31, 2025	\$	(2,874,123)
Carrying amounts		
At December 31, 2024	\$	-
At December 31, 2025	\$	-

West Hazel, Saskatchewan

The Company is the joint venture operator in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin, with a working interest of 62.25%.

Impairment

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

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

As a result of the impairment indicators, the recoverable amounts of the oil production assets were estimated based on the proved and probable reserves and compared against their respective carrying values. Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Probable reserves are defined as those which have a better than 50% chance of being technically and economically recoverable.

At December 31, 2021, the Company's remaining reserves of oil, gas and natural gas liquids (NGL's) were nil as there were no remaining reserves that were economically recoverable. As a result, the Company wrote down the value of its oil and gas properties to nil and recognized an impairment loss of \$2,180,055 during the year ending December 31, 2021. In November 2021, the West Hazel joint venture ceased production.

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	
Balance, December 31, 2024	\$	417,134
Change in decommissioning estimate		-
Balance, December 31, 2025	\$	417,134



19. DISCONTINUED OPERATIONS (continued)

During the year ended December 31, 2022, the provision for the decommissioning liability for the Hartburg Project was re-estimated and it was determined that there were no amounts owing and the total undiscounted remaining amount of estimated cash flows required to settle the provision was Nil. The provision had been estimated using a risk-free discount rate of 1.18% and an inflation rate of 2.00%.

At December 31, 2025, 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, 2024 - \$417,134), \$259,666 of which represents the Company's 62.25% share of the decommissioning liability. During the year ended December 31, 2024, it was determined it is unlikely the partners bearing the other 37.75% of the decommissioning liability will be able to pay their portion of the decommissioning liability. As a result, a change in the decommissioning estimate was made to record the full gross value of the estimated decommissioning liability as attributable to the Company. The provision is presented on an undiscounted basis as at December 31, 2025, as it has been estimated by management that the Company will incur remaining decommissioning liability costs during 2026. Based on this estimate, the Company's assets and liabilities of discontinued operations have been presented as current assets and liabilities as at December 31, 2025.

20. FINANCING EXPENSES

	Year Ended December 31,	
	2025	2024
	(\$)	(\$)
Convertible debentures interest	227,761	-
Accretion of convertible debentures	162,524	-
Promissory note financing costs and interest	385,494	109,979
Interest on lease liability	56,506	54,142
Other	58,128	-
Total financing expenses	890,413	164,121

21. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2025:

- On January 9, 2026, the Company closed a non-brokered private placement of 40,476,444 units at a price of \$0.09 per unit for gross proceeds of \$3,642,880, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 per share for 24 months following issuance.
- On January 9, 2026, the Company issued 10,558,201 units at a price of \$0.09 per unit to settle convertible debenture principal and interest totaling \$950,239.
- On January 12, 2026, the Company issued 271,150 units at a price of \$0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling \$32,538. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 per share for 36 months following issuance.
- On January 15, 2026, the Company granted 7,583,333 RSUs to Company executives in relation to 2024 and 2025 performance.
- On January 20, 2026, the Company issued 4,000,093 units at a price of \$0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling \$480,011. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 per share for 36 months following issuance.
- On January 23, 2026, the Company issued 7,207,394 units at a price of \$0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling \$864,887. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of \$0.12 per share for 36 months following issuance.



21. SUBSEQUENT EVENTS (continued)

- g) On February 17, 2026, the Company issued 271,150 common shares at a price of \$0.12 per share for proceeds of \$32,538 pursuant to the exercise of warrants.
- h) On January 20, 2026, the Company, in combination with Pasqua First Nation #79 ("PFN"), and Apeiron Resources Ltd. ("Apeiron"), operationalized CleanPath Distribution Inc. ("CleanPath"), an Indigenous-led Canadian corporation.

CleanPath is owned as follows: PFN: 51%; Apeiron: 24.5%; and the Company: 24.5%. The entity is governed by a Board of Directors with representation from all three partners.
- i) On April 2, 2026, the Company issued 2,912,771 units at a price of \$0.18 per unit to settle debt totaling \$524,299.
- j) Subsequent to December 31, 2025, 2,150,272 Company common shares were issued pursuant to the redemption of RSUs.