HILLCREST
energy technologies

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hillcrest Energy Technologies Ltd. (formerly Hillcrest Petroleum Ltd.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hillcrest Energy Technologies Ltd. (formerly Hillcrest Petroleum Ltd.), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hillcrest Energy Technologies Ltd. as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting 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 Hillcrest Energy Technologies Ltd. in accordance with the ethical requirements that are relevant to our audit of the 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 Hillcrest Energy Technologies Ltd. incurred a net loss of over $13 million during the year ended December 31, 2021 and has accumulated losses of $28.5 million since inception. As stated in Note 1, 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 Hillcrest Energy Technologies Ltd.'s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Hillcrest Energy Technologies Ltd.'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 Hillcrest Energy Technologies Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hillcrest Energy Technologies Ltd.'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 Hillcrest Energy Technologies Ltd.'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 Hillcrest Energy Technologies Ltd.'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 Hillcrest Energy Technologies Ltd. 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.

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

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
April 5, 2022

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HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,722,956	$ 676,087
Receivables		48,164	121,312
Due from related party	**9**	-	129,805
Prepaid expenses		539,704	45,067
Right-of-use asset	**18**	165,490	103,128
Total current assets		4,476,314	1,075,399
Non-current assets			
Intangible assets	**4**	1,550,000	-
Property, plant and equipment	**5**	605,101	-
Oil and gas interests	**6**	-	733,233
TOTAL ASSETS		$ 6,631,415	$ 1,808,632
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**7, 9**	$ 832,884	$ 1,496,098
Loans	**8**	-	244,265
Lease liability	**18**	67,585	29,581
Total current liabilities		900,469	1,769,944
Lease liability	**18**	110,950	78,095
Decommissioning liability	**10**	374,163	388,190
TOTAL LIABILITIES		1,385,582	2,236,229
SHAREHOLDERS’ EQUITY (DEFICIENCY)			
Share capital	**11**	29,196,232	12,431,471
Share subscriptions receivable	**11**	(566,054)	-
Shares subscribed	**11**	-	672,500
Contributed surplus	**11**	4,795,660	1,605,683
Reserves	**11**	335,996	183,473
Deficit		(28,516,001)	(15,320,724)
TOTAL SHAREHOLDERS’ EQUITY (DEFICIENCY)		5,245,833	(427,597)
TOTAL LIABILITIES & SHAREHOLDERS’ EQUITY		$ 6,631,415	$ 1,808,632

Nature of operations and going concern (Note 1)
Commitments (Note 12)
Subsequent Events (Note 19)

On behalf of the Board of Directors:

“Kylie Dickson”
Director

“Thomas Milne”
Director

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

HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes		Year Ended December 31 2021		2020
Revenue and costs					
Oil sales		$	624,874	$	696,749
Royalties			(149,392)		(160,692)
Operating costs			(315,876)		(463,280)
Depletion	**6**		(131,100)		(160,012)
			28,506		(87,235)
General and administrative expenses					
Management and consulting	**9**		1,357,308		748,918
Research and development			625,483		-
Office and general			2,251,157		900,147
Share-based compensation	**11**		6,748,037		423,403
			10,981,985		2,072,468
Loss from operations			(10,953,479)		(2,159,703)
Financing expenses			(43,607)		(125,402)
Foreign exchange loss			(18,136)		(4,989)
Impairment of oil and gas interests	**6**		(2,180,055)		-
Impairment of intangible asset			-		(20,000)
Change in fair value of embedded derivative liabilities			-		(53,143)
Change in fair value of other liability			-		116,000
Net loss		**$**	**(13,195,277)**	**$**	**(2,247,237)**
Items that may be subsequently reclassified to net loss					
Exchange differences on translating foreign operations			(35)		3,389
Comprehensive loss for the year		**$**	**(13,195,312)**	**$**	**(2,243,848)**
Basic and diluted loss per share		$	(0.05)	$	(0.02)
Weighted average common shares outstanding:					
Basic			271,025,570		144,159,918
Diluted			271,025,570		144,159,918

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

HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes	Year Ended December 31 2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss for the year		$ (13,195,277)	$ (2,247,237)
Adjusted for items not involving cash:			
Accretion expense		14,737	10,817
Accrued interest expense	**18**	22,571	122,476
Change in fair value of embedded derivative liabilities		-	53,143
Change in fair value of other liability		-	(116,000)
Depletion and depreciation	**5, 6, 18**	187,180	160,012
Impairment of intangible assets		-	20,000
Impairment of oil and gas interests	**6**	2,180,055	-
Share-based compensation	**11**	6,748,037	423,403
Revaluation of decommissioning liability		-	3,690
Shares issued pursuant to joint development agreement	**11(e)**	591,250	-
Settlement of decommissioning liability	**10**	(54,904)	-
Unrealized foreign exchange		(41)	3,389
Changes in non-cash working capital items:			
Receivables		73,148	(33,393)
Prepaid expenses		(494,637)	(27,440)
Due from related party		(35,000)	(129,805)
Accounts payable and accrued liabilities		(646,245)	184,777
Net cash flows used in operating activities		(4,609,126)	(1,572,168)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Intangible asset	**4**	(200,000)	-
Additions to equipment	**5**	(613,608)	-
Additions to oil property	**6**	(1,551,111)	(184,546)
Net cash flows used in investing activities		(2,364,719)	(184,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Private placement		3,661,346	962,100
Subscriptions received		-	672,500
Proceeds from loans		-	5,000
Exercise of options	**11(f)**	375,000	140,000
Exercise of warrants	**11(g)**	4,429,453	1,137,222
Proceeds from equity facility		2,240,000	-
Repayment of lease liability	**18**	(61,647)	(11,368)
Share issuance costs		(379,138)	(29,208)
Repayment of loan		(244,265)	(474,838)
Repayment of convertible debenture		-	(10,356)
Net cash flows provided by financing activities		10,020,749	2,391,052
Effect of foreign exchange on cash		(35)	-
Increase in cash		3,046,869	634,338
Cash, beginning of the year		676,087	41,749
Cash, end of the year		$ 3,722,956	$ 676,087

Supplemental cash flow information (Note 16)

HILLCREST ENERGY TECHNOLOGIES LTD.
(formerly Hillcrest Petroleum Ltd.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

		Share Capital					Reserves			
	Notes	Number of Shares	Amount	Share Subscriptions Receivable	Shares Subscribed	Contributed Surplus	Warrants	Foreign Currency Translation	Deficit	Shareholders' Equity (Deficiency)
			($)	($)	($)	($)	($)	($)	($)	($)
Balance, December 31, 2019		123,679,299	8,980,016	-	-	1,357,361	129,550	116,534	(13,073,487)	(2,490,026)
Exercise of options		2,800,000	315,081	-	-	(175,081)	-	-	-	140,000
Exercise of warrants		22,594,445	1,203,222	-	-	-	(66,000)	-	-	1,137,222
Private placement		20,442,000	1,022,100	-	-	-	-	-	-	1,022,100
Conversion of convertible debentures		5,284,762	408,950	-	-	-	-	-	-	408,950
Shares issued for debt		10,120,190	531,310	-	-	-	-	-	-	531,310
Shared-based compensation		-	-	-	-	423,403	-	-	-	423,403
Share issuance costs		-	(29,208)	-	-	-	-	-	-	(29,208)
Shares subscribed for private placement		-	-	-	672,500	-	-	-	-	672,500
Net loss and comprehensive loss for the year		-	-	-	-	-	-	3,389	(2,247,237)	(2,243,848)
Balance, December 31, 2020		184,920,696	12,431,471	-	672,500	1,605,683	63,550	119,923	(15,320,724)	(427,597)
Balance, December 31, 2020		184,920,696	12,431,471	-	672,500	1,605,683	63,550	119,923	(15,320,724)	(427,597)
Exercise of options		7,500,000	750,560	-	-	(375,560)	-	-	-	375,000
Exercise of warrants		46,519,534	4,429,453	-	-	-	-	-	-	4,429,453
Private placement	**11(a)(b)**	43,504,500	4,899,900	(566,054)	(672,500)	-	-	-	-	3,661,346
Proceeds from equity facility	**11(d)**	13,176,470	2,240,000	-	-	-	-	-	-	2,240,000
Shares issued pursuant to joint development agreement	**11(e)**	2,750,000	591,250	-	-	-	-	-	-	591,250
Shares issued upon purchase of assets	**11(c), 4**	6,000,000	1,350,000	-	-	-	-	-	-	1,350,000
Conversion of convertible debentures	**11(i)**	-	(164,805)	-	-	-	-	-	-	(164,805)
Redemption of RSUs	**11(h)**	14,200,000	3,182,500	-	-	(3,182,500)	-	-	-	-
Share-based compensation		-	-	-	-	6,748,037	-	-	-	6,748,037
Share issuance costs		588,235	(514,097)	-	-	-	152,558	-	-	(361,539)
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(35)	(13,195,277)	(13,195,312)
Balance, December 31, 2021		319,159,435	29,196,232	(566,054)	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hillcrest Energy Technologies Ltd. (formerly "Hillcrest Petroleum Ltd.") (the "Company") was incorporated on May 2, 2006 under the Business Corporations Act of British Columbia, and is in the business of developing high-value, high-performance clean energy technologies in its transition from oil and gas production to clean energy technology development and commercialization. The Company is currently building its capability to expand the scope of its activities in several new technology fields. The Company's registered office is Suite 1910 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

On March 30, 2021, the Company 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 development of clean energy technologies and its existing oil and gas business. 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; changes in the price of oil and gas; availability and cost of 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 is material uncertainty casting 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on April 5, 2022.

(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. 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
1198007 B.C. Ltd. ("ANIGO")	Canada	Clean Technology
2044573 Alberta Ltd.	Canada	Oil and Gas exploration
102031850 Saskatchewan Ltd.	Canada	Oil and Gas exploration
Hillcrest Resources (Arizona) Ltd. ("HARL")	USA	Dormant

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the parent, ALSET Innovation Ltd., ANIGO, 2044573 Alberta Ltd., 102031850 Saskatchewan Ltd. and HARL 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 that actual results differ from assumptions made, relate to, but are not limited to, the following:

Depletion and Depreciation
The amounts recorded for depletion and depreciation of oil and natural gas properties and the amounts used in impairment testing are based on independent estimates of proved and probable reserves, well production rates, realized and forecast oil and natural gas prices, future development costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty. Accordingly, the impact on the consolidated financial statements for future periods may be material.

2. BASIS OF PREPARATION (continued)

(e) Use of Estimates and Judgments (continued)

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. For producing wells and facilities, the expected timing of settlement is estimated based on the period to abandonment for each field, as per an independent report. 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 reserves or 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.

Significant judgments that management has made at the end of the reporting period 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.

Fair value of embedded derivatives
Management assesses its financial instruments in order to identify whether or not non-derivative instruments might contain an embedded derivative component. If such a derivative component is identified, then it must be separated from the non-derivative host contract and recorded at fair value. The fair value of the embedded derivative is measured using the Black-Scholes model, taking into account the terms and conditions upon which the derivative is granted. Changes in assumptions concerning volatilities, interest rates and expected life could have significant impact on the fair valuation attributed to the embedded derivative. Fair value of the other liability is measured using a market-based approach.

Carrying value and recoverability of non-financial assets
Management uses judgment 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 deferred costs, giving consideration to supplemental disclosures that can be provided and also the needs and requirements of readers.

Functional currencies
The determination of the functional currency applicable to each entity or business activity requires judgment, in the context of a development-stage issuer, firstly as to what constitutes a separate 'entity or business activity' and, in addition, the extent to which it can or does function in a meaningful way in a currency different from that of the parent company.

2. BASIS OF PREPARATION (continued)

(e) Use of Estimates and Judgments (continued)

Determination of cash generating units
Management must make judgments as to which assets can be aggregated into a cash generating unit ("CGU"). The Company's oil and gas assets and property, plant and equipment are aggregated into CGUs for the purpose of calculating impairment and depreciation/depletion. Factors considered by management include, but are not limited to, the product produced (i.e. oil versus gas), the common infrastructure shared by individual properties, proximity of properties to each other, and planned development activities.

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, 2020. See Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES

(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.

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).

(b) Property, Plant and Equipment

Cost and valuation
Property, plant 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, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, Plant and Equipment (continued)

Depreciation
Depreciation commences when the asset is available for use. The major categories of property, plant 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

(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.

(d) Intangible Assets

Intangible assets with indefinite useful lives are software intellectual property that have been acquired as part of acquisitions. These are measured at cost and tested for impairment annually, or if there is an indication that their value has declined.

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.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Decommissioning and Restoration Costs (continued)

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.

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.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

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 and convertible debentures	Amortized costs

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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.

(l) Revenue Recognition

The Company principally generates 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

<u>Sales tax</u>
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.

(p) Leases

The Company has adopted the requirements of IFRS 16 Leases (“IFRS 16”) as of January 1, 2019. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

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

During 2021, the Company has acquired tangible assets in connection with the development of its intangible assets and related business activities, and these have been capitalized within property, plant and equipment ("PP&E"). Other costs incurred in this connection, but not related to the acquisition of PP&E, are expensed as incurred.

During the year ended December 31, 2021, the Company reviewed the carrying value of its intangible assets and determined there were no indicators of impairment with respect to the development of its technology.

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	R&D Equipment	IT Infrastructure	Equipment and Other	Total
Cost				
At December 31, 2020	$ -	$ -	$ -	$ -
Additions	462,090	58,337	93,181	613,608
At December 31, 2021	**$ 462,090**	**$ 58,337**	**$ 93,181**	**$ 613,608**
Accumulated Depreciation				
At December 31, 2020	$ -	$ -	$ -	$ -
Depreciation for the year	800	6,287	1,420	8,507
At December 31, 2021	**$ 800**	**$ 6,287**	**$ 1,420**	**$ 8,507**
Net book value				
At December 31, 2020	$ -	$ -	$ -	$ -
At December 31, 2021	**$ 461,290**	**$ 52,050**	**$ 91,761**	**$ 605,101**

Equipment and other includes leasehold improvements of $57,892.

6. OIL AND GAS INTERESTS

Cost	
At December 31, 2019	$ 2,762,298
Additions	193,696
At December 31, 2020	2,955,994
Additions	1,577,922
At December 31, 2021	**$ 4,533,916**
Accumulated depletion	
At December 31, 2019	$ 1,384,159
Depletion for the year	144,534
At December 31, 2020	1,528,693
Depletion for the year	131,100
At December 31, 2021	**$ 1,659,793**
Impairment	
At December 31, 2020	$ 694,068
Impairment for the year	2,180,055
At December 31, 2021	**$ 2,874,123**
Carrying amounts	
At December 31, 2020	$ 733,233
At December 31, 2021	**$ -**

(Expressed in Canadian dollars)

6. OIL AND GAS INTERESTS (continued)

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%. The owners of the other working interests are:

- 2042870 Alberta Ltd. (Charterhouse subsidiary): 25%;
- KFG Resources Ltd: 11.25%; and
- Geronimo Corp.: 1.5%

During the year ended December 31, 2021, the Company incurred costs of $1,577,922 related to drilling a short horizontal lateral oil well with multi-zone production potential.

Impairment

During the year ended December 31, 2021, the Company reviewed its oil production assets at the cash-generating unit (“CGU”) level to determine whether there were any indicators of impairment present.

The following factors were considered to be impairment indicators as at December 31, 2021:

- 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. There are no reserves remaining as reserves are remaining economically recoverable oil production. 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 (2020 - $Nil).

In November 2021, the West Hazel joint venture ceased production.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	($)	($)
Trade payables	502,404	1,249,413
Accrued liabilities	310,872	197,370
Payroll liabilities	19,608	-
GST payable	-	49,315
	832,884	1,496,098

(Expressed in Canadian dollars)

8. LOANS

ASI Loan

As at December 31, 2021, the Company had $Nil (December 31, 2020 - $137,546) outstanding on a senior secured loan facility that bore interest at a rate of 20% per annum and was payable on demand. During year ended December 31, 2021, the Company repaid $137,546 (2020 - $1,004) in loan principal and incurred $3,358 (2020 - $28,025) in interest expense.

Ballakilley Loan

On June 15, 2017, the Company borrowed $140,950 under a convertible loan agreement (the "Ballakilley Loan") bearing interest at 20% per annum, payable semi-annually, and maturing on May 31, 2019. On October 28, 2020, the principal portion was converted in full to 2,684,762 common shares with a fair value of $0.0525.

During the year ended December 31, 2021, the Company incurred $1,778 (2020 - $40,898) in interest expense and $Nil (2020 - $Nil) in accretion of the loan liability. At December 31, 2021, the total of $108,496 in interest was paid off (December 31, 2020 - $106,718 interest outstanding).

9. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the years ended December 31, 2021 and 2020. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Year Ended	
	December 31, 2021	**December 31, 2020**
	($)	**($)**
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	873,987	415,301
Director fees paid or accrued to directors	92,606	-
Share-based compensation	4,450,914	271,706
	5,417,507	687,007

a) As at December 31, 2021, the Company was owed $Nil (December 31, 2020 - $129,805) from the Chief Executive Officer.

b) As at December 31, 2021, the Company had accrued $107,500 (December 31, 2020 - $Nil) in bonuses that were payable to the Company's Executive Chairman, Chief Technology Officer, Chief Operating Officer and Chief Financial Officer.

Refer also to note 11(i).

(Expressed in Canadian dollars)

10. DECOMMISSIONING LIABILITY

		Hartburg, Texas		West Hazel, Saskatchewan		Flaxcombe, Saskatchewan		Total
Balance, December 31, 2019	$	9,740	$	311,345	$	52,102	$	373,187
Change in estimate		760		9,150		3,530		13,440
Accretion		56		1,806		302		2,164
Foreign exchange movement		(601)		-		-		(601)
Balance, December 31, 2020	**$**	**9,955**	**$**	**322,301**	**$**	**55,934**	**$**	**388,190**
Additions		-		17,941		-		17,941
Change in estimate		-		24,509		-		24,509
Change in discount rate		-		(12,212)		(4,057)		(16,269)
Settled during the year		-		(54,904)		-		(54,904)
Accretion		116		13,915		706		14,737
Foreign exchange movement		(41)		-		-		(41)
Balance, December 31, 2021	**$**	**10,030**	**$**	**311,550**	**$**	**52,583**	**$**	**374,163**

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the Hartburg Project was $9,128 (US$7,200) as at December 31, 2021 (December 31, 2020 - $9,167 (US$7,200)). The provision has been estimated using a risk-free discount rate of 1.18% (December 31, 2020 – 0.33%) and an inflation rate of 2.00% (December 31, 2020 – 2.00%).

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the Flaxcombe Project was $50,000 as at December 31, 2021 (December 31, 2020 - $50,000). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2020 – 0.58%) and an inflation rate of 2.00% (December 31, 2020 – 2.00%).

The total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was $301,594 as at December 31, 2021 (December 31, 2020 - $306,491). $54,905 was settled during the year ending December 31, 2021 (December 31, 2020 - $Nil). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2020 – 0.58%) and an inflation rate of 2.00% (December 31, 2020 – 2.00%).

11. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

Year Ended December 31, 2021

a) The Company issued 25,340,000 units in connection with a private placement in January 2021 at $0.05 per unit for gross proceeds of $1,267,000, $672,500 of which were received during 2020. Each unit consists of one common share and one share purchase warrant. Each warrant will be exercisable into an additional common share of the Company at a price of $0.10 per share for a period of two years.

b) The Company issued 18,164,500 units in connection with a private placement in December 2021 at $0.20 per unit for gross proceeds of $3,632,900, of which $566,054 is to be received subsequent to year end, resulting in net proceeds of $3,066,846 being received in 2021. Each unit consists of one common share and one share purchase warrant. Each warrant will be exercisable into an additional common share of the Company at a price of $0.35 per share for a period of two years.

c) The Company acquired ANIGO and issued 6,000,000 common shares as part of the acquisition (Note 4).

11. SHARE CAPITAL (continued)

d) The Company closed an equity facility agreement, which provides for unit private placement offerings over a 12-month period commencing April 9, 2021. Each unit consists of one common share and one-half of one common share purchase warrant. On April 9, 2021, the Company closed the First Tranche in the amount of $2,240,000, pursuant to which the Company issued 13,176,470 units consisting of 13,176,470 common shares and 6,588,235 warrants exercisable at a price of $0.26 per common share until April 9, 2023. In connection with the First Tranche, the Company paid a finder's fee of CDN $100,000 by the issue of 588,235 common shares.

e) The Company issued 2,750,000 common shares and 2,000,000 performance-based warrants to Systematec GmbH ("Systematec") as part of a Joint Development Agreement under which the Company and Systematec would engage in joint development activities. The warrants issued are exercisable at $0.24 per share, which will vest when the Company's value from joint development commercialization revenues exceeds funds contributed to the collaboration with Systematec to that date.

f) A total of 7,500,000 stock options were exercised for gross proceeds of $375,000.

g) A total of 46,519,534 warrants were exercised for gross proceeds of $4,429,453.

h) A total of 14,200,000 Restricted Share Units ("RSUs"), issued to certain employees, consultants, officers and directors of the Company, vested and were redeemed into 14,200,000 common shares for no additional consideration.

i) Included as a 2021 share issuance cost is $164,805 related to the Company's reimbursement of its CEO of the cost of paying, substantially on behalf of the Company, a debt owing to a third-party creditor for amounts initially advanced to the Company, in the name of the CEO, under a convertible debenture. This debenture had converted to common shares in 2019; however, the aggregate proceeds realized at current market value were deficient, by this above-noted amount, relative to the remaining outstanding debt then owed to the third-party creditor. Effectively the fair value of the shares issued in 2019 was overstated by this amount and this difference has been adjusted for prospectively.

Year Ended December 31, 2020

a) The Company issued 2,600,000 common shares in connection with the conversion of a $130,000 portion of the outstanding Convertible Debentures at $0.05 per share.

b) On August 4, 2020, the Company closed a private placement of 20,442,000 units at a price of $0.05 per unit for gross proceeds of $1,022,100. Each unit consists on one common share and one-half of one share purchase warrant. Each whole warrant will be exercisable into an additional common share of the Company at $0.07 for a period of two years.

c) On August 4, 2020, the Company closed an early warrant exercise incentive program intended to encourage the early exercise of up to 22,894,446 outstanding common share purchase warrants of the Company. 17,479,667 eligible warrants were exercised resulting in the Company receiving gross proceeds of $873,984. In addition to receiving a Company common share upon exercise, each warrant holder who exercised warrants under the early warrant exercise incentive program received a new warrant exercisable at $0.10 per share for two years after issuance.

d) The Company issued 2,800,000 common shares in connection with the exercising of stock options at $0.05 for gross proceeds of $140,000. Upon issuance, the fair value of these options of $175,082 was reclassified from contributed surplus to share capital.

e) On October 28, 2020, the Company issued 10,120,190 common shares to settle accounts payable and loans payable in the amount of $531,310.

f) On October 28, 2020, the Company issued 2,684,762 common shares upon the conversion of the Ballakilley loan principal totaling $140,950 to shares. A record $138,000 conversion feature derivative liability was reclassified to share capital upon conversion.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

g) In November 2020, the Company issued 5,114,778 shares in connection with exercising warrants for gross proceeds of $263,238.

Share Purchase Warrants

Year Ended December 31, 2021

a) 25,340,000 subscriber warrants and 675,200 finder warrants exercisable at $0.10 per share for two years after issuance were issued in connection with the January 2021 private placement.

b) 2,000,000 performance-based warrants were issued at $0.24 per share, to vest when the Company's value from joint development commercialization revenues exceeds funds contributed to the collaboration with Systematec to that date.

c) A total of 46,519,534 share purchase warrants were exercised for gross proceeds of $4,429,453.

d) A total of 14,781,500 early exercise incentive program warrants exercisable at $0.25 per share until January 5, 2023 were issued due to the early exercise of 9,343,334 warrants to have expired September 1, 2022 and 25,340,000 warrants to have expired January 18, 2023.

e) 18,164,500 subscriber warrants and 742,160 finder warrants exercisable at $0.35 per share for two years after issuance were issued in connection with the December 2021 private placement.

f) The following share purchase warrants expired unexercised:

Number of Warrants	Exercise Price	Expiry Date
	($)	
200,000	0.05	May 10, 2021
32,000	0.10	May 10, 2021

Year Ended December 31, 2020

a) The Company issued 10,221,000 share purchase warrants in connection with a non-brokered private placement. Each warrant originally entitled the holder to acquire a common share of the Company at $0.07 per share until August 4, 2022.

b) On August 4, 2020, the Company closed an early warrant exercise incentive program intended to encourage the early exercise of up to 22,894,446 outstanding common share purchase warrants of the Company. 17,479,667 eligible warrants were exercised resulting in the Company receiving gross proceeds of $873,984. In addition to receiving a Company common share upon exercise, each warrant holder who exercised warrants under the early warrant exercise incentive program received a new warrant exercisable at $0.10 per share for two years after issuance.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) The following share purchase warrants expired unexercised:

Number of Warrants	Exercise Price	Expiry Date
	($)	
3,636,887	0.05	February 27, 2020
759,113	0.10	February 27, 2020
553,713	0.05	March 23, 2020
46,287	0.10	March 23, 2020
500,000	0.07	August 17, 2020
500,000	0.10	August 17, 2020
586,667	0.05	December 4, 2020

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

	Number of Warrants	Weighted Average Exercise Price
		($)
Balance, December 31, 2019	29,749,112	0.05
Issued	27,700,668	0.09
Exercised	(22,594,445)	0.05
Expired	(6,582,667)	0.06
Balance, December 31, 2020	28,272,668	0.09
Issued	61,703,360	0.22
Exercised	(46,519,534)	0.10
Expired	(232,000)	0.06
Balance, December 31, 2021	**43,224,494**	**0.27**

The following table summarizes the share purchase warrants outstanding as at December 31, 2021:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	($)		(yrs)
2,971,000	0.07	July 14, 2022	0.53
593,334	0.10	September 1, 2022	0.67
14,781,500	0.25	January 5, 2023	1.01
3,972,000	0.10	January 18, 2023	1.05
14,425,000	0.35	December 9, 2023	1.94
4,481,660	0.35	December 17, 2023	1.96
2,000,000	0.24	April 30, 2026	4.33
43,224,494	0.27		1.54

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

Stock Options

Effective November 4, 2010, the Company adopted a stock option plan to grant stock options to its directors, officers, employees and consultants. In accordance with the plan, the aggregate number of securities reserved for issuance under the plan, at any point in time, will not exceed 10% of the number of common shares of the Company issued and outstanding at the time the option is granted, less any common share reserved for issuance under share options granted under share compensation arrangements other than the plan. The exercise price of option grants will be determined by the Board of Directors but will not be less than the closing market price of the common shares on the CSE at the time of grant. All unexercised options granted under the plan will expire by the date fixed by the Board of Directors at the time the option is granted.

The Company granted an aggregate of 13,000,000 (9,100,000 – year ended December 31, 2020) stock options during the year ended December 31, 2021. The options vested immediately, and the Company expensed $2,852,018 ($418,827 – year ended December 31, 2020) as share-based compensation.

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

	2021	2020
Risk-free interest rate	0.81-0.96%	0.37-0.47%
Expected life of options	5 years	5 years
Volatility	142%	141-143%
Expected Dividend yield	Nil	Nil
Forfeiture rate	5%	Nil
Weighted average fair value	$0.23	$0.05

During the year ended December 31, 2020, the Company expensed $4,756 as share-based compensation for the incremental value of repricing 2,050,000 stock options with prices originally ranging from $0.06 to $0.07 per option to amended prices of $0.05 per option. The incremental value was determined using the Black-Scholes option pricing model under the following weighted average assumptions:

	2020
Risk-free interest rate	1.62%
Expected life of options	1.55-2.43 years
Volatility	86-129%
Expected Dividend yield	Nil
Forfeiture rate	Nil
Weighted average fair value	$0.002

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

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2019	4,650,000	0.06
Issued	9,100,000	0.05
Repriced – original prices	(2,050,000)	0.07
Repriced – amended prices	2,050,000	0.05
Exercised	(2,800,000)	0.05
Balance, December 31, 2020	10,950,000	0.05
Issued	13,000,000	0.23
Exercised	(7,500,000)	0.05
Balance, December 31, 2021	16,450,000	0.19

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

The following table summarizes the stock options outstanding and exercisable as at December 31, 2021:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
		($)		(yrs)
100,000	100,000	0.05	February 21, 2022	0.14
3,350,000	3,350,000	0.05	July 8, 2025	3.52
10,200,000	10,200,000	0.24	April 8, 2026	4.27
600,000	600,000	0.24	May 19, 2026	4.38
1,700,000	1,700,000	0.20	August 30, 2026	4.67
500,000	500,000	0.20	September 16, 2026	4.71
16,450,000	16,450,000	0.19		4.15

Restricted Share Units ("RSUs")

In November of 2019, the Company established a Restricted Share Unit ("RSU") plan known as the "Hillcrest Restricted Share Unit Plan," which provides for the issuance of RSUs in such amounts as approved by the Company's Board of Directors. The purpose of this Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Persons related to the achievement of long-term financial and strategic objectives of the Company and the resulting increases in shareholder value.

The aggregate maximum number of common shares made available for issuance under the plan shall not exceed 10% of the number of outstanding common shares. The plan is a "rolling plan" and therefore, when RSUs are cancelled, terminated, or redeemed, common shares will be available for issuance pursuant to RSUs granted under the plan.

The grant of an RSU award shall entitle the participant to the right to receive at the election of the Company, either one common share or an amount in cash equal to the market price of one common share on the settlement date. RSUs settled in common shares are equity-settled and the related share-based compensation expense is measured at fair value based on the Company's share price on the date of grant subject to vesting criteria.

The share-based compensation expense related to RSUs settled in cash are accrued over the vesting period of the units based on the Company's share price on the date of grant. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

During the year ending December 31, 2021, the Company granted 20,300,000 RSUs to certain directors, officers, consultants, and employees under the Hillcrest Restricted Share Unit Plan. 17,050,000 RSUs vested immediately and 166,666 RSUs vested September 19, 2021, of which 14,200,000 RSUs were redeemed for common stock during the year ending December 31, 2021 and 3,016,666 RSUs were redeemable as at December 31, 2021. The remaining 3,083,334 RSUs are subject to vesting criteria and will be redeemable for Company common shares on a staggered vesting schedule. In 2021, the Company recorded $3,896,019 (2020 - $Nil) in share-based compensation expense relating to the RSUs.

As at December 31, 2021, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value
		($)
Balance, December 31, 2020	-	-
Issued	20,300,000	0.22
Redeemed	(14,200,000)	0.22
Balance, December 31, 2021	6,100,000	0.20

(Expressed in Canadian dollars)

12. COMMITMENTS

The Company had the following commitments as at December 31, 2021:

a) On November 19, 2020, the Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, commencing December 1, 2020 and terminating on November 30, 2023, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of $45,910 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.

b) On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2021 and terminating on August 31, 2024, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $47,209 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.

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 acquisition, exploration, development and production of oil and gas reserves in Canada and the United States. Corporate includes the Company's head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers. For the year ended December 31, 2021 all revenues were derived from operations in Canada. At December 31, 2021, $2,026,833 of non-current assets were located in Canada and $128,268 of non-current assets were in Europe (December 31, 2020 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).

Year ended December 31, 2021

	Oil and Gas	Clean Energy	Corporate	Total
	$	**$**	**$**	**$**
Revenues	624,874	-	-	624,874
Cost of sales	(596,368)	-	-	(596,368)
Gross profit (loss)	28,506	-	-	28,506
General and administration	55,823	946,771	9,979,391	10,981,985
Loss from operations	(27,317)	(946,771)	(9,979,391)	(10,953,479)
Net finance expenses	(15,078)	-	(28,529)	(43,607)
Impairment	(2,180,055)	-	-	(2,180,055)
Non-operating expenses	-	-	(18,136)	(18,136)
Net loss	(2,222,450)	(946,771)	(10,026,056)	(13,195,277)
Capital expenditures	1,551,111	781,315	32,293	2,364,719
Total assets	42,431	2,412,429	4,176,555	6,631,415

(Expressed in Canadian dollars)

13. SEGMENTED INFORMATION (continued)

Year ended December 31, 2020

	Oil and Gas	Clean Energy	Corporate	Total
	$	**$**	**$**	**$**
Revenues	696,749	-	-	696,749
Cost of sales	(783,984)	-	-	(783,984)
Gross profit (loss)	(87,235)	-	-	(87,235)
General and administration	29,421	-	2,043,047	2,072,468
Loss from operations	(116,656)	-	(2,043,047)	(2,159,703)
Net finance expenses	(21,235)	-	(104,167)	(125,402)
Non-operating expenses	-	-	37,868	37,868
Net loss	(137,891)	-	(2,109,346)	(2,247,237)
Capital expenditures	184,546	-	-	184,546
Total assets	987,694	-	820,938	1,808,632

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its clean energy technology and current oil operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is primarily dependent on external financing to fund its activities. In order to carry out the planned clean technology, research and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed using best efforts. The Company will continue to assess new clean technology opportunities and seek to acquire an interest in additional technologies if it feels there is sufficient economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management
The Company's financial instruments that are measured at fair value on a recurring basis in periods subsequent to initial recognition and the fair value hierarchy used to measure them are presented in the table below. The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2021, the maximum credit exposure is the carrying amount of trade receivables of $Nil (December 31, 2020 - $88,915).

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. The Company's primary commodity is heavy oil which is closely tied to the price of Western Canadian Select.

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, 2021, the Company had a working capital of $3,575,845 (December 31, 2020 – working capital deficiency of $694,545). 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 ongoing support from its lenders and by generating positive cash flows from operations, equity financing, disposing of assets or making other arrangements. Refer to Note 1 for further discussion.

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

	2021	**2020**
	($)	**($)**
Less than 1 year	900,469	1,769,944
Between 1 – 2 years	81,101	35,498
Between 2 – 5 years	29,849	42,597
	1,011,419	1,848,039

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.

(Expressed in Canadian dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
	($)	($)
Non-cash investing and financing activities:		
Change in estimate and discount rate of decommissioning liabilities	8,240	-
Common shares issued upon the acquisition of intangible assets	1,350,000	-
Common shares issued upon the conversion of convertible debentures	-	130,000
Common shares issued to settle outstanding liabilities	-	672,260
Interest paid during the year	4,132	238,434

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:

	2021	2020
	($)	($)
Income (loss) for the year	(13,195,277)	(2,247,237)
Expected income tax expense (recovery) at 27%	(3,563,000)	(607,000)
Non-deductible items	2,375,000	100,000
Change in unrecognized deductible temporary differences	1,188,000	507,000
Income tax expense	-	-

b) Deferred Income Taxes

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

	2021	2020
	($)	($)
Non-capital losses carry-forwards	4,444,000	3,143,000
Oil and gas interests	876,000	406,000
Property, plant and equipment	(387,000)	-
Share issuance costs	81,000	12,000
	5,014,000	3,561,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

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

	2021	**2020**
	($)	**($)**
Non-capital losses carry-forwards	16,484,000	11,670,000
Oil and gas interests	3,244,000	1,502,000
Property and equipment	(1,433,000)	-
Share issuance costs	301,000	46,000

18. RIGHT-OF-USE ASSET/LEASE LIABILITY

On November 19, 2020, the Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, commencing December 1, 2020 and terminating on November 30, 2023. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of $45,910 per annum, plus common costs and taxes.

On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2021 and terminating on August 31, 2024, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $47,209 per annum, plus common costs and taxes.

a) Right-of-use assets continuity

Changes in the Company's right-of-use assets during the years ended December 31, 2021 and 2020 were as follows:

	2021	**2020**
	$	**$**
Balance, beginning of year	103,128	12,532
New premises lease	109,935	106,074
Amortization	(47,573)	(15,478)
Balance, end of year	165,490	103,128

b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting as at December 31, 2021 and 2020 were as follows:

	2021	**2020**
	$	**$**
Undiscounted minimum lease payments:		
Less than one year	93,119	45,910
One to three years	124,592	91,821
Effect of discounting	(39,176)	(30,055)
Present value of minimum lease payments	178,535	107,676

(Expressed in Canadian dollars)

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

c) Lease liability continuity

Changes in the Company's lease liabilities during the years ended December 31, 2021 and 2020 were as follows:

	2021 $	2020 $
Balance, beginning of year	107,676	11,265
New premises lease	109,935	106,074
Accrued interest unpaid	22,571	1,705
Principal payments	(61,647)	(11,368)
Balance, end of year	178,535	107,676

Interest of $22,571 for the year ended December 31, 2021 (2020 – $1,705) is included in financing expenses.

See Note 3(p).

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, 1,062,500 common shares were issued pursuant to the redemption of RSUs.