



Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)



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



	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,643,055	\$ 3,722,956
Receivables		5,814	48,164
Prepaid expenses		451,790	539,704
Right-of-use asset		147,489	165,490
Total current assets		3,248,148	4,476,314
Non-current assets			
Intangible assets	4	1,550,000	1,550,000
Property, plant and equipment	5	627,016	605,101
Oil and gas interests	6	-	-
TOTAL ASSETS		\$ 5,425,164	\$ 6,631,415
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 581,641	\$ 832,884
Lease liability		70,964	67,585
Total current liabilities		652,605	900,469
Lease liability		90,675	110,950
Decommissioning liability	9	365,056	374,163
TOTAL LIABILITIES		1,108,336	1,385,582
SHAREHOLDERS' EQUITY			
Share capital	10	29,341,857	29,196,232
Share subscriptions receivable	10	(505,622)	(566,054)
Contributed surplus	10	4,757,443	4,795,660
Reserves		335,996	335,996
Deficit		(29,612,846)	(28,516,001)
TOTAL SHAREHOLDERS' EQUITY		4,316,828	5,245,833
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 5,425,164	\$ 6,631,415

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent Events (Note 15)

On behalf of the Board of Directors:

"Kylie Dickson"

Director

"Thomas Milne"

Director

HILLCREST ENERGY TECHNOLOGIES LTD.Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Three Months Ended March 31,	
		2022	2021
Revenue and costs			
Oil sales		\$ 51,965	\$ 285,759
Royalties		(4,319)	(82,010)
Operating costs		(24,688)	(69,034)
Depletion		-	(66,302)
		22,958	68,413
General and administrative expenses			
Management and consulting	8	175,057	299,242
Research and development		273,927	-
Office and general		553,490	112,764
Share-based compensation		107,407	-
		1,109,881	412,006
Loss from operations		(1,086,923)	(343,593)
Financing expenses		(7,308)	1,332
Foreign exchange loss		(2,614)	(732)
Net loss		\$ (1,096,845)	\$ (342,993)
Items that may be subsequently reclassified to net loss			
Exchange differences on translating foreign operations		-	110
Comprehensive loss for the year		\$ (1,096,845)	\$ (342,883)
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding:			
Basic		319,379,179	213,585,326
Diluted		319,379,179	213,585,326

HILLCREST ENERGY TECHNOLOGIES LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)



	Notes	Three Months Ended March 31,	
		2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss for the period		\$ (1,096,845)	\$ (342,993)
Adjusted for items not involving cash:			
Accretion expense		924	1,025
Accrued interest expense		6,384	3,280
Depletion and depreciation		40,710	75,874
Share-based compensation		107,407	-
Settlement of decommissioning liability	9	(10,030)	-
Changes in non-cash working capital items:			
Receivables		42,350	(174,570)
Prepaid expenses		87,914	(93,789)
Due from related party		-	(35,000)
Accounts payable and accrued liabilities		(251,245)	123,701
Net cash flows used in operating activities		(1,072,431)	(442,472)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to equipment	5	(44,624)	-
Additions to oil property		-	(939,916)
Net cash flows used in investing activities		(44,624)	(939,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Private placement		-	560,740
Share subscriptions		60,432	22,485
Exercise of options		-	107,500
Exercise of warrants		-	1,068,833
Repayment of lease liability		(23,280)	(11,965)
Repayment of loan		-	(244,265)
Net cash flows provided by financing activities		37,152	1,503,328
Effect of foreign exchange on cash		2	-
Increase (decrease) in cash		(1,079,901)	120,940
Cash, beginning of the period		3,722,956	676,087
Cash, end of the period		\$ 2,643,055	\$ 797,027

HILLCREST ENERGY TECHNOLOGIES LTD.

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


Notes	Share Capital			Reserves			Shareholders' Equity		
	Number of Shares	Amount	Share Subscriptions Receivable	Shares Subscribed	Contributed Surplus	Warrants		Foreign Currency Translation	Deficit
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
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	2,150,000	107,500	-	-	-	-	-	-	107,500
Exercise of warrants	12,913,334	1,068,833	-	-	-	-	-	-	1,068,833
Private placement	25,340,000	1,267,000	-	(672,500)	-	-	-	-	594,500
Share issuance costs	-	(33,760)	-	-	-	-	-	-	(33,760)
Shares subscribed for options	-	-	-	22,485	-	-	-	-	22,485
Net loss and comprehensive loss for the period	-	-	-	-	-	-	110	(342,993)	(342,883)
Balance, March 31, 2021	225,324,030	14,481,044	-	22,485	1,605,683	63,550	120,033	(15,663,717)	989,078
Balance, December 31, 2021	319,159,435	29,196,232	(566,054)	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833
Proceeds from share subscriptions	10(a)	-	-	60,432	-	-	-	-	60,432
Redemption of RSUs	10(b)	1,062,500	145,625	-	(145,625)	-	-	-	-
Share-based compensation		-	-	-	107,408	-	-	-	107,408
Share issuance costs	10(c)	202,160	-	-	-	-	-	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(1,096,845)	(1,096,845)
Balance, March 31, 2022	320,424,095	29,341,857	(505,622)	-	4,757,443	216,108	119,888	(29,612,846)	4,316,828



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 the development of clean energy technologies. Among the factors that have a direct bearing on the Company’s prospects are uncertainties inherent in technology product development; intellectual property risks including litigation; access to additional capital; availability and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

These condensed interim consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of its creditors and its shareholders and ultimately, the attainment of profitable operations. There is no certainty that the Company will continue to produce revenue as it transitions from oil and gas production and into clean energy technology development and commercialization. Revenue may not be achieved from the technology portfolio in the near term. In the past, the Company has relied on sales of equity securities, debt instruments and asset sales to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to satisfy operational requirements and cash commitments. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to it. Failure to obtain such financing on a timely basis could cause the Company to reduce or terminate its operations.

Due to the conditions and events as noted above, there is material uncertainty casting significant doubt on the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements including International Accounting Standard 34: *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements.

These condensed interim consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on May 30, 2022.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value.



2. BASIS OF PREPARATION (continued)

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the parent company, Hillcrest Energy Technologies Ltd., and its wholly owned subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Jurisdiction of Incorporation	Principal Activity
Hillcrest Exploration Ltd. ("HEL")	USA	Oil and Gas exploration
ALSET Innovation Ltd.	Canada	Clean Technology
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 condensed interim 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

In preparing these condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ. Significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited consolidated financial statements for the year ended December 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these condensed interim consolidated financial statements are consistent with those stated in the Company's most recent annual audited financial statements, except for any new standards and amendments adopted (Note 3). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2021.

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 and during the period ended March 31, 2022, the Company acquired tangible assets in connection with the development of its intangible assets and related business activities, and these have been capitalized within property, plant and equipment ("PP&E"). Other costs incurred in this connection, but not related to the acquisition of PP&E, are expensed as incurred.



4. INTANGIBLE ASSETS (continued)

During the period ended March 31, 2022, 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.

5. PROPERTY, PLANT AND EQUIPMENT

	R&D Equipment		IT Infrastructure		Equipment and Other		Total
Cost							
At December 31, 2021	\$	462,090	\$	58,337	\$	93,181	\$ 613,608
Additions		22,295		13,550		8,779	44,624
At March 31, 2022	\$	484,385	\$	71,887	\$	101,960	\$ 658,232
Accumulated Depreciation							
At December 31, 2021	\$	800	\$	6,287	\$	1,420	\$ 8,507
Depreciation		15,614		5,281		1,814	22,709
At March 31, 2022	\$	16,414	\$	11,568	\$	3,234	\$ 31,216
Net book value							
At December 31, 2021	\$	461,290	\$	52,050	\$	91,761	\$ 605,101
At March 31, 2022	\$	467,971	\$	60,319	\$	98,726	\$ 627,016

Equipment and other includes leasehold improvements of \$65,725.

6. OIL AND GAS INTERESTS

Cost			
At December 31, 2021		\$	4,533,916
At March 31, 2022		\$	4,533,916
Accumulated depletion			
At December 31, 2021		\$	1,659,793
At March 31, 2022		\$	1,659,793
Impairment			
At December 31, 2021		\$	2,874,123
At March 31, 2022		\$	2,874,123
Carrying amounts			
At December 31, 2021		\$	-
At March 31, 2022		\$	-



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 75%.

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. 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.

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
	(\$)	(\$)
Trade payables	339,309	502,404
Accrued liabilities	210,311	310,872
Payroll liabilities	32,021	19,608
	581,641	832,884



8. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months ended March 31, 2022 and 2021. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Three Months Ended	
	March 31, 2022	March 31, 2021
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	136,590	115,500
Director fees paid or accrued to directors	27,125	-
Share-based compensation	(36,563)	-
	<u>127,152</u>	<u>115,500</u>

As at March 31, 2022, the Company was owed \$Nil (March 31, 2021 - \$164,805) from the Chief Executive Officer.

9. DECOMMISSIONING LIABILITY

	West Hazel, Saskatchewan	Flaxcombe, Saskatchewan	Hartburg, Texas	Total
Balance, December 31, 2020	\$ 322,301	\$ 55,934	\$ 9,955	\$ 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	13,915	706	116	14,737
Foreign exchange movement	-	-	(41)	(41)
Balance, December 31, 2021	\$ 311,550	\$ 52,583	\$ 10,030	\$ 374,163
Settled during the period	-	-	(10,030)	(10,030)
Accretion	745	178	-	923
Balance, March 31, 2022	\$ 312,295	\$ 52,761	\$ -	\$ 365,056

At March 31, 2022, the provision for the decommissioning liability for the Hartburg Project had been settled in full and the total undiscounted remaining amount of estimated cash flows to settle the provision was \$Nil (December 31, 2021 - \$9,128 (US\$7,200)). The provision had been estimated using a risk-free discount rate of 1.18% (December 31, 2021 - 1.18%) and an inflation rate of 2.00% (December 31, 2021 - 2.00%).

At March 31, 2022, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the Flaxcombe Project was \$50,000 (December 31, 2021 - \$50,000). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2021 - 1.36%) and an inflation rate of 2.00% (December 31, 2021 - 2.00%).

At March 31, 2022, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$301,594 (December 31, 2021 - \$301,594). The provision has been estimated using a risk-free discount rate of 1.36% (December 31, 2021 - 1.36%) and an inflation rate of 2.00% (December 31, 2021 - 2.00%).



10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

Three Months Ended March 31, 2022

- a) The Company received \$60,432 from its share subscriptions receivable in connection with a private placement in December 2021 in which the Company issued 18,164,500 at \$0.05 per unit for gross proceeds of \$3,632,900. Each unit consisted of one common share and one share purchase warrant. Each warrant will be exercisable into an additional common share of the Company at a price of \$0.35 per share for a period of two years.
- b) A total of 1,062,500 Restricted Share Units ("RSUs"), issued to certain employees, consultants, officers and directors of the Company were redeemed into 1,062,000 common shares for no additional consideration.
- c) Included as a 2021 share issuance cost is the issuance of 202,160 common shares in connection with the closing of a private placement in December 2021. See Note 10(a).

Three Months Ended March 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 is exercisable into an additional common share of the Company at a price of \$0.10 per share for a period of two years.
- b) A total of 2,150,000 stock options were exercised for gross proceeds of \$107,500.

Share Purchase Warrants

Three Months Ended March 31, 2022

There was no share purchase warrant activity during the period.

Three Months Ended March 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) A total of 12,913,334 share purchase warrants were exercised for gross proceeds of \$1,068,833.

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

	Number of Warrants	Weighted Average Exercise Price
		(\$)
Balance, December 31, 2021	43,224,494	0.27
Balance, March 31, 2022	43,224,494	0.27



10. SHARE CAPITAL (continued)

The following table summarizes the share purchase warrants outstanding as at March 31, 2022:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	(\$)		(yrs)
2,971,000	0.07	July 14, 2022	0.29
593,334	0.10	September 1, 2022	0.42
14,781,500	0.25	January 5, 2023	0.77
3,972,000	0.10	January 18, 2023	0.80
14,425,000	0.35	December 9, 2023	1.69
4,481,660	0.35	December 17, 2023	1.72
2,000,000	0.24	April 30, 2026	4.08
43,224,494	0.27		1.29

Stock Options

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

No stock options were granted during the three months ended March 31, 2022 (March 31, 2021 – Nil).

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	16,450,000	0.19
Expired	(100,000)	0.05
Balance, March 31, 2022	16,350,000	0.20



10. SHARE CAPITAL (continued)

Stock Options (continued)

The following table summarizes the stock options outstanding and exercisable as at March 31, 2022:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
3,350,000	3,350,000	0.05	July 8, 2025	3.27
10,200,000	10,200,000	0.24	April 8, 2026	4.02
600,000	600,000	0.24	May 19, 2026	4.14
1,700,000	1,700,000	0.20	August 30, 2026	4.42
500,000	500,000	0.20	September 16, 2026	4.47
16,350,000	16,350,000	0.20		3.93

Restricted Share Units (“RSUs”)

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

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

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

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

No RSUs were granted during the three months ended March 31, 2022 (March 31, 2021 – Nil). 1,062,500 RSUs were redeemed for common stock during the three months ended March 31, 2022 (March 31, 2021 – Nil). The Company recorded \$107,407 in share-based compensation expense (March 31, 2021 – \$Nil) relating to the vesting and redemption of RSUs during the quarter.



10. SHARE CAPITAL (continued)

Restricted Share Units (“RSUs”) (continued)

As at March 31, 2022, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2021	6,100,000	0.20
Issued	-	-
Redeemed	(1,062,500)	0.14
Balance, March 31, 2022	5,037,500	0.20

11. COMMITMENTS

The Company had the following commitments as at March 31, 2022:

- 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.

12. SEGMENTED INFORMATION

Management determined that the Company has two reportable operating segments, being the development and commercialization of its clean energy technology in Canada and Europe and its oil and gas operations in Canada and the United States. Corporate includes the Company’s head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company’s chief decision makers. For the period ended March 31, 2022 all revenues were derived from operations in Canada. At March 31, 2022, \$2,051,420 of non-current assets were located in Canada and \$125,596 of non-current assets were in Europe (March 31, 2021 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).



12. SEGMENTED INFORMATION (continued)

Three Months Ended March 31, 2022				
	Oil and Gas	Clean Energy	Corporate	Total
	\$	\$	\$	\$
Revenues	51,965	-	-	51,965
Cost of sales	(29,007)	-	-	(29,007)
Gross profit (loss)	22,958	-	-	22,958
General and administration	15,905	551,682	542,294	1,109,881
Loss from operations	7,053	(551,682)	(542,294)	(1,086,923)
Net finance expenses	(745)	-	(6,563)	(7,308)
Non-operating expenses	-	-	(2,614)	(2,614)
Net loss	6,308	(551,682)	(551,471)	(1,096,845)
Capital expenditures	-	31,851	12,773	44,624
Total assets	20,699	2,412,429	2,992,036	5,425,164

Three Months Ended March 31, 2021				
	Oil and Gas	Clean Energy	Corporate	Total
	\$	\$	\$	\$
Revenues	285,759	-	-	285,759
Cost of sales	(217,346)	-	-	(217,346)
Gross profit (loss)	68,413	-	-	68,413
General and administration	11,667	-	400,339	412,006
Loss from operations	56,746	-	(400,339)	(343,593)
Net finance expenses	8,049	-	(6,717)	1,332
Non-operating expenses	-	-	(732)	(732)
Net loss	64,795	-	(407,788)	(342,993)
Capital expenditures	939,916	-	-	939,916
Total assets	1,887,692	-	1,209,281	3,096,973

13. CAPITAL MANAGEMENT

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

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



13. CAPITAL MANAGEMENT (continued)

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

There were no changes in the Company's approach to capital management during the period ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments include cash, receivables, accounts payable and accrued liabilities, and lease obligations. The carrying amounts of these financial instruments are a reasonable estimate of their fair values based on their current nature and current market rates for similar financial instruments. Derivative financial instruments are the only instruments measured at fair value through profit and loss in accordance with IFRS 9 – Financial Instruments, which requires the classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

15. SUBSEQUENT EVENTS

- a) Subsequent to March 31, 2022, 2,650,000 common shares were issued pursuant to the redemption of RSUs.
- b) Subsequent to March 31, 2022, the Company received \$103,000 from its share subscriptions receivable in connection with a private placement in December 2021. See Note 10(a).