



Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hillcrest Energy Technologies Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hillcrest Energy Technologies Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 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 the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue as at December 31, 2023 and is therefore dependent upon the future receipt of financing to maintain its operations. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

<i>Key audit matter:</i>	<i>How our audit addressed the key audit matter:</i>
Assessment of impairment indicators of Intangible assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to note 2(e) – Use of Estimates and Judgments, note 3 – Material Accounting Policy Information for Intangible assets and note 5 – Intangible assets</i>	Evaluating the reasonableness of management's assessment of impairment indicators, which included the following:
Management assesses, on at least an annual basis or if there	<ul style="list-style-type: none">Assessing the Company's recent levels of market

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Vancouver, BC, Canada
April 16, 2024

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



	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 74,356	\$ 456,285
Receivables		63,968	16,877
Due from related parties	7	85,971	120,971
Prepaid expenses		223,184	246,690
Right-of-use asset	16	84,523	69,057
Total current assets		532,002	909,880
Non-current assets			
Right-of-use asset	16	170,263	24,430
Intangible assets	4	1,550,000	1,550,000
Property and equipment	5	425,327	621,928
Long-term deposits		25,526	-
Assets of discontinued operations	17	9,923	9,541
TOTAL ASSETS		\$ 2,713,041	\$ 3,115,779
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 1,067,924	\$ 311,855
Lease liability	16	65,317	81,102
Total current liabilities		1,133,241	392,957
Lease liability	16	197,470	29,849
Liabilities of discontinued operations	17	261,701	267,854
TOTAL LIABILITIES		1,592,412	690,660
SHAREHOLDERS' EQUITY			
Share capital	8	35,952,064	30,607,322
Shares subscribed	18(a)(g)	627,500	1,204,000
Contributed surplus	8	7,250,112	5,153,997
Reserves		305,864	336,002
Deficit		(43,014,911)	(34,876,202)
TOTAL SHAREHOLDERS' EQUITY		1,120,629	2,425,119
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 2,713,041	\$ 3,115,779

Nature of operations and going concern (Note 1)
Commitments (Note 9)
Subsequent events (Note 18)

On behalf of the Board of Directors:

"Kylie Dickson"

Director

"Thomas Milne"

Director

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



	Notes	Year Ended December 31,	
		2023	2022
General and administrative expenses			
Management and consulting	7	\$ 220,869	\$ 674,850
Research and development		2,130,596	1,434,448
Office and general	7,10	3,685,303	3,284,682
Share-based compensation	7,8	2,232,767	1,151,025
		8,269,535	6,545,005
Loss from operations		(8,269,535)	(6,545,005)
Financing expenses		(16,016)	(25,530)
Write-off of payables and other liabilities		23,472	-
Other income		200,037	254,020
Foreign exchange loss		(14,201)	(30,425)
Net loss for the year from continuing operations		\$ (8,076,243)	\$ (6,346,940)
Net loss from discontinued operations	17	(62,466)	(13,261)
Total net loss for the year		\$ (8,138,709)	\$ (6,360,201)
Items that may be subsequently reclassified to net loss			
Exchange differences on translating foreign operations		4	6
Total comprehensive loss for the year		\$ (8,138,705)	\$ (6,360,195)
Basic and diluted loss per share from continuing operations		\$ (0.13)	\$ (0.12)
Basic and diluted loss per share from discontinuing operations		\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding:			
Basic		61,250,057	54,143,600
Diluted		61,250,057	54,143,600

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



	Notes	Year Ended December 31,	
		2023	2022
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (8,138,709)	\$ (6,346,940)
Adjusted for items not involving cash:			
Write-off of payables and other liabilities		23,472	(253,583)
Finance expense		16,016	25,535
Depreciation		294,702	241,319
Share-based compensation		2,232,767	1,151,025
Shares issued pursuant to service agreement		262,684	-
Changes in non-cash working capital items:			
Receivables		(47,091)	26,711
Prepaid expenses		23,506	293,014
Due from related party		35,000	(120,971)
Accounts payable and accrued liabilities		732,597	(35,048)
Cash used in operating activities for continuing operations		(4,565,056)	(5,018,938)
Cash used in operating activities for discontinued operations		(6,535)	(410,615)
Cash used in operating activities		(4,571,591)	(5,429,553)
INVESTING ACTIVITIES			
Additions to property and equipment	5	(24,036)	(186,143)
Cash used in investing activities for continuing operations		(24,036)	(186,143)
Cash from investing activities for discontinued operations		-	131,970
Cash used in investing activities		(24,036)	(54,173)
FINANCING ACTIVITIES			
Share subscriptions received	18(a)(g)	627,500	566,054
Shares subscribed	8	3,827,000	1,204,000
Warrants subscribed		12,300	-
Exercise of warrants	8	-	577,970
Repayment of lease liability	16	(99,544)	(93,119)
Long-term deposit		(25,526)	-
Share issuance costs	8	(128,036)	-
Cash from financing activities for continuing operations		4,213,694	2,254,905
Cash from financing activities for discontinued operations		-	-
Cash from financing activities		4,213,694	2,254,905
Effect of foreign exchange on cash		4	6
Net decrease in cash		(381,929)	(3,228,815)
Cash, beginning of the year		456,285	3,685,100
Cash, end of the year		\$ 74,356	\$ 456,285

HILLCREST ENERGY TECHNOLOGIES LTD.

 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, 2021			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		53,193,239	29,196,232	(566,054)	-	4,795,660	216,108	119,888	(28,516,001)	5,245,833
Exercise of warrants	8	1,111,833	577,970	-	-	-	-	-	-	577,970
Proceeds from share subscriptions	8	-	-	566,054	-	-	-	-	-	566,054
Redemption of RSUs	8	660,417	792,688	-	-	(792,688)	-	-	-	-
Share-based compensation		-	-	-	-	1,151,025	-	-	-	1,151,025
Share issuance costs	8	33,693	40,432	-	-	-	-	-	-	40,432
Shares subscribed for relating to private placement	8	-	-	-	1,204,000	-	-	-	-	1,204,000
Net loss and comprehensive loss for the year		-	-	-	-	-	-	6	(6,360,201)	(6,360,195)
Balance, December 31, 2022		54,999,182	30,607,322	-	1,204,000	5,153,997	216,108	119,894	(34,876,202)	2,425,119
Balance, December 31, 2022		54,999,182	30,607,322	-	1,204,000	5,153,997	216,108	119,894	(34,876,202)	2,425,119
Shares subscribed for relating to private placement	8	10,673,750	5,031,000	-	(1,204,000)	-	-	-	-	3,827,000
Shares issued for service		538,440	262,684	-	-	-	-	-	-	262,684
Redemption of RSUs	8	283,444	179,458	-	-	(179,458)	-	-	-	-
Share issuance costs	8	-	(128,400)	-	-	-	364	-	-	(128,036)
Proceeds from warrant issuance	8	-	-	-	-	-	12,300	-	-	12,300
Proceeds from share subscriptions	8	-	-	-	627,500	-	-	-	-	627,500
Share-based compensation	8	-	-	-	-	2,232,767	-	-	-	2,232,767
Expiry of warrants		-	-	-	-	42,806	(42,806)	-	-	-
Net loss and comprehensive loss for the year		-	-	-	-	-	-	4	(8,138,709)	(8,138,705)
Balance, December 31, 2023		66,494,816	35,952,064	-	627,500	7,250,112	185,966	119,898	(43,014,911)	1,120,629



1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Company prepares its consolidated financial statements in accordance with 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 16, 2024.

(b) Basis of Measurement

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



2. BASIS OF PREPARATION (continued)

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the parent company, Hillcrest Energy Technologies Ltd., and its wholly owned subsidiaries as listed below. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. 2044573 Alberta Ltd. and Hillcrest Resources (Arizona) Ltd. were dissolved during the year ended December 31, 2022. The activities of any dissolved subsidiary are recorded up to the date of dissolution.

Name of Subsidiary	Jurisdiction of Incorporation	Principal Activity
Hillcrest Exploration Ltd. ("HEL")	USA	Oil and Gas exploration
ALSET Innovation Ltd.	Canada	Clean Technology
Hillcrest Energy Technologies Royalty Holdings Ltd. ("ANIGO")	Canada	Clean Technology
102031850 Saskatchewan Ltd.	Canada	Oil and Gas exploration

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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:

Decommissioning provisions

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



2. BASIS OF PREPARATION (continued)

(e) Use of Estimates and Judgments (continued)

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

Fair value of stock options and other share-based payments

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

Going concern

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

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

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

Right-of-Use Asset/Lease Liability

The incremental rate of borrowing used in the measurement of the lease liability was based on the interest rate of the Secured loans outstanding at December 31, 2021. See Note 16.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2023.

(a) Foreign Currency Translation

Functional and presentation currency

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

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Foreign Currency Translation (continued)

Transactions and balances

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

Property and Equipment

Cost and valuation

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

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

Depreciation

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

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

(b) Intangible Assets

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

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

(c) Oil and Gas Interests

Cost and valuation

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

Depletion

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(c) Oil and Gas Interests (continued)

Depletion (continued)

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

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

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

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

(d) Decommissioning and Restoration Costs

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

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

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

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

(e) Financial Instruments

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

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Financial Instruments (continued)

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

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

(f) Provisions

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

(g) Impairment of Non-Financial Assets

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

(h) Impairment of Financial Assets

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

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

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Convertible Debentures

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

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

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

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

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

(k) Revenue Recognition

The Company principally 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. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(l) Share-based Payments

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

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

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

(m) Joint Venture Activities and Joint Controlled Operations

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

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

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

(n) Taxes

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

Current income tax

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

Deferred income tax

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(n) Taxes (continued)

Deferred tax is not recognized for the following temporary differences:

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

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

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

Sales tax

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

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

(o) Leases

The Company 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.

Right-of-use asset

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

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

Lease liability

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



3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(o) Leases (continued)

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

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

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

4. INTANGIBLE ASSETS

On April 7, 2021, the Company acquired all of the issued and outstanding shares in the capital of ANIGO Technologies Inc. ("ANIGO"), now named 1198007 B.C. Ltd., an engineering product development company in the business of developing proven electric machine control software intellectual property ("IP"). The aggregate purchase price of \$1,550,000 for ANIGO was comprised of a cash consideration of \$200,000 and the issuance of 6,000,000 common shares of the Company at a price of \$0.225, for a fair value of \$1,350,000. The Company, through ANIGO, acquired a portfolio of software IP. Management determined all the consideration issued was attributable to the software IP acquired.

During the years ended December 31, 2022 and 2021, the Company acquired tangible assets in connection with the development of its intangible assets and related business activities, and these have been capitalized within property and equipment ("P&E"). Other costs incurred in this connection, but not related to the acquisition of P&E, are expensed as research and development.

During the year ended December 31, 2023, the Company reviewed the carrying value of its intangible assets and determined there were no indicators of impairment with respect to it.

5. PROPERTY, PLANT AND EQUIPMENT

	R&D Equipment		IT Infrastructure		Equipment and Other		Total
Cost							
At December 31, 2022	\$	616,952	\$	80,839	\$	101,960	\$ 799,751
Additions		17,264		5,478		1,294	24,036
At December 31, 2023	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Accumulated Depreciation							
At December 31, 2022	\$	119,537	\$	30,516	\$	27,770	\$ 177,823
Depreciation		157,475		26,946		36,216	220,637
At December 31, 2023	\$	277,012	\$	57,462	\$	63,986	\$ 398,460
Net book value							
At December 31, 2022	\$	497,415	\$	50,323	\$	74,190	\$ 621,928
At December 31, 2023	\$	357,204	\$	28,855	\$	39,268	\$ 425,327

Equipment and other includes leasehold improvements of \$67,019 with accumulated depreciation of \$47,317.



6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023	December 31, 2022
	(\$)	(\$)
Trade payables	969,879	220,437
Payroll liabilities	19,872	33,179
Accrued liabilities	78,173	58,239
	<u>1,067,924</u>	<u>311,855</u>

7. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the year ended December 31, 2023 and 2022. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Year Ended	
	December 31, 2023	December 31, 2022
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	918,314	902,367
Director fees paid or accrued to directors	127,500	121,333
Share-based compensation	1,641,673	591,649
	<u>2,687,487</u>	<u>1,615,349</u>

- As at December 31, 2023, the Company was owed \$85,971 (December 31, 2022 - \$120,971) from officers of the Company. These amounts are non-interest bearing and are due on demand.
- As at December 31, 2023, a total of \$3,150 (December 31, 2022 - nil) was included in accounts payable and accrued liabilities in consulting fees and GST that were payable to the Company's officers.
- As at December 31, 2023, a total of \$31,334 (December 31, 2022 - \$18,324) was included in accounts payable and accrued liabilities for director fees and reimbursable expenses payable to Company directors and officers.

8. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As at December 31, 2023, the Company had 66,494,816 (December 31, 2022 – 54,999,182) common shares issued and outstanding. On June 8, 2023, the Company completed a 6 to 1 share consolidation. As a result, all prior year figures have been adjusted to reflect this transaction.

Year Ended December 31, 2023

- In January 2023, the Company closed a non-brokered private placement of 1,775,000 units of the Company at a price of \$0.72 per unit for gross proceeds of \$1,278,000, including \$1,204,000 received as at December 31, 2022. Each unit consists of 1.2 common shares in the capital of the Company, resulting in the issuance of a total of 2,130,000 common shares.
- In April and May 2023, the Company closed a non-brokered private placement, over three tranches, of a total of 4,193,750 units of the Company at a price of \$0.48 per unit for gross proceeds of \$2,013,000, with each unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.90 per share for 24 months from the date of issuance. In connection with this placement, 1,000 finder's warrants were granted with an exercise price of \$0.90 and exercisable over two years.



8. SHARE CAPITAL (continued)

- c) A total of 283,444 Restricted Share Units (“RSUs”), issued to various consultants of the Company were redeemed into 283,444 common shares for no additional consideration.
- d) Pursuant to a corporate services agreement, a total of 538,440 common shares was issued to consultants of the Company during July and August at a total deemed value of \$262,684.
- e) On October 4, 2023, the Company closed a non-brokered private placement for a total of 4,350,000 units of the Company at a price of \$0.40 per unit for gross proceeds of \$1,740,000. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.50 per share for 24 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.60 on the Canadian Securities Exchange.

As a result of the above transactions, the Company incurred \$128,400 of share issue costs.

Year Ended December 31, 2022

- a) A total of 3,962,500 Restricted Share Units (“RSUs”) valued at \$792,688, issued to certain employees, consultants, officers and directors of the Company, were redeemed into 3,962,500 common shares for no additional consideration.
- b) A total of 6,071,000 warrants were exercised into 6,671,000 common shares, including 3,000,000 warrants exercised for 3,600,000 common shares pursuant to a temporary warrant exercise program, for gross proceeds of \$577,970.
- c) Included as a 2021 share issuance cost is the issuance of 202,160 common shares for a value of \$40,432 in connection with the closing of a private placement in December 2021.
- d) The Company received \$566,054 from its share subscriptions receivable in connection with the Company's December 2021 private placement. The balance of the receivable has now been received in full.

Share Purchase Warrants

Year ended December 31, 2023

- a) In connection with the private placement closed in April and May 2023, 4,193,750 share purchase warrants and 1,000 finder's warrants with an exercise price of \$0.90 and exercisable over two years were issued for a value of \$364.

The finder's warrants were valued using the Black-Scholes option pricing model under the following assumptions:

Risk-free interest rate	3.65%
Expected life of options	2 years
Volatility	136%
Expected Dividend yield	Nil
Forfeiture rate	0%
Weighted average fair value	\$0.36

- b) In connection with the private placement closed in July 2023, 2,090,000 share purchase warrants with an exercise price of \$0.90 and exercisable over two years were issued for gross proceeds of \$12,300.
- c) In connection with the private placement closed in October 2023, 4,350,000 share purchase warrants with an exercise price of \$0.50 and exercisable over two years were issued.

Year Ended December 31, 2022

- a) A total of 6,071,000 warrants were exercised into 6,671,000 common shares, including 3,000,000 warrants exercised for 3,600,000 common shares pursuant to a temporary warrant exercise program, for gross proceeds of \$577,970.
- b) A total of 593,334 share purchase warrants exercisable at \$0.10 expired unexercised on September 1, 2022.



8. SHARE CAPITAL (continued)

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	7,204,082	1.62
Exercised	(1,011,833)	0.60
Expired	(98,893)	0.60
Balance, December 31, 2022	6,093,356	1.04
Issued	10,634,750	0.74
Expired	(645,333)	0.60
Balance, December 31, 2023	16,082,773	0.63

The following table summarizes the share purchase warrants outstanding as at December 31, 2023:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
2,404,167*	0.35	January 15, 2024	0.04
746,940*	0.35	January 15, 2024	0.04
1,963,583*	0.35	January 15, 2024	0.01
333,333	1.44	April 30, 2026	2.33
1,752,083	0.90	April 11, 2025	1.28
630,167	0.90	April 28, 2025	1.33
1,812,500	0.90	May 15, 2025	1.37
2,090,000	0.90	July 14, 2025	1.54
4,350,000	0.50	October 4, 2025	1.76
16,082,773	0.63		1.08

*On December 6, 2023, 2,404,167 warrants with an original exercise price of \$2.10 and exercisable until December 9, 2023, 746,940 warrants with an original exercise price of \$2.10 and exercisable until December 17, 2023 and 1,963,583 warrants with an original exercise price of \$1.50 and exercisable until January 5, 2024 were amended, such that the exercise price of these warrants was amended to \$0.35 and the warrants would expire January 5, 2024. Subsequent to December 31, 2023, the expiry date of these warrants was again amended to January 15, 2024.

Stock Options

In July of 2021, the Company adopted a new a stock option plan to grant stock options to its directors, officers, employees and consultants. In accordance with the plan, the aggregate number of securities reserved for issuance under the plan, at any point in time, will not exceed 10% of the number of common shares of the Company issued and outstanding at the time the option is granted, less any common shares reserved for issuance under share options granted under share compensation arrangements other than the plan. The exercise price of option grants will be determined by the Board of Directors but will not be less than the closing market price of the common shares on the CSE at the time of grant. All unexercised options granted under the plan will expire by the date fixed by the Board of Directors at the time the option is granted.

During the year ended December 31, 2023, the Company granted an aggregate of 405,317 (December 31, 2022 – 940,654) stock options subject to vesting criteria and expensed \$367,672 (December 31, 2022 - \$254,936) as share-based compensation.



8. SHARE CAPITAL (continued)

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

	2023	2022
Risk-free interest rate	3.44% – 3.72%	3.07% – 3.67%
Expected life of options	5 years	5 years
Volatility	129% – 136%	136% – 137%
Expected Dividend yield	Nil	Nil
Forfeiture rate	5%	5%
Weighted average fair value	\$0.42	\$0.11

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	2,741,666	1.14
Issued	940,653	0.90
Cancelled	(50,000)	1.44
Expired	(16,667)	0.30
Balance, December 31, 2022	3,615,652	1.10
Issued	405,317	0.55
Cancelled	(225,000)	1.13
Balance, December 31, 2023	3,795,969	1.04

The following table summarizes the stock options outstanding and exercisable as at December 31, 2023:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
41,667	41,667	0.90	April 28, 2025	1.33
558,333	558,333	0.30	July 8, 2025	1.52
1,600,000	1,600,000	1.44	April 8, 2026	2.27
100,000	100,000	1.44	May 19, 2026	2.38
200,000	200,000	1.20	August 30, 2026	2.67
83,333	83,333	1.20	September 16, 2026	2.71
333,333	291,667	0.90	July 18, 2027	3.55
251,388	180,556	0.90	October 27, 2027	3.82
264,265	264,265	0.90	November 4, 2027	3.85
261,650	261,650	0.57	June 14, 2028	4.46
102,000	-	0.35	December 4, 2028	4.93
3,795,969	3,581,471	1.04		2.73

Restricted Share Units ("RSUs")

In July of 2021, the Company adopted a new a Restricted Share Unit ("RSU") plan known as the "Hillcrest Restricted Share Unit Plan," which provides for the issuance of RSUs in such amounts as approved by the Company's Board of Directors. The purpose of this Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Persons related to the achievement of long-term financial and strategic objectives of the Company and the resulting increases in shareholder value.



8. SHARE CAPITAL (continued)

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

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

The share-based compensation expense related to RSUs settled in cash are accrued over the vesting period of the units based on the Company’s share price on the date of grant.

During the year ended December 31, 2023, 3,919,838 RSUs were granted (December 31, 2022 – 1,058,990) and 283,444 RSUs were redeemed for common shares (December 31, 2022 – 660,417). The Company recorded \$1,865,095 in share-based compensation expense relating to the vesting of RSUs during the year ended December 31, 2023 (December 31, 2022 – \$896,089).

As at December 31, 2023, restricted share units were outstanding as follows:

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2021	1,016,667	1.20
Granted	1,058,990	0.72
Redeemed	(660,417)	1.20
Balance, December 31, 2022	1,415,240	0.84
Granted	3,919,838	0.55
Redeemed	(283,444)	0.63
Balance, December 31, 2023	5,051,634	0.62

9. COMMITMENTS

The Company had the following commitments as at December 31, 2023:

- a) In July 2023, the Company entered into two separate office rental agreements in Vancouver, British Columbia.

The first agreement is a sublet agreement with a term of 11 months, commencing December 1, 2023 and terminating on October 31, 2024, to accommodate the Company’s corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$77,097 per annum, plus common costs and taxes.

The second agreement has a term of 36 months, commencing November 1, 2024 and terminating on October 31, 2027, to accommodate the Company’s corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

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

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



10. OFFICE AND GENERAL

The following is a breakdown of the office and general expenses for the years ended December 31, 2022 and 2023.

	Year Ended December 31,	
	2023	2022
	(\$)	(\$)
Business development	581,964	628,996
Depreciation and amortization	294,702	241,319
Investor relations	772,609	545,572
Office	177,198	171,593
Professional fees	206,358	356,737
Salaries and wages	1,434,580	1,200,090
Transfer agent and filing	96,379	36,885
Travel	121,513	103,490
Total office and general	3,685,303	3,284,682

11. SEGMENTED INFORMATION

Management determined that the Company has two reportable operating segments, being the development and commercialization of its clean energy technology in Canada and Europe and the discontinued oil and gas operations in Canada and the United States. Corporate includes the Company's head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers. At December 31, 2023, \$2,097,272 of non-current assets were located in Canada and \$83,767 of non-current assets were in Europe (December 31, 2022 - \$2,084,351 of non-current assets were located in Canada and \$121,548 of non-current assets were in Europe).

	Year Ended December 31, 2023			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	(\$)	(\$)	(\$)	(\$)
General and administration	2,476,850	5,792,685	-	8,269,535
Loss from operations	(2,476,850)	(5,792,685)	-	(8,269,535)
Net finance expenses	(8,704)	(7,312)	-	(16,016)
Non-operating expenses	-	(14,201)	-	(14,201)
Write-off of payables and other liabilities	-	23,472	-	23,472
Other income	200,037	-	-	200,037
Net loss from continuing operations	(2,285,517)	(5,790,726)	-	(8,076,243)
Net loss from discontinued operations	-	-	(62,466)	(62,466)
Capital expenditures	24,036	-	-	24,036
Total assets	2,031,744	671,374	9,923	2,713,041



11. SEGMENTED INFORMATION (continued)

	Year Ended December 31, 2022			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	(\$)	(\$)	(\$)	(\$)
General and administration	2,484,779	4,060,226	-	6,545,005
Loss from operations	(2,484,779)	(4,060,226)	-	(6,545,005)
Net finance expenses	(14,943)	(10,587)	-	(25,530)
Non-operating expenses	-	223,595	-	223,595
Net loss from continuing operations	(2,499,722)	(3,847,218)	-	(6,346,940)
Net loss from discontinued operations	-	-	(13,261)	(13,261)
Capital expenditures	173,153	12,990	-	186,143
Total assets	2,413,778	692,460	9,541	3,115,779

12. CAPITAL MANAGEMENT

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

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Financial Instrument Risk Exposure

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



13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2023, the maximum credit exposure is the carrying amount of trade receivables of Nil (December 31, 2022 - Nil).

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. 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, 2023, the Company had a working capital deficiency of \$601,239 (December 31, 2022 – working capital of \$516,923). The Company finances its operations through a combination of cash, loans and equity. The Company's ability to continue as a going concern is dependent upon the Company generating positive cash flows from operations, equity financing, debt financing, disposing of assets or making other arrangements. Refer to Note 1 for further discussion.

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

	2023	2022
	(\$)	(\$)
Less than 1 year	1,135,277	401,145
Between 1 – 2 years	55,307	29,849
Between 2 – 5 years	142,162	-
	<u>1,332,746</u>	<u>430,994</u>

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.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2023	2022
	(\$)	(\$)
Non-cash investing and financing activities:		
Change in estimate and discount rate of decommissioning liabilities	-	177,193
Common shares issued upon service agreement	262,684	-
Common shares issued upon redemption of RSUs	179,458	792,688
Interest paid during the year	-	-



15. 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:

	2023	2022
	(\$)	(\$)
Income (loss) for the year	(8,138,709)	(6,360,201)
Expected income tax expense (recovery) at 27%	(2,197,000)	(1,717,000)
Non-deductible items	583,000	287,000
Change in unrecognized deductible temporary differences	1,614,000	1,430,000
Income tax expense	-	-

b) Deferred Income Taxes

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

	2023	2022
	(\$)	(\$)
Non-capital losses carry-forwards	7,660,000	5,979,000
Oil and gas interests	711,000	771,000
Property, plant and equipment	(531,000)	(503,000)
Share issuance costs	32,000	26,000
	7,872,000	6,273,000

c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

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

	2023	2022
	(\$)	(\$)
Non-capital losses carry-forwards	28,398,000	22,172,000
Oil and gas interests	2,636,000	2,856,000
Property, plant and equipment and intangible assets	(1,966,000)	(1,862,000)
Share issuance costs	120,000	96,000

16. 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 had 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.

In July 2023, the Company entered into two separate office rental agreements in Vancouver, British Columbia.

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

The second agreement has a term of 36 months, commencing November 1, 2024 and terminating on October 31, 2027, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

a) Right-of-use assets continuity

Changes in the Company's right-of-use assets during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
	(\$)	(\$)
Balance, beginning of year	93,487	165,490
New premises lease	235,364	-
Amortization	(74,065)	(72,003)
Balance, end of year	<u>254,786</u>	<u>93,487</u>

b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting as at December 31, 2023 and 2022 were as follows:

	2023	2022
	(\$)	(\$)
Undiscounted minimum lease payments:		
Less than one year	110,642	93,119
One to three years	182,380	31,473
Three to five years	78,755	-
Effect of discounting	(108,990)	(13,641)
Present value of minimum lease payments	<u>262,787</u>	<u>110,951</u>

c) Lease liability continuity

Changes in the Company's lease liabilities during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
	(\$)	(\$)
Balance, beginning of year	110,951	178,535
New premises lease	235,364	-
Interest expense	16,016	25,535
Principal payments	(99,544)	(93,119)
Balance, end of year	<u>262,787</u>	<u>110,951</u>

Interest of \$16,015 for the year ended December 31, 2023 (2022 – \$25,535) is included in financing expenses.

17. DISCONTINUED OPERATIONS

Oil and Gas

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

The Company commenced abandonment and reclamation activities at West Hazel in 2021, with the abandonment of seven wellbores. All wellbores have now been abandoned, surface equipment removed, with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2024 or 2025.



17. DISCONTINUED OPERATIONS (continued)

The Company's ceasing of oil and gas operations at its West Hazel field has completed the Company's exit from the fossil fuel business. As at December 31, 2023, the assets and liabilities related to the oil and gas properties have been reclassified as assets and liabilities of discontinued operations in the consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as a net gain or loss from discontinued operations in the consolidated statements of loss and comprehensive loss, and as cash flow from discontinued operations in the consolidated statements of cash flows, respectively.

Net assets and net liabilities of discontinued operations:

	December 31, 2023	December 31, 2022
	(\$)	(\$)
Assets		
Cash and cash equivalents	150	891
Receivables	6,832	5,709
Prepaid expenses	2,941	2,941
Total Assets	9,923	9,541
Liabilities		
Accounts payable and accrued liabilities	2,035	8,188
Decommissioning Liability	259,666	259,666
Total Liabilities	261,701	267,854

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

	Year Ended	
	December 31, 2023	December 31, 2022
	(\$)	(\$)
Revenue and costs		
Oil sales	-	51,965
Royalties	-	(5,018)
Operating costs	(27,677)	(77,750)
	(27,677)	(30,803)
General and administrative		
Management and consulting	-	(55,846)
Office and general	(10,544)	(2,192)
Change in decommissioning estimate	-	(177,193)
Loss from discontinued operations	(38,221)	(266,034)
Financing expenses	-	(2,414)
Other income (expenses)	(24,245)	255,187
Net loss from discontinued operations	(62,466)	(13,261)



17. DISCONTINUED OPERATIONS (continued)

Oil And Gas Interests

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

Cost	
At December 31, 2022	\$ 4,533,916
At December 31, 2023	\$ 4,533,916
Accumulated depletion	
At December 31, 2022	\$ 1,659,793
At December 31, 2023	\$ 1,659,793
Impairment	
At December 31, 2022	\$ 2,874,123
At December 31, 2023	\$ 2,874,123
Carrying amounts	
At December 31, 2022	\$ -
At December 31, 2023	\$ -

West Hazel, Saskatchewan

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

Impairment

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

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

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

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



17. DISCONTINUED OPERATIONS (continued)

Decommissioning Liability

Net liabilities of discontinued operations include the decommissioning liabilities associated with the Company's oil and gas properties, which are summarized below:

	West Hazel, Saskatchewan		Flaxcombe, Saskatchewan		Hartburg, Texas		Total
Balance, December 31, 2021	\$	311,550	\$	52,583	\$	10,030	\$ 374,163
Accretion		2,235		179		-	2,414
Change in estimate		239,985		(52,762)		(10,030)	177,193
Cash settlements		(170,887)		-		-	(170,887)
ASCP settlements		(123,217)		-		-	(123,217)
Balance, December 31, 2022 and 2023	\$	259,666	\$	-	\$	-	\$ 259,666

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

At December 31, 2023, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$417,134 (December 31, 2022 - \$417,134), \$259,666 of which represents the Company's 62.25% share of the decommissioning liability. During the year ended December 31, 2022, the Company was granted funding of up to \$200,000 from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP"). The Company incurred \$197,439 of eligible costs during 2022, \$123,217 of which represents the Company's 62.25% share. The Company also incurred cash costs of \$274,517 in 2022, \$170,887 of which represents the Company's 62.25% share, for a total of \$294,104 decommissioning costs settled during the year ended December 31, 2022. The provision is presented on an undiscounted basis as at December 31, 2023, as it has been estimated by management that the Company will incur remaining decommissioning liability costs during 2024 and 2025.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2023:

- a) In January 2024, the Company secured a \$5 million equity drawdown facility. Pursuant to the Equity Facility, the Company shall pay the investor a commitment fee equal to 4.9% of the total capital of the Company committed, payable in cash or common shares in the capital of the Company (the "Shares") at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"), at the election of the Company. On any drawdown amount, the Company shall pay 12% drawdown fee, which may be payable in Shares or by deduction from the funded advance, at the option of the investor. Each drawdown will be in units (the "Units"), with each Unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Drawdown Warrant"). The Units will be issued at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"). All Drawdown Warrants issued as part of the Units will be exercisable at an exercise price equal to the greater of 125% of the Issue Price, and the minimum exercise price permitted by policies of the CSE and will be exercisable for a period of three years from the date of issuance. During 2023, the Company received \$264,000 on the facility.
- b) On January 5, 2024, the Company granted 345,000 options exercisable at a price of \$0.29 per Company common share until January 4, 2029. These options were exercised for proceeds of \$100,500 on January 17, 2024.



18. SUBSEQUENT EVENTS (continued)

- c) On January 9, 2024, the Company closed the first drawdown on the equity drawdown facility, issuing 1,800,000 Company common shares for proceeds of \$331,045, of which \$67,045 was received subsequent to year end. Pursuant to the drawdown, 741,541 warrants with an exercise price of \$0.31 and exercisable over three years were issued.
- d) On January 15, 2024, 5,114,690 share purchase warrants expired unexercised.
- e) On January 31, 2024, the Company granted 933,330 RSUs to Company consultants, with 638,888 vesting on the grant date, 50,000 vesting February 28, 2024 and 244,442 vesting on a quarterly basis during 2024.
- f) On February 7, 2024, 452,222 RSUs were redeemed for 452,222 Company common shares.
- g) On February 9, 2024, the Company closed the first tranche of a non-brokered private placement for a total of 2,530,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$632,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange. Of these proceeds, \$310,000 had been received prior to December 31, 2023.
- h) On February 14, 2024, the Company closed the second drawdown on the equity drawdown facility, issuing 1,800,000 Company common shares for proceeds of \$234,448. Pursuant to the drawdown, 547,044 warrants with an exercise price of \$0.30 and exercisable over three years were issued.
- i) On February 14, 2024, 316,229 RSUs were redeemed for 316,229 Company common shares and 227,929 RSUs were cancelled.
- j) On April 10, 2024, the Company granted 425,000 RSUs to Company consultants, with 125,000 vesting on the grant date, 150,000 vesting on August 30, 2024 and 150,000 vesting on February 28, 2025.
- k) On April 12, 2024, the Company closed the third drawdown on the equity drawdown facility, issuing 1,201,023 Company common shares for proceeds of \$203,745. Pursuant to the drawdown, 536,171 warrants with an exercise price of \$0.25 and exercisable over three years were issued.
- l) On April 16, 2024, the Company closed the second tranche of a non-brokered private placement for a total of 3,582,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$895,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange. Of these proceeds, \$45,000 had been received prior to December 31, 2023.