



Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited)



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated interim financial statements of Hillcrest Energy Technologies Ltd. for the three months ended March 31, 2025, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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	Notes	March 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		\$ 6,682	\$ 15,582
Receivables		14,343	26,284
Due from related parties	10	918	906
Prepaid expenses		208,266	801,084
Right-of-use asset	6	105,485	105,485
Assets of discontinued operations	17	7,638	10,687
Total current assets		343,332	949,341
Non-current assets			
Restricted cash equivalents		28,750	28,750
Right-of-use asset	6	159,452	185,823
Intangible assets	4	1,550,000	1,550,000
Property and equipment	5	166,315	208,955
Deposits		28,137	28,137
TOTAL ASSETS		\$ 2,275,986	\$ 2,961,693
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,731,083	\$ 1,406,840
Lease liability	6	98,732	92,683
Promissory notes	8	341,908	1,898,964
Liabilities of discontinued operations	17	439,228	440,209
Total current liabilities		2,610,951	3,838,696
Lease liability	6	203,130	230,340
Convertible debentures	9	1,713,979	-
TOTAL LIABILITIES		4,528,060	4,069,036
SHAREHOLDERS' DEFICIENCY			
Share capital	11	44,107,886	43,980,719
Share subscriptions receivable		(8,000)	(8,000)
Convertible debentures - equity component	9	892,769	-
Contributed surplus		8,792,211	8,581,776
Reserves		310,228	310,228
Deficit		(56,347,169)	(53,972,066)
TOTAL SHAREHOLDERS' DEFICIENCY		(2,252,075)	(1,107,343)
TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY		\$ 2,275,986	\$ 2,961,693

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

On behalf of the Board of Directors:

"Thomas G. Milne"
Director

"Dave Farrell"
Director

HILLCREST ENERGY TECHNOLOGIES LTD.

Consolidated Statements of Loss and Comprehensive Loss

For the Three-Months Ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)



		Three Months Ended March 31,	
	Notes	2025	2024
General and administrative expenses			
Management and consulting	10	\$ 69,790	\$ 53,320
Research and development		626,570	448,915
Office and general	13	1,273,252	881,908
Share-based compensation	11	337,602	381,027
		\$ 2,307,214	\$ 1,765,170
Loss from operations		(2,307,214)	(1,765,170)
Financing expenses		(66,694)	(12,002)
Foreign exchange loss		(4,446)	6,790
Other income		4,867	137,095
Net loss for the period from continuing operations		\$ (2,373,487)	\$ (1,633,287)
Net loss from discontinued operations	17	(1,617)	(518)
Total net loss for the period		\$ (2,375,104)	\$ (1,633,805)
Items that may be subsequently reclassified to net loss			
Exchange differences on translating foreign operations		-	2,338
Total comprehensive loss for the period		\$ (2,375,104)	\$ (1,631,467)
Basic and diluted loss per share from continuing operations		\$ (0.02)	\$ (0.02)
Basic and diluted gain (loss) per share from discontinued operations		\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding:			
Basic		99,891,806	67,444,921
Diluted		99,891,806	67,444,921

HILLCREST ENERGY TECHNOLOGIES LTD.

Consolidated Statements of Cash Flows

For the Three-Months Ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)



		Three Months Ended March 31,	
	Notes	2025	2024
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (2,373,487)	\$ (1,633,805)
Adjusted for items not involving cash:			
Finance expense		15,802	12,001
Depreciation		69,011	76,604
Share-based compensation		337,602	381,028
Changes in non-cash working capital items:			
Receivables		11,941	32,107
Prepaid expenses		592,818	(286,917)
Due from related party		(12)	-
Accounts payable and accrued liabilities		324,245	(50,665)
Cash used in operating activities for continuing operations		(1,022,080)	(1,469,647)
Cash used in operating activities for discontinued operations		451	(782)
Cash used in operating activities		(1,021,629)	(1,470,429)
INVESTING ACTIVITIES			
Purchases of property and equipment	5	-	-
Cash used in investing activities for continuing operations		-	-
Cash used in investing activities for discontinued operations		-	-
Cash used in investing activities		-	-
FINANCING ACTIVITIES			
Securities subscribed		-	585,258
Exercise of options	9	-	100,050
Promissory notes	8	(1,557,056)	-
Debentures	9	2,606,748	-
Private placements	9	-	1,001,852
Share issuance costs	9	-	(92,309)
Long-term deposit		-	(28,137)
Repayment of lease liability	17	(36,963)	(27,142)
Cash from financing activities for continuing operations		1,012,729	1,539,572
Cash from financing activities for discontinued operations		-	-
Cash from financing activities		1,012,729	1,539,572
Net decrease in cash		(8,900)	69,143
Cash and cash equivalents, beginning of the year		15,582	74,356
Cash and cash equivalents, end of the year		\$ 6,682	\$ 143,499

HILLCREST ENERGY TECHNOLOGIES LTD.

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



	Notes	Share Capital		Share Subscriptions Receivable	Securities Subscribed	Contributed Surplus	Reserves			Shareholders' Equity
		Number of Shares	Amount				Warrants	Foreign Currency Translation	Deficit	
Balance, December 31, 2023		66,494,816	35,952,064	-	627,500	7,250,112	185,966	119,898	(43,020,513)	1,115,027
Exercise of options	11	345,000	100,050	-	-	-	-	-	-	100,050
Proceeds from shares subscribed		-	-	-	895,258	-	-	-	-	895,258
Redemption of RSUs	11	768,451	207,482	-	-	(207,482)	-	-	-	-
Proceeds from private placement	11	6,130,000	1,001,852	-	(310,000)	-	-	-	-	691,852
Share-based compensation		-	-	-	-	381,027	-	-	-	381,027
Share issuance costs	11	-	(92,309)	-	-	-	-	-	-	(92,309)
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(1,633,805)	(1,633,805)
Balance, March 31, 2024		73,738,267	37,169,139	-	1,212,758	7,423,658	185,966	119,898	(44,654,318)	1,457,101
Balance, December 31, 2024		99,269,584	43,980,719	(8,000)	-	8,581,776	190,330	119,898	(53,972,066)	(1,107,343)
Exercise of RSUs	11	1,166,666	127,167	-	-	(127,167)	-	-	-	-
Share-based compensation	11	-	-	-	-	337,602	-	-	-	337,602
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(2,375,104)	(2,375,104)
Balance, March 31, 2025		100,436,250	44,107,886	(8,000)	-	8,792,211	190,330	119,898	(56,347,170)	(3,144,845)



1. NATURE OF OPERATIONS AND GOING CONCERN

Hillcrest Energy Technologies Ltd. (formerly “Hillcrest Petroleum Ltd.”) (the “Company”) was incorporated on May 2, 2006 under the Business Corporations Act of British Columbia, and is in the business of developing high-value, high-performance clean energy technologies. The Company is currently engaged in a variety of R&D activities associated with its Zero Voltage Switching (ZVS) technology platform and commercializing projects associated with specific applications being developed on the ZVS technology platform. The Company’s registered office is Suite 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

These condensed interim consolidated financial statements were approved by the Audit Committee and the Board of Directors of the Company on May 30, 2025.

(b) Basis of Measurement

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



2. BASIS OF PREPARATION (continued)

(c) Basis of Consolidation

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

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

In preparing these condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ. Significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited consolidated financial statements for the year ended December 31, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these condensed interim consolidated financial statements are consistent with those stated in the Company's most recent annual audited financial statements, except for any new standards and amendments adopted (Note 3). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2024.

4. INTANGIBLE ASSETS

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

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

During the period ended March 31, 2025, the Company reviewed the carrying value of its intangible assets and determined there were no indicators of impairment with respect to it.



5. PROPERTY, PLANT AND EQUIPMENT

	R&D Equipment		IT Infrastructure		Equipment and Other		Total
Cost							
At December 31, 2024	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Additions		-		-		-	-
At March 31, 2025	\$	634,216	\$	86,317	\$	103,254	\$ 823,787
Accumulated Depreciation							
At December 31, 2024	\$	444,848	\$	78,455	\$	91,529	\$ 614,832
Depreciation		39,638		1,122		1,880	42,640
At March 31, 2025	\$	484,485	\$	79,577	\$	93,409	\$ 657,471
Net book value							
At December 31, 2024	\$	189,368	\$	7,862	\$	11,725	\$ 208,955
At March 31, 2025	\$	149,731	\$	6,740	\$	9,846	\$ 166,315

Equipment and other includes leasehold improvements of \$67,019 as of March 31, 2025 (December 31, 2024 - \$67,019).

6. RIGHT-OF-USE ASSET/LEASE LIABILITY

On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia to accommodate the developing of the Company's clean energy technology and IP, has a term of 36 months, commencing September 1, 2021 and terminating on August 31, 2025. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of \$47,209 per annum, plus common costs and taxes.

In July 2024, the Company 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, 2024 and terminating on October 31, 2025, 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, 2025 and terminating on October 31, 2027, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

a) Right-of-use assets continuity

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

	March 31, 2025 \$	December 31, 2024 \$
Balance, beginning of year	291,308	254,786
New premises lease	-	136,175
Amortization	(26,371)	(99,653)
Balance, end of year	264,937	291,308



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

b) Lease liability

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

	March 31, 2025 \$	December 31, 2024 \$
Undiscounted minimum lease payments:		
Less than one year	150,505	149,189
One to three years	210,898	233,208
Three to five years	26,613	42,581
Effect of discounting	(86,154)	(101,955)
Present value of minimum lease payments	301,862	323,023

c) Lease liability continuity

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

	March 31, 2025 \$	December 31, 2024 \$
Balance, beginning of year	323,023	262,787
New premises lease	-	136,175
Interest expense	15,802	54,142
Principal payments	(36,963)	(130,081)
Balance, end of year	301,862	323,023

Interest of \$15,802 for the three months ended March 31, 2025 (March 31, 2024 – \$12,002) is included in financing expenses.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2025 (\$)	December 31, 2024 (\$)
Trade payables	1,605,336	1,273,231
Accrued liabilities	89,319	57,000
Payroll liabilities	536	76,609
Interest payable	35,892	-
	1,731,083	1,406,840



8. PROMISSORY NOTES

During the three-month period ended March 31, 2025, the Company had promissory notes of \$341,908 (December 31, 2024 - \$1,898,964). These notes are non-interest bearing, unsecured, and have no specific terms of repayment.

9. CONVERTIBLE DEBENTURES

In January 2025, the Company closed the first tranche of an unsecured convertible debenture financing with a total principal amount of \$1,942,825, including \$1,554,825 to settle existing debt and accounts payable.

In March 2025, the Company closed a second tranche of the unsecured convertible debenture financing, issuing debentures with a total principal amount of \$663,923, including \$470,523 to settle existing debt and accounts payable.

The debentures bear interest at 10% per annum and mature two years following the date of issuance.

The outstanding principal amount owed under a debenture may be converted, in the sole discretion of the holder at any time prior to maturity, into Company units at a conversion price of \$0.12 per unit (the "Conversion Price"). Each unit will consist of one Company common share and one common share purchase warrant, with each exercisable at a price of \$0.12 per common share for 36 months from the date of issuance. At maturity, the Company may convert the outstanding principal amount, together with any accrued and unpaid interest thereon, into units at the Conversion Price, provided that, if the holder of a debenture and the Company make different elections at maturity, the election by the party who opted in favour of the largest conversion of the principal amount into units at the Conversion Price will prevail. The debentures are also subject to a forced conversion right, whereby the Company may convert the outstanding principal amount and any accrued and unpaid interest thereon into units at the Conversion Price if the closing price of the Company's common shares on the CSE is greater than or equal to \$0.36 for a period of ten consecutive trading days. If the Company arranges a distribution of securities, other than pursuant to an equity incentive plan, holders of the debentures may elect to complete a securities-for-debt transaction in connection with such subsequent financing to settle the outstanding principal and interest accrued and owing.

The convertible debenture was determined to be a compound financial instrument composed of liability and equity components, meeting the fixed-for-fixed criteria. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 15.00%. The effective interest rate was based on the estimated interest rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

At the time of issue, the value of the liability component was determined to be \$1,713,979 with the residual value of \$892,769 assigned to the equity component.

The value of the conversion warrants was determined by allocating the residual value of the debenture units transaction price after all financial liabilities in the debenture units were recognized. No value has been assigned to the warrants.

10. RELATED PARTY TRANSACTIONS

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

Key management compensation

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	165,851	204,126
Director fees paid or accrued to directors	15,802	35,000
Share-based compensation	183,211	53,525
	364,864	253,659



10. RELATED PARTY TRANSACTIONS (continued)

- a) As at March 31, 2025, the Company was owed \$918 (December 31, 2024 - \$906) from directors of the Company. These amounts are non-interest bearing and are due on demand.
- b) As at March 31, 2025, the Company was owed \$8,000 (December 31, 2024 - \$8,000) included in share subscriptions receivable from an officer of the Company. This amount is non-interest bearing and due on demand.
- c) As at March 31, 2025, a total of nil (December 31, 2024 - \$60,105) was included in accounts payable and accrued liabilities in consulting fees and GST that were payable to the Company's officers.
- d) As at March 31, 2025, a total of \$27,925 (December 31, 2024 - \$90,358) was included in accounts payable and accrued liabilities for director fees and reimbursable expenses payable to Company directors and officers.

11. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As at March 31, 2025, the Company had 100,436,250 (December 31, 2024 – 99,269,584) common shares issued and outstanding.

Three Months Ended March 31, 2025

- a) During the three-months ended March 31, 2025, the Company issued 1,166,666 common shares on the exercise of restricted stock units.

Three Months Ended March 31, 2024

- a) In January 2024, the Company secured a \$5 million equity drawdown facility. Pursuant to the Equity Facility, the Company shall pay the investor a commitment fee equal to 4.9% of the total capital of the Company committed, payable in cash or common shares in the capital of the Company (the "Shares") at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"), at the election of the Company. On any drawdown amount, the Company shall pay 12% drawdown fee, which may be payable in Shares or by deduction from the funded advance, at the option of the investor. Each drawdown will be in units (the "Units"), with each Unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Drawdown Warrant"). The Units will be issued at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"). All Drawdown Warrants issued as part of the Units will be exercisable at an exercise price equal to the greater of 125% of the Issue Price, and the minimum exercise price permitted by policies of the CSE and will be exercisable for a period of three years from the date of issuance. The Company closed the first drawdown, issuing 1,483,082 common shares for proceeds of \$331,045. Pursuant to the drawdown, 741,541 warrants with an exercise price of \$0.31 and exercisable over three years were issued.
- b) On February 14, 2024, the Company closed the second drawdown on the equity drawdown facility, issuing 1,094,088 Company common shares for proceeds of \$234,448. Pursuant to the drawdown, 547,044 warrants with an exercise price of \$0.30 and exercisable over three years were issued.
- c) In February 2024, the Company closed the first tranche of a non-brokered private placement for a total of 2,530,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$632,500. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.30 per share for 36 months from the date of issuance. The warrants are subject to accelerated expiry upon 30 business days' notice from the Company in the event the Company's common shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange. Of these proceeds, \$310,000 had been received prior to December 31, 2024.



11. SHARE CAPITAL (continued)

Share Purchase Warrants

Three Months Ended March 31, 2025

There was no share purchase warrant activity during the period.

Three Months Ended March 31, 2024

- In connection with the first drawdown on the equity draw down facility which closed in January 2025, the Company issued 741,541 share purchase warrants with an exercise price of \$0.31 and expire January 2027.
- In connection with the private placement closed in February 2025, the Company issued 2,530,000 share purchase warrants with an exercise price of \$0.30 and expire February 2027.
- In connection with the second drawdown on the equity draw down facility which closed in February 2025, the Company issued 547,044 share purchase warrants with an exercise price of \$0.30 and expire February 2027.

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

	Number of Warrants	Weighted Average Exercise Price
		(\$)
Balance, December 31, 2023	16,082,773	0.63
Issued	20,128,152	0.30
Exercised	(2,528,585)	0.30
Expired	(5,114,690)	0.35
Balance, December 31, 2024 and March 31, 2025	28,567,650	0.48

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

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	(\$)		(yrs)
1,752,083	0.90	April 11, 2025	0.03
630,167	0.90	April 28, 2025	0.07
1,812,500	0.90	May 15, 2025	0.12
2,090,000	0.90	July 14, 2025	0.28
4,350,000	0.50	October 4, 2025	0.51
333,333	1.44	April 30, 2026	1.08
1,290,000	0.30	February 9, 2027	1.86
536,171	0.25	April 12, 2027	2.03
3,582,000	0.30	April 12, 2027	2.04
6,762,000	0.30	April 30, 2027	2.08
2,520	0.25	April 30, 2027	2.08
459,540	0.30	May 7, 2027	2.10
362,875	0.28	May 10, 2027	2.11
3,530,000	0.30	June 3, 2027	2.17
36,000	0.30	June 3, 2027	2.17
1,038,461	0.33	August 26, 2027	2.40
28,567,650	0.48		1.41



11. SHARE CAPITAL (continued)

Stock Options

The Company has in place a 10% “rolling” stock option plan dated for reference July 28, 2021, as amended on April 25, 2024, to grant stock options to its directors, officers, employees and consultants. In accordance with the plan, the aggregate number of securities reserved for issuance under the plan, at any point in time, will not exceed 10% of the number of common shares of the Company issued and outstanding at the time the option is granted, less any common shares reserved for issuance under share options granted under share compensation arrangements other than the plan. The exercise price of option grants will be determined by the Board of Directors but will not be less than the closing market price of the common shares on the CSE at the time of grant. All unexercised options granted under the plan will expire by the date fixed by the Board of Directors at the time the option is granted.

During the quarter ended March 31, 2025, the Company granted an aggregate of 310,000 (March 31, 2024 – 345,000) stock options subject to vesting criteria and expensed \$45,047 (March 31, 2024 - \$64,000) as share-based compensation.

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

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2023	3,795,969	1.04
Issued	5,108,867	0.25
Exercised	(345,000)	0.29
Cancelled	(451,524)	0.58
Balance, December 31, 2024	8,108,312	0.60
Issued	310,000	0.12
Balance, March 31, 2025	8,418,312	0.58

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

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	0.08
525,000	525,000	0.30	July 8, 2025	0.27
1,566,667	1,566,667	1.44	April 8, 2026	1.02
100,000	100,000	1.44	May 19, 2026	1.13
200,000	200,000	1.20	August 30, 2026	1.42
83,333	83,333	1.20	September 16, 2026	1.46
100,000	100,000	0.25	May 9, 2027	2.10
250,000	250,000	0.90	July 18, 2027	2.30
216,666	216,666	0.90	October 27, 2027	2.58
253,154	126,577	0.90	November 4, 2027	2.60
193,158	193,158	0.57	June 14, 2028	3.21
102,000	102,000	0.35	December 4, 2028	3.68
4,476,667	-	0.25	May 23, 2029	4.15
100,000	-	0.12	January 29, 2030	4.84
210,000	-	0.12	March 4, 2030	4.93
8,418,312	3,505,068	0.58		3.01



11. SHARE CAPITAL (continued)

Restricted Share Units ("RSUs")

The Company has in place a 10% "rolling" Restricted Share Unit Plan dated effective as of July 28, 2011, which was ratified and approved by the Shareholders of the Company at the Company's June 5, 2024 annual general meeting, which provides for the issuance of RSUs in such amounts as approved by the Company's Board of Directors. The purpose of this Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Persons related to the achievement of long-term financial and strategic objectives of the Company and the resulting increases in shareholder value.

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

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

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

During the three months ended March 31, 2025, the Company granted 2,229,076 RSUs (March 31, 2024 – 933,333), of which 700,000 were exercised and settled for common stock (March 31, 2024 – Nil). The Company recorded \$292,555 in share-based compensation expense (March 31, 2024 – \$317,027) relating to the vesting and redemption of RSUs during the quarter. In addition, nil were cancelled during the quarter (March 31, 2024 – 227,929).

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

	Number of Units	Weighted Average Fair Value (\$)
Balance, December 31, 2023	5,051,634	0.62
Granted	4,526,986	0.25
Expired	(741,382)	0.62
Redeemed	(1,560,027)	0.50
Balance, December 31, 2024	7,277,211	0.42
Granted	2,229,076	0.12
Redeemed	(1,000,000)	0.16
Balance, December 31, 2024	8,506,287	0.42

12. COMMITMENTS

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

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

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

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

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



12. COMMITMENTS (continued)

- b) On July 16, 2024, the Company entered into an office and warehouse rental extension agreement in Vancouver, British Columbia, to accommodate the development of the Company's clean energy technology and IP, has a term of 36 months, commencing September 1, 2024 and terminating on August 31, 2027, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of \$58,317 per annum in year one, \$61,094 per annum in year two, and \$63,871 per annum in year three, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.

13. OFFICE AND GENERAL

The following is a breakdown of the office and general expenses for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31,	
	2025	2024
Business development	\$324,311	\$97,187
Depreciation and amortization	69,011	76,604
Investor relations	516,250	167,353
Office	21,197	68,672
Professional fees	90,781	117,334
Salaries and wages	229,930	330,627
Transfer agent and filing	9,102	8,992
Travel	12,669	15,139
Total office and general	\$1,273,252	\$881,908

14. SEGMENTED INFORMATION

Management determined that the Company has two reportable operating segments, being the development and commercialization of its clean energy technology in Canada and Europe and its oil and gas operations in Canada and the United States. Corporate includes the Company's head office, general corporate administration and activity and intercompany eliminations. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers. For the period ended March 31, 2025 all revenues were derived from operations in Canada. At March 31, 2025, \$2,055,449 (March 31, 2024 - \$2,051,420) of non-current assets were located in Canada and \$74,321 (March 31, 2024 - \$125,596) of non-current assets were in Europe (March 31, 2024 - all revenues were derived from operations in Canada and all non-current assets were located in Canada).

	Three Months Ended March 31, 2025			
	Clean Energy	Corporate	Oil and Gas (Discontinued)	Total
	\$	\$	\$	\$
General and administration	794,590	1,548,515	-	2,343,105
Loss from operations	(794,590)	(1,548,515)	-	(2,343,405)
Net finance expenses	(2,645)	(13,157)	-	(15,802)
Other income	4,867	-	-	4,867
Non-operating expenses	-	(4,446)	-	(4,446)
Net loss from continuing operations	(792,368)	(1,566,118)	-	(2,358,486)
Net loss from discontinued operations	-	-	(1,617)	(1,617)
Capital expenditures	-	-	-	-
Total assets	1,855,162	413,186	7,638	2,275,986



14. SEGMENTED INFORMATION

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

15. CAPITAL MANAGEMENT

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

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

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

There were no changes in the Company's approach to capital management during the period ended March 31, 2025. The Company is not subject to externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

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

17. DISCONTINUED OPERATIONS

The Company has a 75% Working Interest before payout ("BPO") and a 50% Working Interest after payout ("APO") and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin. The Company formally ceased production in November 2021 and oil wells have been shut-in. All wells have now been abandoned and surface equipment removed with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2025 or 2026.



17. DISCONTINUED OPERATIONS (continued)

As at March 31, 2025, the assets and liabilities related to the oil and gas properties have been reclassified as assets and liabilities of discontinued operations in the condensed interim consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as a net gain or loss from discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss, and as cash flow from discontinued operations in the condensed interim consolidated statements of cash flows, respectively.

Net assets and net liabilities of discontinued operations:

	March 31, 2025	December 31, 2024
	(\$)	(\$)
Assets		
Cash and cash equivalents	6,558	721
Receivables	-	7,025
Prepaid expenses	1,081	2,941
Total Assets	7,639	10,687
Liabilities		
Accounts payable and accrued liabilities	22,094	23,075
Decommissioning Liability	417,134	417,134
Total Liabilities	439,228	440,209

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

	Year Ended March 31, 2025	March 31, 2024
	(\$)	(\$)
Revenue and costs		
Operating costs	1,067	-
	1,067	-
General and administrative		
Management and consulting	-	-
Office and general	(550)	(518)
Change in decommissioning estimate	-	-
Income (loss) from discontinued operations	(1,617)	(518)
Financing expenses	-	-
Net income (loss) from discontinued operations	(1,617)	(518)



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, 2024	\$	4,533,916
At March 31, 2025	\$	4,533,916

Accumulated depletion

At December 31, 2024	\$	1,659,793
At March 31, 2025	\$	1,659,793

Impairment

At December 31, 2024	\$	2,874,123
At March 31, 2025	\$	2,874,123

Carrying amounts

At December 31, 2024	\$	-
At March 31, 2025	\$	-

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

Decommissioning Liability

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

		West Hazel, Saskatchewan
Balance, December 31, 2023	\$	259,666
Change in estimate		157,468
Balance, December 31, 2024 and March 31, 2025	\$	417,134

At March 31, 2025, the total undiscounted amount of estimated cash flows required to settle the provision for decommissioning liability for the West Hazel assets was \$417,134 (December 31, 2024 - \$417,134).

During the year ended December 31, 2024, it was determined it is unlikely the partners of the decommissioning liability will be able to pay their portion of the decommissioning liability. As a result, a change in the decommissioning estimate was made to record the full gross value of the estimated decommissioning liability as attributable to the Company. The provision is presented on an undiscounted basis as at December 31, 2024, as it has been estimated by management that the Company will incur remaining decommissioning liability costs during 2025 or 2026. Based on this estimate, the Company's assets and liabilities of discontinued operations have been presented as current assets and liabilities as at December 31, 2024.

18. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2025:

125,000 stock options and 2,382,249 share purchase warrants expired in April 2025.

1,154,165 share purchase warrants expired in May 2025.