HILLCREST RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nine Month Period Ended September 30, 2011

Dated November 20, 2011

This Management Discussion & Analysis ("MD&A") is provided by management of Hillcrest Resources Ltd. ("Hillcrest" or the "Company") as at and for the nine months ended September 30, 2011. The commentary in this MD&A is based on information available to November 20, 2011.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2010 and 2009 and the unaudited interim consolidated financial statements for the nine months ended September 30, 2011. All amounts are in Canadian dollars unless otherwise specified.

Additional information relating to the Company, including the consolidated financial statements for the year ended December 31, 2010 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at **www.sedar.com .**

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon. Actual results and developments may differ materially from those contemplated by the forward looking statements. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview

PRINCIPAL BUSINESS AND CORPORATE HISTORY

Hillcrest Resources Ltd. was incorporated under the Company Act (British Columbia) on May 2, 2006 and on May 28, 2007 the Company changed its name from Shanghai Creek Minerals Ltd. to Hillcrest Resources Ltd.

The Company is in the business of acquiring and developing exploration interests in oil and gas projects in the United States of America.

The Company is subject to several categories of risk associated with the exploration of oil and gas. Oil and gas exploration and production is a speculative business, and involves a high degree of risk. Among the factors that have a direct bearing on the Company's prospects are uncertainties inherent in estimating oil and gas reserves, future hydrocarbon production, and cash flows, particularly with respect to wells that have not been fully tested and with wells having limited production histories; access to additional capital; changes in the price of oil and gas; availability and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

The oil and gas industry is subject, by its nature, to environmental hazards and clean-up costs. At this time, management knows of no substantial costs from environmental accidents or events for which the Company may be currently liable. In addition, the Company's oil and gas business makes it vulnerable to changes in prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future. By definition, proved reserves are based on estimated future oil and gas prices and costs. Price declines reduce the estimated quantity of proved reserves and increase annual depletion expense (which is based on proved reserves).

Management and consultants of the company have extensive experience in oil and gas exploration, development and production and have the capability to expand the scope of the Company's activities as appropriate opportunities arise. Since the company's founding on May 2, 2006, the company has acquired seed funding, put in place an operation structure, set up offices in Vancouver, British Columbia, and Houston, Texas and engaged key exploration and land personnel, and acquired its initial oil and natural gas assets and associated equipment.

OIL AND GAS PROPERTIES

Hillcrest Resources Ltd. currently has interests in the following oil and gas properties:

a) Hartburg Project, Texas

By agreement dated December 8, 2009, the Company entered into an Assignment and Assumption Agreement for the assignment of a 60% working interest in certain land leases known as the Hartburg Project in Newton County, Texas. In consideration the Company paid a lump sum of $117,040 (US$111,266). The Company is responsible for their proportionate share of all future costs of the development of the property.

On March 27, 2009, Barry Lasker ("Lasker") and Delta Oil and Gas, Inc. ("Delta") entered into an exploration agreement (the "Exploration Agreement"). Pursuant to the terms of the Exploration Agreement, Lasker agreed to identify and secure leases which would subsequently be assigned to Delta and pursuant to the terms of such agreement, Delta agreed to pay 100% of the lease acquisition costs and operating costs of up to three wells. In exchange for Lasker's performance under the Exploration Agreement, Lasker obtained a 10% carried interest in the first target well, Donner #1, and a 20% carried interest in the second and third target wells, Prospect 1 and Prospect 2, respectively, until payout in each of the wells. Upon payout, Lasker's carried interest converted to a 50% working interest in Donner #1 and a 40% working interest in each of Prospect 1 and Prospect 2.

On December 30, 2010, Delta entered into an agreement (the "HRI Assignment") with the Company to assign 60% of all of Delta's right, title and interest in and to the Exploration Agreement.

The effect of the Exploration Agreement and the HRI Assignment was to create the following net revenue interests to the Company in Donner #1, Prospect 1, and Prospect 2:

	Donner #1	Prospect 1 and Prospect 2
Before payout	54%	48%
After payout	22.5%	27%

The Company has successfully drilled and completed the first well with production starting in August 2010. The well (Donner#1) has maintained production averaging 47 barrels per day. With the success for the first well, the Company commissioned a 51-101 National Instrument report for the purpose of the prospectus filing. Results of the report can be found in the body of the prospectus document.

The Company completed the drilling of prospect #1 (Donner #2) which commenced production during the month of August 2011. The well tested at 48 barrels per day and was put on a restricted choke for sustained production. Application was made to the State of Texas Railroad Commission to transport the oil byway of a contract called an "allowable". An "allowable" grants the company the right to transport all oil production once sold. Until the "allowable" is granted, the State will only permit a maximum of 600 barrels per month to be moved. As such, production has been held to perform within the guidelines allowed by the State. Once the "allowable" is granted the company will review the performance of the well and look to open the choke slightly with the objective being a larger amount of oil produced and sold on a monthly basis.

b) Livingston Property, Texas

By agreement dated November 1, 2009, the Company entered into an Assignment of Oil and Gas Lease and Bill of Sale for the assignment of a 30% working interest and a 22.5% net revenue interest in certain oil and gas mineral leases known as the Livingston property in Polk County, Texas. In consideration the Company paid a lump sum of $96,120 (US$90,000). The Company is responsible for their proportionate share of all future costs of the development of the property.

The Company produced oil from two Texas oil fields which currently produces an average of 21 barrels of oil per day.

SELECTED ANNUAL & QUARTERLY INFORMATION

SELECTED ANNUAL INFORMATION

For the years ended December 31, 2010, 2009 and 2008 ($)

Audited	**2010**	**2009**	**2008**
Total assets	1,211,457	295,699	440,330
Total Liabilities	509,774	31,772	47,767
Shareholders equity	701,683	263,927	392,563
Revenue	269,396	2,537	Nil
Write down of resource properties	-	(20,388)	(740,167)
Other income	-	13,940	12,798
Expenses	169,531	128,965	310,310
Net income(loss)	106,257	(128,636)	(1,037,679)
Income (loss) per share	0.00	(0.01)	(0.05)

SELECTED QUARTERLY INFORMATION By recent eight Quarters ($)

	IFRS	IFRS	IFRS	IFRS	GAAP	GAAP	GAAP	GAAP
	September 30, 2011	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**	**December 31, 2009**
Total assets	2,568,595	2,677,401	2,857,859	1,211,457	968,088	843,079	448,641	295,699
Total liabilities	219,714	300,332	401,693	509,774	324,230	262,927	39,089	31,772
Shareholders equity	2,348,881	2,377,069	2,456,166	701,683	643,858	571,428	417,230	263,927
Revenues	165,300	197,947	183,787	155,495	70,197	43,704	Nil	2,537
Major expense items								
Consulting fees	57,597	38,258	41,500	34,750	1,500	7,000	1,000	300
Management fees	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Professional fees	1,015	84,891	6,279	25,192	5,518	8,021	1,137	2,816
Depletion	19,047	12,133	16,559	33,225	4,373	2,204	Nil	Nil
Stock-Based Compensation	185,756	Nil	525,295	Nil	Nil	Nil	Nil	Nil
Write-down of resource properties	Nil	Nil	Nil	Nil	Nil	Nil	Nil	20,388
Net income (loss)	(104,772)	(18,149)	(512,588)	48,826	48,707	16,403	(7,679)	(12,434)
Income (loss) per share	0.00	0.00	(0.03)	0.00	0.00	0.00	(0.01)	(0.01)

RESULTS OF OPERATIONS

Three and Six month period ended September 30, 2011 and 2010

For the quarter ended September 30, 2011, revenue increased by $89,610, from $75,690 for the same period in 2010 to $165,300. Net loss was $104,772 in Q3 2011 compared to a net income of $26,551 in Q3 2010. Most of the difference was due to stock-based compensation of $185,756 during the quarter.

For the nine months ended September 30, 2011, revenue increased by $456,606, from $90,428 for the same period in 2010 to $547,034. Net loss was $635,509 for the first nine months in 2011 compared to a net income of $16,481 for the same period in 2010. Stock-based compensation of $711,051 was the biggest part of the expense and the reason for the loss. Filing fees of $77,478 and professional fees of $92,185 were related to the Company getting listed. The Company was inactive for most of 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of $791,664 as at September 30, 2011.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had current assets of $1,011,378 (December 31, 2010 - $179,648) to settle current liabilities of $219,714 (December 31, 2010 – $509,774). On March 3, 2011, the Company completed its Initial Public Offering and issued 10,350,000 common shares at a price of $0.20 per share for gross proceeds of $2,070,000. All of the Company's financial liabilities, other than the loan payable, have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company does not currently have credit facilities to finance its projects; however, we do not require additional funds at present to complete the development objectives.

OUTSTANDING SHARE DATA

The total number of common shares outstanding as of September 30, 2011 was 28,599,433.

SHARE PURCHASE WARRANTS

The total number of share purchase warrants outstanding as of September 30, 2011 was 6,500,000 at an exercise price of $0.10 per share, exercisable until April 8, 2012.

The total number of Agent's warrants outstanding as of September 30, 2011 was 436,067 at an exercise price of $0.20 per share, exercisable until March 17, 2013.

STOCK OPTIONS

On March 22, 2011, the Company granted 1,550,000 stock options to officers and directors of the Company and 350,000 stock options to two consultants of the Company. The stock options are exercisable for a period of 5 years from the date of listing on the TSX Venture Exchange ("Listing") at an exercise price of $0.20 per common share.

On September 26, 2011, the Company granted 800,000 stock options to directors and consultants of the Company. The stock options are exercisable for a period of 5 years from the date of listing on the TSX Venture Exchange ("Listing") at an exercise price of $0.25 per common share.

COMMITMENTS

There are no contracts related to management or rent.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2011, the Company incurred consulting fees of $73,000 (2010 - $nil) to directors and companies controlled by a director of the Company. The Company also incurred consulting fees of $5,000 (2010 - $nil) to the president of the Company. These transactions were in the normal course of operations.

OFF- BALANCE SHEET TRANSACTIONS

The Company has not entered into any off-balance sheet arrangements.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies used by Hillcrest are disclosed in note 3 to the September 30, 2011 unaudited interim consolidated financial statements. Preparing financial statements in accordance with IFRS requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. There were no changes to Hillcrest's critical accounting estimates during the nine months ended September 30, 2011.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2011, the Company adopted IFRS for Canadian publicly accountable enterprises as required by the Accounting Standards Board of Canada. The Company has reported its results in accordance with IFRS starting in the first quarter 2011, with comparative IFRS information for the 2010 fiscal year. All amounts are unaudited. Note 3 to Hillcrest's interim consolidated financial statements for the six months ended June 30, 2011 outlines the Company's IFRS accounting policies and Note 11 provides details of the Company's IFRS 1 elections and reconciliations between Canadian GAAP and IFRS.

Set out below are the applicable IFRS 1 optional exemptions and mandatory exceptions applied by the Company in the conversion from Canadian GAAP to IFRS:

OPTIONAL EXEMPTIONS

(i) Exemption for share-based payment transactions

An IFRS 1 exemption allows the Company to not apply IFRS 2, *'Share-based Payment'*, to equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share based payments that have not vested at the date of transition, of which there were none.

(ii) Cumulative Translation Adjustment

International Accounting Standard 21 ("IAS 21") requires an entity to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity. However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to IFRSs. If a first-time adopter uses this exemption the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRSs. The Company has elected to apply IAS 21.

(iii) Exemption for borrowing costs

IFRS 1 allows a first time adopter to apply the transitional provisions set out in IAS 23, *'Borrowing Costs'*. Taking this exemption allows the Company to apply IAS 23 prospectively from the date of transition. The Company has not elected to adopt the remaining voluntary exemptions or they do not apply to the Company.

(iv) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, 'Business Combinations' retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the transition date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the transition date due to no business combinations.

MANDATORY EXCEPTIONS

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

(i) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the transition date are consistent with its Canadian GAAP estimates as at that date.

IMPACT OF ADOPTING IFRS

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended September 30, 2011, the Company did not identify any adjustments to the amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. IFRS 1 requires an entity to reconcile equity, comprehensive loss, and cash flows for prior periods. There were no changes made to the statements of financial position, statements of loss and comprehensive loss, and cash flows.

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

The following describes new accounting pronouncements that been issued but are not yet effective:

IFRS 9 'Financial Instruments: Classification and Measurement' – introduces new requirements for the classification and measurement of financial instruments.

IFRS 10 '*Consolidated Financial Statements'* – establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 '*Joint Arrangements'* - provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

IFRS 12 '*Disclosure of Interests in Other Entities'* - requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 'Fair Value Measurement' - provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the impact of the adoption of these standards.

Consolidated Interim Statement of Financial Position
(Unaudited)

	31-Dec-2009 GAAP	*IFRS Adjustments*	*Notes*	*1-Jan-2010 IFRS*
ASSETS				
Current				
Cash	$ 16,506	$ -		$ 16,506
Short term investment	20,000	-		20,000
Accrued interest receivable	785	-		785
Accounts receivable	2,537	-		2,537
Government remittances	2,456	-		2,456
Prepaid expenses	-	-		-
Fund advanced for exploration	36,760	-		36,760
Due from related parties	-			-
Total current assets	79,044	-		79,044
Non-current assets				
Deferred financing costs	-	-		-
Equipment (note 5)	3,495	-		3,495
Oil and gas properties (note 6)	213,160	-		213,160
TOTAL ASSETS	**$ 216,655**	**$ -**		**$ 216,655**
LIABILITIES & SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 31,772	$ -		$ 31,772
	-			-
Total current liabilities	31,772	-		31,772
SHAREHOLDERS' EQUITY				
Share capital (note 9)	1,560,431	-		1,560,431
Reserves				
Other comprehensive income/(loss)	-	-		-
Deficit	(1,296,504)	-		(1,296,504)
Total sgareholders' equity	263,927	-		263,927
TOTAL LIABILITIES & SHAREHODLERS EQUITY	**$ 295,699**	**$ -**		**$ 295,699**

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 acquisition, exploration and development of resource properties. 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 dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or 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 nine month period ended September 30, 2011.

DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at September 30, 2011. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at **www.sedar.com**

SUBSEQUENT EVENTS

On September 26, 2011, the Company entered into a purchase and sale agreement with Longshot Oil, LLC with the acquisition of certain oil and gas properties in Teton County, Montana. The Company will issue 1,000,000 common shares in the capital of the Company at a deemed price of $0.25 per Share and pay $400,000 in cash.

On November 1, 2011 the Company entered into a purchase and sale agreement with Washington-based Longshot Oil LLC, with respect to the acquisition by the company from Longshot of certain oil and gas properties in Pondera county, Montana.

Pursuant to the terms of the purchase and sale agreement, the company will acquire Longshot's legal and beneficial right, title and interest in and to certain oil and gas properties in Pondera county, Montana, including all oil and gas leases, all geological and geophysical data (including all seismic data) and copies of all records with respect to such oil and gas properties. As consideration for the acquisition of the properties, the company will pay to Longshot $350,000 in cash.

On November 7, 2011 the company announced the resignation of Stewart Jackson from his position of president as well as a member of the board of directors. Mr. Jackson's position on the board will be taken by Martin Wood.

BOARD OF DIRECTORS

Donald Currie

Jason Oden
Dr. David Stone
Martin Wood

OFFICERS

Chairman and CEO – Donald Currie
CFO and Corporate Secretary – Wan Jung, C.G.A