HILLCREST RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months Ended September 30, 2012

Dated November 27, 2012

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, 2012. The commentary in this MD&A is based on information available to November 27, 2012.

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

Additional information relating to the Company, including the consolidated financial statements for the 9 months ended September 30, 2012 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 and probable 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 added to its initial oil and natural gas assets and associated equipment by raising capital via private placements and internally generated funds..

FINANCINGS

During the nine months ended September 30, 2012, the Company completed a non-brokered private placement consisting of 1,706,222 units at a price of $0.18 per unit raising gross proceeds of $307,120. Each unit consist of one common share and one common share purchase warrant ("Warrant"). Each whole warrant will entitle the holder to purchase one half of an additional common share at a price of $0.30 per share for a period of 12 months from closing. The Company received $71,800 on the exercise of 718,000 warrants. All funds raised from private placements and warrant exercises were used to further the Company's exploration and development of oil and gas assets and for working capital.

OIL AND GAS PROPERTIES

The Company produced oil from two fields located within the State of Texas in 2011. During the year ended 2011, the Company maintained and increased production by selective work-overs of individual wells within the Livinsgston Property and by drilling, completing and tying in the Donner #2 well within the Hartburg Project area. The Company also benefited from an increase in commodity prices for the nine months ended September 30, 2012.

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

a) 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 following table shows the production and revenue produced by this property;

Well Name	3 months to Sept. 30, 2012		3 months to Sept. 30, 2011	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Texon	487	48,139	303	29,843

Well Name	9 months to Sept. 30, 2012		9 months to Sept. 30, 2011	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Texon	1,446	148,776	968	95,735

The increase in production for the wells at the Livingston property for the 9 months ended September 30, 2012 was due to the work-over that the Company initiated during the first quarter of 2012, when compared to the corresponding period in the prior year.

b) 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, Donner #2, and Prospect 2:

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

The main focus for the Company is a 3 to 4 well drilling and production program in Newton County, Texas. 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 (the Donner #2 well) which commenced production during the month of August 2011. The Company commenced production of natural gas during June 2012. The table below shows the revenue and production produced by these prospects;

Well Name	**3 months to Sept. 30, 2012**			**3months to Sept. 30, 2011**		
	Production, Bbls	**Production, MCF**	**Revenue $**	**Production, Bbls**	**Production, MCF**	**Revenue $**
Donner #1	926	-	89,447	874	-	85,039
Donner #2	-	10,819	28,533	440	-	41,593

Well Name	**9 months to Sept. 30, 2012**			**9 months to Sept. 30, 2011**		
	Production, Bbls	**Production, MCF**	**Revenue $**	**Production, Bbls**	**Production, MCF**	**Revenue $**
Donner #1	2,604	-	263,124	3,847	-	382,660
Donner #2	132	14,288	50,213	440	-	41,593

The increase in revenue for Donner #1 for the 3 months ended September 30, 2012 was due to a small increase in production. The decrease in revenue for Donner#2 for the 3 months ended September 30, 2012 was due to the well being converted from an oil well into a natural gas well.

The decrease in revenue for Donner #1, for the 9 months ended September 30, 2012 when compared to the corresponding year, was attributable to a decrease in revenue interest as a result of attaining the after payout terms as stated above.

The increase in production for Donner #2 for the 9 months ended September 30, 2012 was due to the well having both oil and natural gas production. This well has commenced the commercial production of natural gas, and will not produce oil until the natural gas reserves have been depleted or the Company elects to simultaneously produce multiple zones.

c) Tulla Property, Teton and Pondera County, Texas

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 acquired 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 paid Longshot $350,000 in cash.

The table below shows the revenue and production produced by these prospects;

Well Name	3 months to Sept. 30, 2012		3 months to Sept. 30, 2011	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Tulla	234	16,098	-	-

Well Name	9 months to Sept. 30, 2012		9 months to Sept. 30, 2011	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Tulla	1,527	116,338	-	-

There was no revenue for the corresponding periods for both the 3 and 9 months ended September 30, 2012. During August 2012, the Company sold Tulla for its net book value, to Bakken Oil Holdings LLC. (‘Bakken”), and Bakken exchanged the remaining amount owing on the Woodrow Montana Project.

SELECTED ANNUAL & QUARTERLY INFORMATION

SELECTED ANNUAL INFORMATION

For the years ended December 31, 2011, 2010 and 2009 ($)

Audited	2011	2010	2009
Total assets	3,445,915	1,211,457	295,699
Total Liabilities	313,378	509,774	31,772
Shareholders equity	3,132,537	701,683	263,927
Revenue	754,928	269,396	2,537
Write down of resource properties	-	-	(20,388)
Foreign exchange gain	12,359	6,392	-
Other income	-	-	13,940
Expenses	1,466,841	169,531	128,965
Net income(loss)	(699,554)	106,257	(128,636)
Income (loss) per share	(0.03)	0.00	(0.01)

SELECTED QUARTERLY INFORMATION

By recent eight Quarters ($)

	IFRS September 30, 2012	IFRS June 30, 2012	IFRS March 31, 2012	IFRS December 31, 2011	IFRS September 30, 2011	IFRS June 30, 2011	IFRS March 31, 2011	IFRS December 31, 2010
Total assets	4,061,749	4,140,609	4,400,455	3,445,915	2,568,595	2,677,401	2,737,770	1,211,457
Total liabilities	80,884	154,331	155,958	313,378	219,714	300,332	401,693	509,774
Shareholders equity	3,980,865	4,140,609	4,244,497	3,132,537	2,348,881	2,377,069	2,336,077	701,683
Revenues	**191,334**	**205,497**	**205,608**	**207,894**	**165,300**	**197,947**	**183,787**	**155,495**
Major expense items								
Consulting fees	50,977	73,673	59,953	103,672	57,597	38,258	41,500	34,750
Professional fees	20,947	42,435	19,583	53,885	1,015	84,891	6,279	25,192
Depletion	52,475	37,860	28,215	11,984	19,047	12,133	16,559	33,225
Stock-Based Compensation	474	2,474	25,487	Nil	185,756	Nil	525,295	Nil
Net income (loss)	**6,083**	**(62,285)**	**(94,207)**	**(64,045)**	**(104,772)**	**(18,149)**	**(512,588)**	**48,826**
Income (loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	(0.03)	0.00

The major contributor to the net loss during the quarter ended March 31, 2011, when compared to the previous quarter was the increase in stock based compensation resulting from the issuance of stock options.

RESULTS OF OPERATIONS

For the 3 months ended September 30, 2012 and 2011

We generated total revenue of $191,334 for the 3 months ended September 30, 2012, an increase of approximately 16% from revenues of $165,300 for the 3 months ended September 30, 2011. The increase in total revenues was caused by an increase in production from the Company's Livingston, Hartburg and Tulla properties as well as the addition of the natural gas well in the Hartburg project. However, this was partially offset by the reduction in net production from the Company's Donner #1 well, as the Company reached pay-out, and its revenue interest was reduced.

Costs and Expenses

We incurred costs and expenses in the amount of $188,281 for the 3 months ended September 30, 2012, representing approximately a 37% decrease from costs and expenses of $298,334 for 3 months ended September 30, 2011.

The decrease in costs and expenses for the 3 months ended September 30, 2012, when compared to the 3 months ended September 30, 2011, is primarily attributable to the collective results of the following factors:

1. Operating costs relating to the production of oil and natural gas sales was $43,969 (2011: S21,037). The increase in operating costs was caused by the additional royalties being paid on the Tulla prospect as well as an increase in production costs resulting from an increase in revenues.

2. Consulting fees for 3 months ended September 30, 2012 decreased to $50,977, compared with $57,597 for the 3 months ended September 30, 2011. The decrease was caused by the reduction of amounts paid to outside consultants relating to public awareness, which was offset by an increase in costs relating to the addition of executive management as the Company furthered it's objectives in becoming an operating oil and gas company.

3. Depletion and depreciation increased to $57,475 for the 3 months ended September` 30, 2012, as compared to $19,332 for the corresponding period. The increase was caused by the addition of producing wells and an increase in production during the 3 months ended June 30, 2012 for the properties located in Texas and Montana, USA.

4. Filing and transfer agent fees decreased to $1,102 for the 3 months ended September 30, 2012, from $5,331 for the 3 months ended September 30, 2011. The decrease was caused by a reduction in fees resulting from no private placements during the quarter ended September 30, 2012.

5. Professional fees increased to $20,947 for the 3 months ended September 30, 2012, from $1,015 for the 3 months ended September 30, 2011. The increase was caused by an increase in legal costs relating to the review of filings by the regulatory bodies and costs relating to the review of legal documentation relating to the Company's acquisition of oil and gas prospects.

Income/(loss) before other items

The income before other items for the 3 months ended September 30, 2012 was $3,053, compared to a loss before other items of $(113,034) for the 3 months ended September 30, 2011. The increase in income was a combination of an increase in revenue and a decrease in expenses as noted above.

Other items

We reported other items, generated from foreign exchange gain of $3,013 for the 3 months ended September 30, 2012, as compared to foreign exchange gain of $7,874 for the 3 months ended September

30, 2011. The reduction in foreign exchange gain was due to the strengthening in the US dollar when compared to the Canadian dollar. The Company also earned $17 from the interest received from bank deposits.

Comprehensive income/(loss) for the period

Comprehensive income for the 3 months ended September 30, 2012 was $6,083, compared to a comprehensive loss of $(125,160) for the 3 months ended September 30, 2011. The increase in income for the 3 months ended September 30, 2012 was attributable to the items indicted above.

For the 9 months ended September 30, 2012 and 2011

We generated total revenue of $602,439 for the 9 months ended September 30, 2012, an increase of approximately 10% from revenues of $547,034 for the 9 months ended September 30, 2011. The increase in total revenues was caused by an increase in production from the Company's Tulla and Livingston properties as well as the addition of the natural gas well in the Hartburg project. However, this was partially offset by the reduction in production from the Company's Donner #1 well, as the Company reached pay-out, as its WI interest was reduced.

Costs and Expenses

We incurred costs and expenses in the amount of $741,764 for the 9 months ended September 30, 2012, representing approximately a 38% decrease from costs and expenses of $1,200,283 for 9 months ended September 30, 2011.

The decrease in costs and expenses for the 9 months ended September 30, 2012, when compared to the 9 months ended September 30, 2011, is primarily attributable to the collective results of the following factors:

1. Operating costs relating to the production of oil and natural gas sales was $188,319 (2011: 70,640). The increase in operating costs was caused by the additional royalties being paid on the Tulla prospect and an increase in production costs.

2. Consulting fees for 9 months ended September 30, 2012 increased to $184,603, compared with $137,355 for the 9 months ended September 30, 2011. The increase was caused by the addition of executive management as the Company furthered it's objectives to become an oil and gas company.

3. Depletion and depreciation increased to $118,550 for the 9 months ended September 30, 2012, as compared to $48,594 for the period in the corresponding year. The increase was caused by the addition of producing wells and an increase in production during the 9 months ended September 30, 2012 for the properties located in Texas and Montana, USA.

4. Filing and transfer agent fees decreased to $19,928 for the 9 months ended September 30, 2012, from $77,478 for the 9 months ended September 30, 2011. The decrease was caused by a reduction in fees as the Company's initial public offering occurred during the year ended December 31, 2011.

5. Professional fees decreased to $82,965 for the 9 months ended September 30, 2012, representing an reduction of 10% from $92,185 for the 9 months ended September 30, 2011. The decrease was caused by a reduction in legal costs relating to the Company's initial public offering which occurred during the year ended December 31, 2011 and which was offset by the review of legal documentation relating to the Company's acquisition of oil and gas prospects and the review of filings by the regulatory bodies.

Income/(loss) before other items

The loss before other items for the 9 months ended September 30, 2012 was $(139,326), compared to a net loss before other items of $(653,249) for the 9 months ended September 30, 2011. The decrease in loss has been caused by a combination of an increase in revenue and a reduction in costs.

Other items

We reported other items, generated from foreign exchange loss of $11,109 for the 9 months ended September 30, 2012, as compared to foreign exchange gain of $6,501 for the 9 months ended September 30, 2011.

Comprehensive income/(loss) for the period

Comprehensive loss for the 9 months ended September 30, 2012 was $(150,411), compared to a comprehensive loss of $(653,098) for the 9 months ended September 30, 2011. The decrease in loss for the 6 months ended June 30, 2012 was attributable to the items indicted above.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of $86,524 as at June September 30, 2012, compared to $188,922 as at December 30, 2011. The decrease in working capital was caused by the Company's purchase of oil and gas properties and the loss during the 9 months ended September 30, 2012.

The revenue we currently generate from natural gas and oil sales does not exceed our operating expenses. Our management anticipates that the current cash on hand may not be sufficient to fund our continued operations at the current level for the next twelve months. As such, we may require additional financing to fund our proposed drilling activities for the year ended December 31, 2012. We may also require additional funds to expand our acquisition, exploration and production of natural oil and gas properties. Additional capital will be required to effectively expand our operations through the acquisition and drilling of new prospects and to implement our overall business strategy. We anticipate that additional funding will be in the form of equity and/or debt financing from the sale of our common stock. We intend to seek additional funding in the form of equity and/or debt financing from the sale of our common stock, but cannot provide any assurance that we will be able to raise sufficient funding from the sale of our common stock to for the acquisition of new prospects. If we are unable to obtain additional financing, we will experience liquidity problems and management expects that we will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve dilution to our then existing shareholders.

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.

Cash flows provided by Operating Activities

Operating activities provided $60,378 in cash for the 3 months ended September 30, 2012, compared to $16,638 in cash generated from operating activities for the 3 months ended September 30, 2011. The Company's increase in cash provided by operations was caused by the income during the quarter ended September 30, 2012.

Operating activities used $(185,654) in cash for the 9 months ended September 30, 2012, compared to $29,336 in cash generated from operations for the 9 months ended September 30, 201. The increase in cash used in operations was caused by the reduction of accounts payable as well as an increase in government remittances recoverable.

Cash Used in Investing Activities

Cash flows used by investing activities for the 3 months ended September 30, 2012 was $10,221, compared to $179,552 cash flows used by investing activities for the 3 months ended September 30, 2011. Our reduction in negative cash flow from investing activities for the 3 months ended September 31, 2012 was primarily caused by a reduction in investments in natural gas and oil working interests and on exploration and development expenditures. The sale of the Tulla property and the purchase of the remaining Woodrow property offset each other and had minimal impact on cash flows from investing activities.

Cash flows used by investing activities for the 9 months ended September 30, 2012 was $441,360, compared to $688,982 cash flows used by investing activities for the 9 months ended September 30, 2011. The Company used its cash investments on acquiring natural gas and oil working interests and on exploration and development expenditures.

Cash flows from Financing Activities

The Company incurred share issue costs of $11,969 from issuance of common shares for the 3 months ended September 30, 2012 and $7,000 for the 3 months ended September 30, 2011.

The Company raised $340,304 from the issuance of common shares for the 9 months ended September 2012 and $1,475,436 for the 9 months ended September 30, 2011. The latter consisted of a loan repayment.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

OUTSTANDING SHARE DATA

The total number of common shares outstanding as of September 30, 2012 was 39,570,655.

SHARE PURCHASE WARRANTS

The total number of share purchase warrants outstanding as of September 30, 2012 was 2,008,111 at a weighted average exercise price of $0.11 per share, exercisable until April 8, 2012 and February 28, 2014.

The total number of Agent's warrants outstanding as of September 30, 2012 was 547,667 at a weighted average exercise price of $0.20 per share, exercisable until March 17, 2013 and February 28, 2014.

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.

On February 16, 2012, the Company granted 125,000 stock options to a consultant for investor relations. The stock options are exercisable for a period of 2 years from the date of listing on the TSX Venture

Exchange ("Listing") at an exercise price of $0.20 per common share. The stock options granted have a vesting period of 25% that vest immediately and 25% vest over the next 9 months at three month intervals.

The total number of stock options outstanding as of September 30, 2012 was 2,825,000 at a weighted average exercise price of $0.21 per share. The total number of stock options exercisable on September 30, 2012 are 2,793,750 at an weighted average exercise price of $0.21 per common share.

COMMITMENTS

There are no contracts related to management or rent.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

Related party transactions are with directors and a company controlled by a director and officer of the Company and are for consulting services provided by those individuals or entities.

The following summarizes the Company's related party transactions during the nine months ended September 30, 2012 and 2011:

		2012		2011
Consulting fees to the Chief Executive Officer of the Company	**$**	67,500	$	55,500
Consulting and accounting fees to companies controlled by the Chief Financial Officer of the Company	$	53,000	$	18,000

The above amounts are paid to each officer for their day to day duties regarding their respective office. As at September 30, 2012, due from related parties includes $590 (December 31, 2011 - $ 610) advanced to a company controlled by the Chief Executive Officer of the Company for legal fees. The Company owed $nil (December 31, 2011 - $6,697) to the related party, which is included in accounts payable and accrued liabilities.

Stock-based compensation of $ nil was recognised during the nine months ended September 30, 2012 (year ended December 31, 2011 - $548,725), related to stock options granted to directors and officers.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies used by Hillcrest are disclosed in note 3 to the December 31, 2011 audited 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 year ended December 31, 2011.

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.

IAS 1 'Presentation of Financial Statements' – improves the consistency and clarity of the presentation of items of other comprehensive income.

IAS 28 'Investments in Associates and Joint Ventures' – prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning January 1, 2012 or later, and currently evaluating the impact of the adoption of these standards.

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 3 months ended September 30, 2012.

HEAD OFFICE

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LISTINGS

TSX Venture Exchange: **HRH**

CAPITALIZATION
(as at November 27, 2012)
Shares Authorized: Unlimited
Shares Issued: 39,570,655

OFFICERS & DIRECTORS
Donald Currie,
Chairman, CEO and Director

Kulwant Sandher, CA
Chief Financial Officer

Jason Oden
President & Director

Dr. David Stone
Director

Martin Wood
Director

Tom Milne
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