HILLCREST RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months Ended June 30, 2014

Dated August 19, 2014

This Management Discussion & Analysis ("MD&A") is provided by management of Hillcrest Resources Ltd. ("Hillcrest" or the "Company") as at and for the six months ended June 30, 2014. The commentary in this MD&A is based on information available to August 19, 2014.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2013 and 2012. 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, 2013 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at **www.sedar.com.**

Forward-Looking Statements

The MD&A, which contain certain forward-looking statements, is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. 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. Such risks include, but are not limited to, fluctuations in the currency markets such as the Canadian and US dollar, fluctuations in the commodity price of oil and natural gas, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada and the United States or other countries in which the Company carries or may carry on business in the future, the speculative nature of exploration and development in the oil and gas industry, including the risk of obtaining necessary licenses and permits, and the quantities or estimation of reserves. 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 and uncertainty. Among the factors that have a direct bearing on the Company's prospects are exploration and development risk as well as 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, debt and internally generated funds.

OIL AND GAS PROPERTIES

The Company has produced oil from two fields located within the State of Texas In Newton and Polk Counties commencing August 2010 starting with the Donner #1 well. Since that time, the Company has maintained and increased production by drilling, completing and tying in 3 additional wells described as the Donner #2, Donner #4 and the Brown #1 in Newton County. Selective work-overs had resulted in a temporary increase in production in the Company's Livingstone holdings located in Polk County Texas.

Hillcrest Resources Ltd. currently has interests in the following significant 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.

In August 2009, Donald Currie in his personal capacity and not in his capacity as an officer or director of the Company, entered into an oral agreement with Lasker which is evidenced by a written agreement dated January 10, 2010 to acquire 50% of all of Lasker's right, title and interest in and to the Exploration Agreement.

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	Donner 4	Brown #1
Before payout	40.50%	36%	36%	67.50%
After payout	22.5%	27%	27%	37.50%
Over Riding Royalty Interest on working interest well head revenue	Nil	Nil	8%	8%

Over Riding Royalty Interest (ORRI) is payable to the holders of the senior secured debt on production from Donner #4 and Brown #1. It is calculated on the Company's working interest on both Donner #4 and Brown #1 wells and not on the total revenue of the wells.

The main focus for the Company was a 3 to 4 well drilling and development program in Newton County, Texas. The Company had successfully drilled and completed the first well with production starting in August 2010.

The Company completed the drilling of prospect #1 (the Donner #2 well) which commenced production during the month of August 2011. The table below shows the revenue and production produced by these prospects;

Well Name	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Production, Bbls	Production, MCF	Revenue $	Production, Bbls	Production, MCF	Revenue $
Donner #1	833	-	88,980	908	-	97,323
Donner #2	64	11,685	58,082	63	12,722	55,826
Donner #4	64	13,818	72,904	-	-	-
Brown #1	1,053	17,075	191,987	-	-	-

Well Name	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
	Production, Bbls	Production, MCF	Revenue $	Production, Bbls	Production, MCF	Revenue $
Donner #1	1,616	-	171,921	1,750	-	189,728
Donner #2	64	15,146	74,627	63	28,129	104,734
Donner #4	64	14,175	74,672	-	-	-
Brown #1	1,053	17,075	191,987	-	-	-

Revenue for Donner #1 decreased when compared to the prior periods in the corresponding year, due to normal decline in daily oil production.

The significant decrease in natural gas production for Donner #2 for the six months ended June 30, 2014 was due to the well not being in production for a period due to weather conditions and the onset of associated water handling issues. The weather issues have cleared and the water handling has been resolved, hence the well returned to previous production levels near the end of March, 2014. Donner #2 has also started to deliver some minor condensate production associated with the gas which is expected to be sporadic over the life of the well. Subsequent to the six months ending June 30, 2014, operating costs at Donner #2 have increased due to water disposal requirements. The Company has evaluated and given their consent to re-complete the well in potentially productive zones up hole from the natural gas zone that is currently producing.

The Company acquired the necessary permits and approvals and signed contracts for the drilling of Donner #4. The surface location of Donner #4 is approximately 500 feet southwest of the Company's Donner #1 well. The well was drilled during February 2014 and placed into production during late March 2014. The Donner #4 is classified as a natural gas well with production averaging over 450,000 cubic feet per day as well as 4 barrels of condensate per day.

The Company also acquired the necessary permits, approvals and signed contracts for the drilling of the Brown #1 well. The Company covered 100% of drilling and completion costs, owns a 90%

working interest in the Brown #1 well, and a 67.5% before payout net revenue interest. Drilling operations on the Brown #1 well commenced in February 2014 and were completed in March, 2014. Interpretation of wireline logs and sidewall cores recovered from the well-bore indicate the presence of moveable hydrocarbons in multiple individual reservoirs over approximately 200 feet of gross section. A 2 ½ foot interval near the base of the lowest reservoir interval in the well was perforated, flow tested and subsequently placed on production.

The zone produced 1,053 barrels of oil and 17,075 mcf, resulting in revenue of $191,987 for the three and six months ended June 30, 2014. Subsequent to June 30, 2014, oil production has decreased to approximately 5 barrels of oil per day, while natural gas production is 300 mcf per day. The Company is currently perforating additional pay zones for the purposes of increasing production.

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

Well Name	Three months ending June 30, 2014		Three months ending June 30, 2013	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Texon	201	21,563	288	31,007

Well Name	Six months ending June 30, 2014		Six months ending June 30, 2013	
	Production, Bbls	**Revenue $**	**Production, Bbls**	**Revenue $**
Texon	403	43,012	619	67,807

The decrease in production and revenue for the three and six months ended June 30, 2014 was due to the sale of the Livingston Property for $125,000 US, which closed in July, 2014 but became effective on June 1, 2014.

SELECTED ANNUAL & QUARTERLY INFORMATION

SELECTED ANNUAL INFORMATION

For the years ended December 31, 2013, 2012 and 2011, presented in accordance with International Financial Reporting Standards: ($)

Audited	2013	2012	2011
Total assets	4,014,585	3,553,604	3,445,915
Total Liabilities	1,169,960	170,665	313,378
Shareholders equity	2,844,625	3,382,939	3,132,537
Revenue	677,435	785,622	754,928
Write down of resource properties	-	478,145	-
Foreign exchange gain/(loss)	11,899	(9,528)	12,359
Interest on Loan	67,432	-	-
Other income	117	24	-
Expenses	1,306,211	1,029,106	1,466,841
Net income/(loss)	(684,192)	(731,133)	(699,554)
Income (loss) per share	(0.02)	(0.02)	(0.03)

SELECTED QUARTERLY INFORMATION

By recent eight Quarters ($)

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Total assets	3,805,947	3,812,162	4,014,585	4,235,398	3,396,572	3,531,167	3,553,604	3,583,604
Total liabilities 2	1,251,507	1,229,180	1,169,960	1,164,428	121,000	202,956	170,665	80,884
Shareholders equity	2,554,440	2,582,982	2,844,625	3,070,970	3,275,572	3,328,211	3,382,939	3,980,865
Revenues	**461,239**	**129,233**	**146,188**	**168,978**	**184,157**	**178,112**	**183,183**	191,334
Major expense items								
Consulting fees	64,540	79,749	96,834	140,048	49,571	47,989	56,961	50,977
Professional fees 3	29,602	9,000	57,960	4,806	30,120	34,941	44,914	20,947
Depletion 5	186,864	36,513	51,986	81,345	89,299	98,585	75,166	52,475
Stock-Based Compensation	4,572	4,044	39,481	82,446	-	-	(17,204)	474
Write down on resource property 1	-	-	-	-	-	-	-	478,145
Debt issue costs 4	33,424	31,896	-	-	-	-	-	-
Interest on Secured Loan	37,500	37,500	-	-	-	-	-	-
Gain/(loss) on disposal of assets	45,577	(87,897)	-	-	-	-	-	-
Net income (loss)	**(39,114)**	**(265,687)**	**(265,826)**	**(310,999)**	**(52,639)**	**(54,728)**	**(102,579)**	**(472,062)**
Income (loss) per share	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

1. The results for the quarter ending September 30, 2012 have been revised to include the impairment of a resource property due to the relinquishing of leases.

2. Total liabilities have increased due to the long term loan of $1m.

3. Reduction due to deferred financing costs on debt issue.

4. Debt issue costs are amortized over the term of the loan.

5. The increase in the depletion allocation is due to the recently drilled Donner #4 and Brown #1 wells being brought into production, and is based on preliminary management estimates for the associated remaining reserves.

RESULTS OF OPERATIONS

For the three months ended June 30, 2014

We generated total revenue of $461,239 for the 3 months ended June 30, 2014, an increase of approximately 150% from revenues of $184,157 for the 3 months ended June 30, 2013. The increase in total revenue for the 3 months ended June 30, 2014, when compared to the 3 months ended June 30, 2013, was caused by the additional production from the Donner #4 and Brown #1 wells in the Hartburg project, which was partially offset by a reduction in revenue from the sale of the Livingston Property.

Costs and Expenses

We incurred costs and expenses in the amount of $487,452 for the 3 months ended June 30, 2014, representing approximately a 103% increase from costs and expenses of $240,686 for 3 months ended June 30, 2013.

The significant increase in costs and expenses for the 3 months ended June 30, 2014, when compared to the 3 months ended June 30, 2013, 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 $102,511 (2013: $32,869). The increase in operating costs was primarily caused by the additional costs for the Livingston wells as some wells incur work-over costs to maintain production; additional costs related to Donner #2 in the Hartburg project due to salt water disposal and costs related to the commencement of production for Donner #4 and Brown #1 wells..
2. Consulting fees increased to $64,450 (2013: $49,571) for the 3 months ended June 30, 2014. The increase of 30% was due to amounts paid to a director of the Company and other consultants that the Company contracted to further its corporate development initiatives.
3. Depletion and depreciation increased to $186,864 for the 3 months ended June 30, 2014, as compared to $89,299 for the corresponding period in the previous year. The significant increase in depletion was caused by costs relating to Donner #4 and Brown #1 being amortized based on their respective production and the Company's estimate in reserves for those new wells.
4. Investor relations and business development costs for the 3 months ended June 30, 2014 increased to $29,966 (2013: $9,915). Subsequent to the 6 months ending June 30, 2014, the Company has significantly reduced its investor marketing campaign.
5. Professional fees for the 3 months ended June 30, 2014 remained stable at $29,602 (2013: $30,120).
6. Stock-based compensation increased to $4,572, for the 3 months ended June 30, 2014 as compared to $nil for the 3 months ended June 30, 2013. The Company uses the Black-Scholes valuation method to value the stock options at the time of grant.
7. Travel increased to $20,377 (2013: $14,679), due to costs relating to business development by the CEO and consultants of the Company.

Income/(loss) before other items

The loss before other items for the 3 months ended June 30, 2014 was $26,213, compared to a loss before other items of $56,529 for the 3 months ended June 30, 2013.

Other items

We reported a foreign exchange loss of $4,121 for the 3 months ended June 30, 2014, as compared to a foreign exchange gain of $3,773 for the 3 months ended June 30, 2013, The Company reported interest paid of $37,500 for the 3 months ended June 30, 2014, compared to $nil for the corresponding period in the prior year. The interest was paid on a senior secured loan facility of $1,000,000. The interest payable will be 15% per annum payable monthly. The Company paid $16,914 for the 3 months ending June 30, 2014 (2013: $nil) as an overriding royalty interest on the secured facility. The Company reported a gain on disposal of the Montana – Muddy Creek project of $84,547 and a loss on disposal of the Livingston property of $38,970.

Net Loss and Comprehensive loss for the period

Comprehensive loss for the 3 months ended June 30, 2014 was $39,114, compared to a comprehensive loss of $52,639 for the 3 months ended June 30, 2013. The decrease in loss for the 3 months ended June 30, 2014 was attributable to the items indicted above.

<u>For the six months ended June 30, 2014</u>

We generated total revenue of $590,472 for the 6 months ended June 30, 2014, an increase of approximately 63% from revenues of $362,269 for the 6 months ended June 30, 2013. The increase in total revenue for the 6 months ended June 30, 2014, when compared to the 6 months ended June 30, 2013, was caused by the additional production from the Donner #4 and Brown #1 wells in the Hartburg project, which was partially offset by a reduction in revenue from the sale of the Livingston Property.

Costs and Expenses

We incurred costs and expenses in the amount of $768,725 for the 6 months ended June 30, 2014, representing approximately a 62% increase from costs and expenses of $475,158 for 6 months ended June 30, 2013.

The significant increase in costs and expenses for the 6 months ended June 30, 2014, when compared to the 6 months ended June 30, 2013, 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 $152,735 (2013: $62,523). The increase in operating costs was primarily caused by the additional costs for the Livingston wells as some wells incur work-over costs to maintain production. There were also additional costs related to Donner #2 in the Hartburg project due to salt water disposal and cost associated with news wells beginning production during the period.
2. Consulting fees increased to $144,289 (2013: $97,560) for the 6 months ended June 30, 2014. The increase of 48% was due to amounts paid to a director of the Company and other consultants that the Company contracted to further its corporate development initiatives.
3. Depletion and depreciation increased to $223,377 for the 6 months ended June 30, 2014, as compared to $187,884 for the corresponding period in the previous year. The significant increase in depletion was caused by costs relating to Donner #4 and Brown #1 being amortized based on their respective production and the Company's estimate in reserves for those new wells.

4. Investor relations and business development costs for the 6 months ended June 30, 2014 increased to $70,712 (2013: $19,375). Subsequent to the 6 months ending June 30, 2014, the Company has significantly reduced its investor marketing campaign.
5. Professional fees for the 6 months ended June 30, 2014 significantly reduced to $38,602 (2013: $65,061), due to legal fees incurred for various property projects in prior periods which did not occur during the 6 months ended June 30, 2014.
6. Stock-based compensation increased to $8,616, for the 6 months ended June 30, 2014 as compared to $nil for the 6 months ended June 30, 2013. The Company uses the Black-Scholes valuation method to value the stock options at the time of grant.
7. Travel increased to $29,464 (2013: $14,679), due to costs relating to business development by the CEO and consultants of the Company.

Income/(loss) before other items

The loss before other items for the 6 months ended June 30, 2014 was $178,253, compared to a loss before other items of $112,889 for the 6 months ended June 30, 2013.

Other items

We reported a foreign exchange gain of $7,629 for the 6 months ended June 30, 2014, as compared to a foreign exchange gain of $5,405 for the 6 months ended June 30, 2013, The Company reported interest paid of $75,000 for the 6 months ended June 30, 2014, (2013: $nil). The interest was paid on a senior secured loan facility of $1,000,000. The interest payable will be 15% per annum payable monthly. The Company paid $16,914 for the 6 months ending June 30, 2014 (2013: $nil) as an overriding royalty interest on the secured facility The Company reported a loss on disposal of the Montana – Bakken Woodrow project of $87,897; a gain on disposal of the Montana – Muddy Creek project of $84,547, resulting in a total loss on disposal of $3,350 and a loss on disposal of the Livingston property of $38,970.

Net Loss and Comprehensive loss for the period

Comprehensive loss for the 6 months ended June 30, 2014 was $304,801, compared to a comprehensive loss of $107,367 for the 6 months ended June 30, 2013. The increase in loss for the 6 months ended June 30, 2014 was attributable to the items indicted above.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of $886,811 as at June 30, 2014, compared to a surplus $260,873 as at December 31, 2013. The decrease in working capital was caused by the issuance of a senior secured loan facility of $1,000,000 of which $916,663 becomes payable within one year; however if the current portion of the secured loan is removed, then the Company has a working capital surplus of $29,852.

The revenue we currently generate from natural gas and oil sales does not exceed our total expenses although we expect to see significant improvement with the additional revenue generated by sales of oil and natural gas from the recently drilled and completed Donner #4 and Brown #1 wells.. If the Company requires additional funds to expand our acquisition, exploration and production of natural oil and gas properties it may be able to access the balance of the debt facility, consider further sales of its assets or further sales of equity.

Cash flows provided by Operating Activities

Operating activities generated $69,834 in cash for the 3 months ended June 30, 2014, compared to $(6,749) in cash used in operating activities for the 3 months ended June 30, 2013. The Company's increase in cash generated from operations was caused by increases in revenue attributable to the addition of new wells.

Operating activities used $19,303 in cash for the 6 months ended June 30, 2014 (2013: generated $72,780) due to an increase in accounts receivable and an increase in Net Loss for the period.

Cash Used in Investing Activities

Cash flows used in investing activities for the 3 months ended June 30, 2014 was $68,135, compared to $18,437 cash flows used by investing activities for the 3 months ended June 30, 2013. The Company finalized its sale of 50% of its holding in Muddy Creek for US$400,000 and sold the Livingston property for $125,000 US. However this was offset by costs related to the drilling of Brown #1, in the Hartburg project.

Cash flows from Financing Activities

The Company received $6,000 for the 3 and 6 months ended June 30, 2014 related to the exercise of 100,000 stock options at an exercise price of $0.06. (2013: $nil)

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 August 19, 2014 was 39,670,655.

SHARE PURCHASE WARRANTS

The total number of share purchase warrants outstanding as of August 19, 2014 was 853,111 at a weighted average exercise price of $0.12 per share, exercisable until February 28, 2015.

The total number of Agent's warrants outstanding as of August 19, 2014 was 1,200,000 at a weighted average exercise price of $0.10 per share, exercisable until July 18, 2015.

STOCK OPTIONS

The total number of stock options outstanding as of August 19, 2014 was 3,550,000 (2013: 4,600,000) at a weighted average exercise price of $0.10 per share.

COMMITMENTS

There are no contracts related to management, however there is a contract to pay office rent until September 2014 of $772 per month.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

Related party transactions are with directors and a company controlled by an officer of the Company.

The following summarizes the Company's related party transactions during the three months ended June 30, 2013 and 2012:

	2013	2012
Consulting fees to the Chief Executive Officer of the Company	**$ 45,000**	$ 45,000
Consulting and accounting fees to companies controlled by the Chief Financial Officer of the Company	**$ 39,000**	$ 36,000
Consulting fee to the Director of the Company	**$ 19,733**	$ -

As at June 30, 2014, the Company owed $7,983 (December 31, 2013 - $10,131) to a director, the CEO which is included in accounts payable. Stock-based compensation of $nil was recognised during the six months ended June 30, 2014 (2013 - $nil), 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, 2013 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, 2013.

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 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.

IAS 27 'Separate Financial Statements' – contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 32 'Financial Instruments' – Presentation, amendments regarding Offsetting Financial Assets and Financial Liabilities.

IAS 36 – 'Impairment of Assets' – To clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized ore reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning January 1, 2014 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 six months ended June 30, 2014.

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 June 30, 2014. 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**

HEAD OFFICE

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LISTINGS

TSX Venture Exchange: **HRH**

CAPITALIZATION
(as at August 19, 2014)
Shares Authorized: Unlimited
Shares Issued: 39,670,655

OFFICERS & DIRECTORS
Donald Currie,
CEO and Director

Kulwant Sandher, CA
Chief Financial Officer

Jason Oden
President & Director

Dr. David Stone
Director

Michael Krzus
Director

Thomas Milne
Director

REGISTRAR TRANSFER AGENT
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