



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three and Six Month Period Ended  
June 30, 2021

Report Date – August 26, 2021

# HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is provided by the management of Hillcrest Energy Technologies Ltd. ("Hillcrest" or the "Company") as at and for the period ended June 30, 2021. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2020 and 2019 (the "Annual Financial Statements").

The following information has been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All financial results are reported in Canadian dollars, unless otherwise indicated, and production numbers represent Hillcrest's ownership interest.

Additional information relating to the Company, including the financial statements are available on the Hillcrest website at [hillcrestenergy.tech](http://hillcrestenergy.tech) or on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com).

## CORPORATE OVERVIEW

Hillcrest is listed for trading on the Canadian Securities Exchange (the "Exchange") under the symbol "HEAT" and on the OTCQB in the United States of America ("US") under the symbol "HLRTF."

The Company's current focus is on developing high-value, high-performance clean energy technologies in addition to maximizing operating revenue from its oil production operation in Saskatchewan. The Company is rapidly transitioning its business from oil and gas production to clean energy technology development and deployment. Our specific area of technological expertise is electric machine control systems targeted to enable high efficiency and/or high-power density applications. These control systems reduce energy requirements and in turn, significantly improve power train performance in EVs and potentially enable greater energy efficiencies in renewable energy applications, such as wind turbines, where these attributes are essential. We have employed and engaged management and consultants with extensive experience directly relevant to our focus areas and continue to build capability to expand the scope of the Company's activities in core technology fields. Over the next eighteenth-month period, the Company will transition from a hydrocarbon-based production company to one developing, licensing or selling accessible or owned clean energy technology and IP.

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements pertaining to, among other things: additional capital funding; the Company's ability to obtain such funding and the use thereof; the Company's ability to continue as a going concern; the completion of private placements and the use of proceeds thereof; the existence of reserves; oil production rates and recovery from drilling operations; commercial viability of drilled wells; additional drilling locations; storage and transportation of oil and costs thereof; the timing, method, cost and recovery from drilling operations; infrastructure development and the timing and effects thereof; the Company's next phase of capital expenditures; regulatory approvals and the Company's ability to obtain applicable permits; future operation, general and administrative expenditures and the anticipated impact of the reduction thereof; performance and financial results; capital expenditures; the Company's working capital deficiency and capital requirements; the ability of the Company to satisfy the interest and principal owed to debt holders; estimates and assumptions made in accordance with IFRS requirements; and the Company's ability to generate shareholder value, which 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.

## **HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)**

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### **FORWARD-LOOKING STATEMENTS (continued)**

Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained in this MD&A, which may prove to be incorrect, include but are not limited to: the general continuance of current or, where applicable, assumed industry conditions and the lack of any significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions or otherwise; the ability of the Company to obtain necessary permits; acquisition of lands; the Company's status as a going concern; costs and availability of equipment, labour, natural gas, fuel, oil, electricity, water and other key supplies; the accuracy of production data; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; the continuance of laws and regulations relating to environmental matters; the Company's ability to retain key employees and executives; assumptions relating to the costs of future wells; the accuracy of estimates of reserves volumes; the availability and timing of additional financing to fund the Company's capital and operating requirements as needed; and certain commodity price and other cost assumptions. Statements regarding future production, capital expenditures and development plans are subject to the risks and uncertainties normally incident to the exploration for and development and production of oil and gas that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These risks include, but are not limited to: inflation or lack of availability of goods and services; changes in commodity prices; unanticipated operating results or production declines; third party pipeline issues; environmental risks; drilling risks; financial markets; economic conditions; volatility in the debt and equity markets; regulatory changes; changes in tax or environmental laws or royalty rates; and certain other known and unknown risks listed under the section "Risks & Uncertainties" herein.

Although Hillcrest believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements were made, no assurances can be given as to future results, levels of activity and achievements and such statements are not guarantees of future performance.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

### **STRATEGY AND BUSINESS OBJECTIVES**

The Company's business plan is to focus on sustainable and value per share growth. To accomplish this, the Company will pursue specific opportunities related to clean energy technology and will transition from fossil fuels to clean energy. The Company will consider all options related to oil operations including a potential sale of the assets.

The Company's immediate objectives include development and commercialization of intellectual property ("IP") associated with the ANIGO Technology Ltd. acquisition, technology development and commercialization through the collaborative agreement with Systematec, deploying this IP and new technology through licensing, co-development or joint ventures and maximizing remaining value from its oil assets.

Over the next eighteen-month period, the Company will continue to transition from a hydrocarbon-based production company to one realizing value from developing, licensing and/or selling clean energy technology and IP.

No such revenue may be achieved from our technology portfolio in the near term. At present, the Company's plans for IP and related technology products will be contingent on the results of its research and development efforts, and commercialization of resulting IP.

# HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

## OIL AND GAS PROPERTIES

### West Hazel Property, Saskatchewan

During the year ended December 31, 2017, the Company entered into a binding joint venture agreement ("JV Agreement") with a Canadian oil and gas company ("Juniorco") whereby the Company, via a wholly owned subsidiary, may earn up to a 75% Working Interest before payout ("BPO") and a 50% Working Interest after payout ("APO") and become the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin, by returning certain wells to service and restarting production.

In October 2018, the Company, as Operator of the field, commenced the facility inspection, repair, upgrade and well reactivation activities required to re-establish oil production from previously producing wells on the West Hazel property and successfully re-established production from three wells and upgraded facilities by February 2019 at a cost of approximately \$878,000.

In February 2019, the Company disposed of 17% of its operating profit interest from reactivated wells in the West Hazel property in exchange for a cash payment of \$170,000.

Total field production for the six-month period ended June 30, 2021 totaled 16,897 barrels at an average price of \$52.81 CDN per barrel. Total field production for the six-month period ended June 30, 2020 totaled 16,680 barrels at an average price of \$25.97 CDN per barrel.

During the six-month period ended June 30, 2021, the Company incurred costs of \$1,256,266 to drill a short horizontal oil well with multi-zone production potential.

The Company is currently evaluating production potential from the new well and further field development potential.

## SELECTED QUARTERLY INFORMATION

The table below summarized information reported for the most recent eight quarterly periods:

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
	\$	\$	\$	\$
Total assets	8,287,852	3,059,771	1,808,632	1,185,767
Total liabilities	1,645,380	2,108,006	2,236,229	3,044,458
Revenue	269,689	285,759	251,536	198,811
Net income (loss)	(7,413,476)	(342,994)	(410,831)	(1,486,967)
Earnings (loss) per share	(0.03)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding	264,373,245	213,585,326	144,159,918	137,039,416

**HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)**

Management's Discussion &amp; Analysis

Three and Six Month Period Ended June 30, 2021

---

**SELECTED QUARTERLY INFORMATION** (continued)

	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	909,745	750,618	863,898	1,234,139
Total liabilities	3,647,537	3,436,163	3,353,924	4,623,954
Revenue	110,158	136,244	325,519	377,620
Net income (loss)	(117,209)	(232,230)	(271,018)	(324,654)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding	124,616,784	124,101,277	91,461,993	91,217,270

Significant variations in the most recent eight quarters are discussed below:

- a) During the quarter ended June 30, 2021, revenue increased from June 30, 2020, as the Company continued to realize production from the new drilled well. Assets increased due to private placements and the exercise of warrants and options during the period. Expenses increased due to share-based compensation expense and increased management and consulting expenses, research and development and office expenses as the Company develops and deploys its clean energy technology.
- b) During the quarter ended March 31, 2021, revenue increased from March 31, 2020, as the Company was able to realize one month of production from the newly drilled well, therefore volume was significantly higher. Total liabilities decreased as the Company used proceeds from various share issuances to retire debt.
- c) During the quarters ended September 30, 2020 and December 31, 2020, revenue decreased from September 30, 2019 and December 31, 2019, as the Company obtained a much lower oil price and volume. Expenses increased as the Company entered into various monthly contracts and began the transition to clean technology. Total liabilities decreased as the Company used proceeds from its private placement to retire debt.
- d) During the quarter ended June 30, 2020, revenue decreased from June 30, 2019 as the Company shut-in production for one and a half months, this also correlated to a decrease in expenses as the Company subcontracts for its services.
- e) During the quarter ended March 31, 2020, total liabilities decreased as compared to March 31, 2019. Shares were issued for convertible debentures. The Company also completed a private placement and therefore was able to retire debt.

## HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### SELECTED ANNUAL INFORMATION

Selected annual information for the years ended December 31, 2020, 2019 and 2018 is presented below:

	(\$)	(\$)	(\$)
<b>Total assets</b>	1,808,632	863,898	1,115,423
<b>Total liabilities</b>	2,236,229	3,353,924	3,787,915
<b>Shareholders' equity (deficiency)</b>	(427,597)	(2,490,026)	(2,672,492)
<b>Revenue, net of royalties</b>	536,057	763,000	47,779
<b>Net income (loss)</b>	(2,247,237)	(1,201,929)	(1,866,535)
<b>Earnings (loss) per share</b>	(0.02)	(0.01)	(0.02)

### LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of \$3,643,694 as at June 30, 2021, compared to a working capital deficiency of \$2,831,629 as at June 30, 2020. The balance has increased as the Company raised funds by issuance of shares for private placements, in addition to warrant and option exercises.

During the period ended June 30, 2021, the Company reported a net loss of \$7,756,469 (June 30, 2020 – \$349,439) mainly due to share-based compensation expense. The Company's management and consulting fees, research and development and office expenses also increased due to the Company focusing on developing its clean energy technology. As a result, the Company reported a cash outflow from operations of \$1,788,703 for the period ended June 30, 2021 (June 30, 2020 - \$75,453). The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent upon the continued financial support of its creditors, access to equity financial markets and ultimately, the attainment of profitable operations. As a result, the Company completed a non-brokered private placement during the period wherein it issued 25,340,000 units for aggregate gross proceeds of \$1,267,000, received proceeds from the exercise of warrants in the amount of \$4,319,133, and proceeds of \$345,000 from the exercise of options. During the period, the Company also entered into an equity facility issuing 13,176,470 units at \$0.17 per unit for proceeds of \$2,240,000.

Management has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. If the Company is unable to obtain additional financing, it will experience liquidity problems and management expects that it 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 substantial dilution.

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.

As at the Report Date, the Company has \$3,448,716 cash on hand and \$Nil loans outstanding.

## HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### RESULTS OF OPERATIONS

#### Three Month Period ended June 30, 2021

##### Revenue

The Company generated total revenue of \$269,689 during the three-month period ended June 30, 2021, compared to \$110,158 during the three-month period ended June 30, 2020. The increase is due to revenue from the newly drilled well. In addition, the Company experienced no revenue in 2020 for April and portions of May as it shut-in production.

##### Costs

The Company's operating costs, and depletion expenses for the three-month period ended June 30, 2021 were \$169,319 compared to \$84,947 during the three-month period ended June 30, 2020. The increase in operating costs is correlated with the increase in production as the Company performed additional work on its West Hazel property related to drilling the new well.

##### General and Administrative expenses

The Company's general and administrative expenses increased by \$7,367,110 mainly due to share-based compensation expense of \$5,724,037 as the Company had two stock option grants and issued restricted share units ("RSUs") during the period. The increase is also due to management and consultant fees as the Company hired more consultants in its development and deployment of clean energy technology and research and development expenses. In addition, the Company increased its spending on office and general expenses.

#### Six Month Period ended June 30, 2021

##### Revenue

The Company generated total revenue of \$555,448 during the six-month period ended June 30, 2021, compared to \$246,402 during the six-month period ended June 30, 2020. The increase is due to fourth months of revenue for the newly drilled well.

##### Costs

The Company's operating costs, and depletion expenses for the six-month period ended June 30, 2021 were \$304,655 compared to \$268,018 during the six-month period ended June 30, 2020. The increase in operating costs is correlated with the increase in production, offset by the recovery of property taxes in the amount of \$96,720 that were previously included in accounts payable. Excluding this one-time recovery, the expenses would have increased by \$68,786 as the Company performed additional work on its West Hazel property related to drilling the new well.

##### General and Administrative expenses

The Company's general and administrative expenses increased by \$7,664,056 mainly due to share-based compensation expense of \$5,724,037 as the Company had two stock option grants and issued restricted share units ("RSUs") during the period. The increase is also due to management and consultant fees as the Company hired more consultants in its development and deployment of clean energy technology and research and development expenses. In addition, the Company increased its spending on office and general expenses.

### OUTSTANDING SHARE DATA

As at the Report Date there are 299,894,935 common shares outstanding, 14,850,000 shares issuable on the exercise of stock options (weighted average exercise price of \$0.19), and 24,817,834 shares issuable on the exercise of share purchase warrants (weighted average exercise price of \$0.20).

## HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### SUBSEQUENT EVENTS

Subsequent to June 30, 2021:

- a) On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2021 and terminating on August 31, 2024, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$47,209 per annum, plus common costs and taxes.
- b) Subsequent to period end, 14,781,500 share purchase warrants exercisable at a price of \$0.25 per common share until January 5, 2023 were issued.
- c) 603,200 share purchase warrants were exercised for gross proceeds of \$60,320.

### COMMITMENTS

- a) The Company has an office rental agreement with a term of 72 months, terminating on February 28, 2023. The landlord issued a notice of termination to the Company effective January 31, 2019 and has sent a demand for payment of \$43,961 (US\$32,245) representing unpaid rental charges under the rental agreement. The Company has recognized the full liability as at December 31, 2020.
- b) On November 19, 2020, the Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, commencing December 1, 2020, and terminating on November 30, 2023. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$45,910 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.
- c) On August 21, 2020, the Company signed a Financial and Advisory Services Agreement with a New York-based capital and advisory firm. The agreement has a term of one (1) year at a cost of US\$15,000 per quarter.

### RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three- and six-month period ended June 30, 2021 and 2020. 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 Month Period Ended		Six Month Period Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	(\$)	(\$)	(\$)	(\$)
Management, director and consulting fees paid or accrued to directors, officers or corporations controlled by directors and officers of the Company	142,438	17,722	257,938	47,898
	142,438	17,722	257,938	47,898



## **HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)**

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### **RELATED PARTY TRANSACTIONS (continued)**

- a) As at June 30, 2021, a total of \$19,576 (December 31, 2020 - \$Nil) was included in accounts payable and accrued liabilities owing to the directors and officers or corporations controlled by directors and officers of the Company for unpaid consulting fees and reimbursable expenses. These liabilities are non-interest bearing and payable on demand.
- b) As at June 30, 2021, the Company owed \$Nil (December 31, 2020 - \$129,805) from the CEO.

### **CAPITAL MANAGEMENT**

The Company considers its capital resources to be the shareholders' deficiency, comprising share capital, contributed surplus, reserves and deficit. 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 oil and gas 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 primarily dependent on external financing to fund its activities. In order to carry out the planned exploration and development 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 properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

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

There were no changes in the Company's approach to capital management during the six-month period ended June 30, 2021. The Company is not subject to externally imposed capital requirements.

### **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

Significant accounting policies and critical accounting estimates used during the year ended December 31, 2020 are disclosed in notes 2 and 3 of the 2020 audited annual 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.

### **OUTLOOK**

Hillcrest is focused on developing and delivering value from its clean technology business and maximizing remaining value from its current oil operations to provide sustaining cash flow for Company expenses including clean technology activities.

## HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### RISKS & UNCERTAINTIES

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to current and potential investors in the Company, but readers are cautioned that the list is not exhaustive. If any of these risks materialize into actual events or circumstances, or any other additional risks or uncertainties material to the Company's business occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), and business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline, and investors may lose all or part of their investment. The Company is engaged in the development of oil and gas properties. Given the nature of the oil and gas business, the limited extent of the Company's assets, the following risks, among others, should be considered.

#### Financing Risks and Dilution to Shareholders

The Company has limited financial resources and will require additional funds to complete. There can be no assurance that the Company will be successful in its efforts to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital may be raised through the issuance of additional equity or other forms of capital such as debt or sale of assets which may result in dilution to the Company's existing shareholders.

#### Intellectual Property Risks

The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

#### Product Development Risks

The development of products is subject to the risks of failure inherent in the development of new, state of the art technologies. These risks include: (i) delays in product development; (ii) unplanned expenditures for product development; (iii) failure of new products to have the desired effect or an acceptable performance profile; (iv) emergence of superior or equivalent products; (v) failure by any potential collaborative partners to successfully develop products; and (vi) the dependence on third parties for the manufacture, development and sale of the Company's products. Because of these risks, our research and development efforts or those of potential collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts is not successfully completed, or any products are not commercially successful, we are less likely to generate significant revenues, or become profitable. The failure to perform such activities could have a material adverse effect on the Company's business, financial condition and results of its operations.

The areas in which we plan to commercialize products involves rapidly developing technology. There can be no assurance that we will be able to establish ourselves in such fields, or, if established, that we will be able to maintain our market position, if any. There can be no assurance that the development by others of new or improved products will not make our present and future products, if any, superfluous or obsolete.

## **HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)**

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### **RISKS & UNCERTAINTIES (continued)**

#### Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

#### Fluctuating Oil and Gas Prices

The economics of oil and gas exploration are affected by many factors beyond the Company's control, including commodity prices, supply and demand in the market and the cost of operations. Depending on the price of commodities, the Company may determine that it is impractical to continue operations.

#### Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of this Company may be subject to in connection with the Company's operations. Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers may be in direct conflict with the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA and any other applicable corporate laws.

#### Environmental Risks

The Company's oil field operations will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, state and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

#### Development and Operating Risks

There is no assurance that expenditures made on future development by the Company will result in oil and gas in commercial quantities. The Company attempts to control operating risks by maintaining a disciplined approach to execution of its development programs. Operational control allows the Company to manage costs, timing and sales of production and to ensure new production is brought on-stream in a timely manner.

## **HILLCREST ENERGY TECHNOLOGIES LTD. (formerly HILLCREST PETROLEUM LTD.)**

Management's Discussion & Analysis

Three and Six Month Period Ended June 30, 2021

---

### **RISKS & UNCERTAINTIES (continued)**

#### Uninsurable Risks

Development and production operations of oil and gas reserves involve numerous risks, including sub-surface production issues or mechanical failure in wells, uncontrolled release of hydrocarbons, fires, floods, hurricanes, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, wells and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although the Company intends to take precautions to minimize risk that will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks, such as environmental risks, as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's operations and financial condition and could cause a decline in the value of the Company's shares.

#### Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

#### Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and on the Company's ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

#### Availability of Equipment and Labour

The oil and gas exploration industry and clean tech industry are dependent on the availability of equipment and labour in the areas where such activities will be conducted. Demand for limited equipment and labour and restrictions imposed on access to equipment may affect the availability of such equipment to the Company which could delay exploration, development and production activities.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not have any off-balance sheet debt nor did it 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.

### **ADDITIONAL DISCLOSURE**

Additional information relating to the Company and its regulatory filings is available on the Company's website at [www.hillcrestenergy.tech](http://www.hillcrestenergy.tech) and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)