MANAGEMENT'S DISCUSSION AND ANALYSIS

Six Months Ended June 30, 2023

Report Date – August 24, 2023

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, 2023. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the six months ended June 30, 2023, and the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2022 (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.

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

CORPORATE OVERVIEW

Hillcrest is listed for trading on the Canadian Securities Exchange (the "Exchange") under the symbol "HEAT," on the OTCQB in the United States of America ("US") under the symbol "HLRTF" and on the Frankfurt Exchange under the symbol "7HIA".

The Company's specific area of technological expertise is high-value, high performance power conversion technologies and digital control systems for next-generation powertrains and grid-connected renewable energy systems. Hillcrest has developed a Zero Voltage Switching ("ZVS") inverter technology platform to be deployed into several products, including an EV traction inverter, a simplified EV on-board charging solution, a grid-connected inverter and a multi-level inverter.

The Company has employed and engaged management and consultants with extensive experience directly relevant to its focus areas and continues to build its capability to expand the scope of its activities in core technology fields.

In October 2022, the Company signed a Memorandum of Understanding ("MOU") with Hercules Electric Mobility to build and test an electric powertrain for a range of e-mobility products. The collaborative project began in October 2022 and is expected to run through 2023.

Also in October 2022, the Company signed another MOU with a Global Tier 1 Automotive Supplier to carry out a joint development project for a powertrain system. Hillcrest and the supplier will collaborate to integrate an optimized version of Hillcrest's 800-Volt (V), 250-kilowatt (kW) inverter into a future powertrain system. The joint project development continues to run through 2023. The Company announced on April 18, 2023 that it has successfully completed the first milestone of this MOU and on June 22, 2023 that it is engaged in dynamic load demonstration testing as part of the second milestone of this MOU, with completion expected in Q3 2023.

In December 2022, the Company completed its first commercial prototype, an 800V, 250kW ZVS traction inverter. Throughout 2023, the Company expects to continue work with the two announced MOU partners and several other automotive manufacturers and suppliers on testing and integrating the ZVS traction inverter prototype into their specific powertrain applications with the intent of securing co-development agreements and eventually commercial supply agreements.

In May 2023, the Company successful completed dynamic load bench tests involving the Company's cutting-edge 250-kilowatt, 800-volt SiC inverter with a prominent European Automotive Original Equipment Manufacturer (European OEM) with test results that showcased a marked advantage in electromagnetic compatibility (EMC) characteristics and inverter efficiency. The European OEM has completed its analysis of the demonstration results and is proceeding with the next phase of co-development.

In June 2023, the Company completed the design and began manufacturing its ZVS-enabled power module. These power modules are the first to be optimized for the Company's ZVS technology and will be integrated into the Company's traction inverter to create the first-ever ZVS-optimized SiC traction inverter.

For the remainder of 2023, the Company also expects to continue developing and commercializing various applications based on its core ZVS technology platform with the intent of developing, licensing and/or selling accessible or owned clean energy technologies and IP.

In June 2023, the Company completed a consolidation of the authorized and issued common shares of the Company (the "Common Shares"), on the basis of a one (1) post-consolidated Common Share for each six (6) pre-consolidation Common Shares. All share numbers shown in this report reflect the post-consolidated numbers except as indicated otherwise.

The Company's end of life, non-producing, legacy oil assets in Saskatchewan are currently in the process of being remediated with completion expected in 2024.

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 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 and capital requirements; 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.

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, ability of the Company to achieve its plans, and statements relating to the Company's future plans and management's belief as to the development of the Company's technologies; the Company's ability to retain key employees and executives; the availability and timing of additional financing to fund the Company's capital and operating requirements as needed; and certain cost assumptions. Statements regarding future plans of the Company are subject to known and unknown risks, uncertainties, and other factors, which could cause actual results to differ materially from those expected. These risks include, but are not limited to: the risk associated in the commercial viability of the technologies the Company is in the process of developing or deploying; delays or changes in plans with respect to the technologies; the risk of foreign exchange rate fluctuations, costs and expenses; inflation and lack of availability of goods and services; changes in commodity prices; unanticipated operating results; financial markets; economic conditions; volatility in the debt and equity markets; regulatory changes; changes in tax or environmental laws; 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 value per share growth. To accomplish this, the Company will continue to pursue specific opportunities related to clean energy technology.

CLEAN ENERGY TECHNOLOGY

The Company's immediate objectives include the development and commercialization of intellectual property ("IP"), including the IP associated with the acquisition of ANIGO Technologies Inc. ("ANIGO"), now named Hillcrest Energy Technologies Royalty Holdings Ltd. This includes technology development and commercialization activities through the collaborative agreement with Systematec GmbH ("Systematec").

In 2021, the Company initiated development and achieved proof of concept for the Hillcrest ZVStraction inverter, the Company's first application to be developed using its ZVS technology platform.

During the year ended December 31, 2022, the Company completed the Hillcrest 800V, 250kW ZVS EV inverter commercial prototype.

Over the year, the Company intends to continue the development and commercialization of several additional applications based on its ZVS technology platform, including a grid-tied ZVS inverter, a simplified EV on-board charging solution as well as a multi-level ZVS inverter.

As each application progresses through the development process to commercialization, the Company will focus on realizing potential value through developing, licensing and/or selling these applications and the associated IP.

Revenue may not be achieved from the technology portfolio in the near term. At present, the Company's plans for IP and related technology applications and products will be contingent upon the results of its research and development efforts, and commercialization of resulting IP.

Upon its acquisition of ANIGO, now Hillcrest Energy Technologies Royalty Holdings Ltd., the Company recognized $1,550,000 as an intangible asset, which is attributable to the portfolio of acquired software IP. During the current six-month period ended June 30, 2023, the Company also incurred research and development expenses of $1,009,204 (2022 – $644,913). The Company also entered into an office and warehouse rental agreement in 2021 for a technology research and development lab.

OIL AND GAS PROPERTIES – DISCONTINUED OPERATIONS

West Hazel Property, Saskatchewan

The Company has a 75% Working Interest before payout ("BPO") and a 50% Working Interest after payout ("APO") and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin. The Company formally ceased production in November 2021 and oil-wells have been shut-in. All wells have now been abandoned and surface equipment removed with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2024.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2023

Revenue
There were no revenues from continuing operations for the six months ended June 30, 2023 and 2022. The Company's revenues from discontinued operations for the six months ended June 30, 2023 were $Nil compared to $51,965 during the six months ended June 30, 2022. The Company ceased oil production in late 2021.

Costs
The Company's royalty and operating costs from discontinued operations for the six months ended June 30, 2023, were $2,259 compared to $75,259 during the six months ended June 30, 2022. The decrease in operating costs is directly related to the minimal activities as the result of ceasing production.

General and Administrative Expenses
The Company's general and administrative expenses from continuing operations were $3,685,390 compared to $2,439,410 increasing by $1,245,980 due to increases in office and general expenses, research and development expenditures, and share based compensation, but offset by a decrease in management and consulting expenses. Office and general expenses increased by $436,544 primarily due to increased salaries and wages from a higher employee headcount, higher professional fees from corporate activities, and increased investor relations from greater investor outreach initiatives. Management and consulting fees were lower by $344,340 as some of those costs are now reflected as research and development and investor relations. Share-based compensation increased by $789,485 as a result of the Company granting restricted share units ("RSUs") and stock options during the current period. Research and development increased by $364,291 to $522,427 as the Company continued to invest and accelerate the commercialization of its clean energy technologies.

Other Income
The Company recorded other income of $46,006 in the current period which included a government grant and contributions from a joint development partner for meeting the first milestone of its MOU.

Three Months Ended June 30, 2023

Revenue
There were no revenues from continuing operations for the three months ended June 30, 2023 and 2022. The Company's revenues from discontinued operations for the three months ended June 30, 2023 and 2022 were also $Nil during the three months ended June 30, 2023 and 2022 as the Company ceased oil production in late 2021.

Costs
The Company's operating expenses from discontinued operations for the three months ended June 30, 2023 and 2022 were immaterial as there were minimal activities as the result of ceasing production.

General and Administrative Expenses
The Company's general and administrative expenses from continuing operations were $2,282,858 for the three months ended June 30, 2023, compared to $1,345,434 in the prior period, an increase of 937,424 due to increases in office and general expenses, research and development expenditures, and share based compensation, but offset by a decrease in management and consulting expenses. Office and general expenses increased by $184,877 primarily due to increased salaries and wages from a higher employee headcount, higher professional fees from corporate activities, and increased investor relations from greater investor outreach initiatives. Management and consulting fees were lower by $219,578 as some of those costs are now reflected as part of research and development and investor relations. Share-based compensation increased by $856,334 as a result of the Company granting restricted share units ("RSUs")

and stock options during the current quarter. Research and development expenditures increased by $115,791 to $486,777 as the Company continued to invest and accelerate the commercialization of its clean energy technologies.

Other Income
The Company recorded other income of $46,006 in the current quarter which included a government grant and contributions from a joint development partner for meeting the first milestone of its MOU.

SELECTED QUARTERLY INFORMATION

The table below summarizes information reported for the most recent eight quarterly periods. Figures in prior quarters have been reclassified to separate out discontinued operations:

	Jun 30, 2023 $	Mar 31, 2023 $	Dec 31, 2022 $	Sep 30,2022 $
Total assets	2,883,930	2,592,575	3,115,779	3,824,216
Total liabilities	621,359	758,458	690,660	630,144
Revenue from discontinued operations	-	-	-	-
Loss from continuing operations	(2,241,944)	(1,409,035)	(2,100,910)	(2,034,445)
Income (loss) from discontinued operations	(1,159)	(12,525)	(146,115)	103,547
Total net loss	(2,243,103)	(1,421,560)	(2,247,025)	(1,930,898)
Earnings (loss) per share from continuing operations	(0.04)	(0.02)	(0.04)	(0.04)
Earnings (loss) per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding	61,364,598	56,430,818	54,999,182	54,553,807
	Jun 30, 2022 $	**Mar 31, 2022 $**	**Dec 31, 2021 $**	**Sep 30,2021 $**
Total assets	4,262,602	5,425,164	6,631,415	7,015,592
Total liabilities	785,641	1,108,336	1,385,582	1,275,536
Revenue from discontinued operations	-	51,965	48,939	20,487
Loss from continuing operations	(1,108,611)	(1,102,974)	(1,821,083)	(1,294,468)
Income (loss) from discontinued operations	23,178	6,129	(2,239,578)	(83,679)
Total net loss	(1,085,433)	(1,096,845)	(4,060,661)	(1,378,147)
Earnings (loss) per share from continuing operations	(0.02)	(0.02)	(0.04)	(0.03)
Earnings (loss) per share from discontinued operations	0.00	0.00	(0.04)	(0.00)
Weighted average common shares outstanding	53,787,440	53,229,863	50,838,589	49,965,193

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

a) During the quarter ended June 30, 2023, the Company recorded a net loss from continuing operations of $2,241,944 and a loss from discontinued operations of $1,159. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in business development expenditures. Share based compensation expense was also significantly higher with the granting of RSUs and options during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

b) During the quarter ended March 31, 2023, the Company recorded a net loss from continuing operations of $1,409,035 and a loss from discontinued operations of $12,525. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in business development expenditures. The higher expenses were offset by lower share-based compensation There were no revenues from discontinued operations together with minimal activities during the period due to the winter season.

c) During the quarter ended December 31, 2022, the Company recorded a net loss from continuing operations of $2,100,910 and a loss from discontinued operations of $146,115. The increased loss from continuing operations can be attributed to higher spending on research and development alongside higher business development and office expenses as the Company continues to advance its clean energy technologies. The loss from discontinued operations is related to an adjustment to its decommissioning liability as the Company prepares for completion of its reclamation plans.

d) During the quarter ended September 30, 2022, the Company had income from discontinued operations of $103,547 due to the sale of used equipment at West Hazel and granting of funding towards the site's decommissioning liability from the Government of Saskatchewan through the Accelerated Site Closure Program. The net loss from continuing operations increased due to an increase in share-based compensation as the Company granted stock options and RSUs during the quarter. The Company also incurred greater research and development expenses along with business development and office expenses related to the advancement of its technologies.

e) During the quarter ended June 30, 2022, revenues from discontinued operations were $Nil compared to $269,689 from June 30, 2021, as the result of the Company ceasing production in November 2021. Income from discontinuing operations of $23,178 is the result of the re-estimation of the Flaxcombe and Hartburg decommissioning liabilities, which were determined to be $Nil as there were no amounts owing. The net loss from continuing operations decreased due to a decrease in share-based compensation, management and consulting expenses and office and general offset by an increase in research and development expenses.

f) During the quarter ended March 31, 2022, revenues from discontinuing operations decreased from March 31, 2021, as the result of the Company ceasing production in November 2021. Revenues from discontinuing operations in 2022 are the result of selling existing oil inventory produced in 2021 in early 2022. During the quarter ended March 31, 2021, revenue was greater due to increased volume from one month of production from the newly drilled well. Assets increased from the Company's continued investment in the development and commercialization of its clean energy technology.

g) During the quarter ended December 31, 2021, revenue from discontinuing operations decreased from December 31, 2020, as the result of declining production. This combined with the Company's planned exit from the oil and gas business resulted in the Company recognizing an impairment loss of $2,180,055 on its oil and gas properties, resulting in a loss of $2,239,578 from discontinued operations. Overall assets increased due to the Company's increase in cash from the closing of private placements and warrant and option exercises over the year and due to the Company's investment in its clean energy technologies.

h) During the quarter ended September 30, 2021, revenue from discontinued operations decreased from September 30, 2020, as the result of declining production and extended production interruptions due to various field operations involving wells and gathering lines. Revenues during the quarter were primarily from the recently drilled well. Assets increased as the Company continued its investment in the development and deployment of its clean energy technology, which was correlated with increased research and development during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $155,623 as at June 30, 2023, compared to $516,923 as at December 31, 2022. Working capital decreased as the Company continued to spend funds on the development of its clean energy technologies.

During the six months ended June 30, 2023, the Company reported a total net loss of $3,664,663 (June 30, 2022 – $2,211,585) due to increased research and development expenses along with increased office and general costs. During the period, the Company reported a total cash outflow from continuing operations of $2,581,190 for the six months ended June 30, 2023 (2022 - $2,583,037).

The Company's ability to meet its obligations as they arise 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.

In January 2023, the Company closed a non-brokered private placement of $0.72 ($0.12 pre-consolidation) per unit for gross proceeds of $1,278,000 ($1,204,000 of which had been received as at December 31, 2022), with each unit consisting of 1.2 common shares.

In April and May 2023, the Company closed, over three tranches, a non-brokered private placement for a total of 4,193,750 (25,162,500 pre-consolidation) units of the Company at a price of $0.48 ($0.08 pre-consolidation) per unit for gross proceeds of $2,013,000, with each unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of $0.90 ($0.15 pre-consolidation) per share for a period of two years.

In July 2023, the Company closed its previously announced non-brokered warrant private placement for total gross proceeds of $12,540 (the "Offering"). The Offering consisted of an aggregate of 2,090,000 (12,540,000 pre-consolidation) common share purchase warrants of the Company (each, a "Warrant") sold at a price of $0.006 ($0.001 pre-consolidation) per Warrant. Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.90 ($0.15 pre-consolidation) per Common Share for a period of 24 months following the closing date of the Offering. The Offering was available to those subscribers who purchased units of the Company in the non-brokered private placement closed in January 2023.

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. Currently, the Company has no debt or loans outstanding.

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.

OUTSTANDING SHARE DATA

As at the Report Date there are 61,664,599 common shares outstanding, 3,693,969 shares issuable on the exercise of stock options (weighted average exercise price of $1.06), 11,732,773 shares issuable on the exercise of share purchase warrants (weighted average exercise price of $1.11) and 5,066,188 shares issuable on the settlement of restricted share units.

COMMITMENTS

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, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of $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.

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 technologies and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $47,209 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.

See also Subsequent Events.

SUBSEQUENT EVENTS

On July 17, 2023, the Company closed its previously announced non-brokered warrant private placement for total gross proceeds of $12,540 (the "Offering"). The Offering consisted of an aggregate of 2,090,000 (12,540,000 pre-consolidation) common share purchase warrants of the Company (each, a "Warrant") sold at a price of $0.006 ($0.001 pre-consolidation) per Warrant. Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.90 ($0.15 pre-consolidation) per Common Share for a period of 24 months following the closing date of the Offering. The Offering was available to those subscribers who purchased units of the Company in the non-brokered private placement closed in January 2023.

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

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

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

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

Pursuant to a corporate services agreement, a total of 300,000 common shares was issued to a consultant of the Company during July and August.

Subsequent to June 30, 2023, The Company received financing proceeds of $425,000, the terms of which remain subject to final negotiations, and a $35,000 repayment for an amount due from related parties.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the six months ended June 30, 2023, and 2022. 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:

<u>Key management compensation</u>

	Six Months Ended	
	Jun 30, 2023 ($)	Jun 30, 2022 ($)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	463,928	289,870
Director fees paid or accrued to directors	65,100	56,333
Share-based compensation	38,087	(117,938)
	567,114	228,265

As at June 30, 2023, the Company was owed $120,972 (December 31, 2022 - $120,972) from officers of the Company. These amounts are non-interest bearing and are due on demand. A total of $35,000 has since been repaid subsequent to June 30, 2023.

OUTLOOK

Hillcrest is focused on developing and delivering value from its clean energy technology business through the continued development and commercialization of its technologies with the intent of licensing, partnering and/or selling accessible or owned clean energy technology and IP.

CAPITAL MANAGEMENT

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

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

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, 2023. The Company is not subject to externally imposed capital requirements.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies and critical accounting estimates applied during the six months ended June 30, 2023 are consistent with the Company's most recent annual audited financial statements and are disclosed in notes 2 and 3 of the 2022 Annual 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.

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 clean technologies and is concluding its oil and gas production operations. Given the nature of both the clean technology business and 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. 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, the Company is 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 the Company plans to commercialize products involves rapidly developing technology. There can be no assurance that the Company will be able to establish itself in such fields, or, if established, that it will be able to maintain its market position, if any. There can be no assurance that the development by others of new or improved products will not make its present and future products, if any, superfluous or obsolete.

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.

Inflation
The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact, among other things, future development decisions, which could have a material adverse impact on the Company's financial performance.

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.

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.

Uninsurable Risks
The Company's oil and gas operations involve risks, including sub-surface production issues or mechanical failure in wells, uncontrolled release of hydrocarbons and other subsurface fluids, 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. 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.

Availability of Equipment and Labour
The clean tech industry is 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.

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.

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 and under the Company's profile on SEDAR at **www.sedar.com**