

HILLCREST RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year Ended December 31, 2013

Dated April 25, 2014

This Management Discussion & Analysis ("MD&A") is provided by management of Hillcrest Resources Ltd. ("Hillcrest" or the "Company") as at and for the year ended December 31, 2013. The commentary in this MD&A is based on information available to April 25, 2014.

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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

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volatile in the future. By definition, proved reserves are based on estimated future oil and gas prices and costs. Price declines reduce the estimated quantity of proved reserves and increase annual depletion expense (which is based on proved and probable reserves).

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

OIL AND GAS PROPERTIES

The Company produced oil from two fields located within the State of Texas in 2011. Since that time, the Company has maintained and increased production by selective work-overs of individual wells within the Livingston Property and by drilling, completing and tying in the Donner #2 well within the Hartburg Project area.

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

a) **Livingston Property, Texas**

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

| Well Name | December 31, 2013 | | December 31, 2012 | |
|--------------|-------------------|------------|-------------------|------------|
| | Production, Bbls | Revenue \$ | Production, Bbls | Revenue \$ |
| Texon | 1,116 | 115,547 | 1,805 | 183,967 |

The decrease in oil production for the year ended December 31, 2013, when compared to the prior year, was caused by some of the wells not in production during the period due to work-overs, and normal field decline. Hence revenue decreased, however this was partially offset by an increase in commodity prices for oil and a stronger US dollar relative to the Canadian dollar.

b) **Hartburg Project, Texas**

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

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

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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:

| | <u>Donner #1</u> | <u>Donner 2 and Prospect 2</u> |
|----------------------|------------------|--------------------------------|
| Before payout | 40.50% | 36% |
| After payout | 22.5% | 27% |

The main focus for the Company was a 3 to 4 well drilling and development program in Newton County, Texas. The Company has 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 | Year Ended Dec. 31, 2013 | | | Year Ended Dec. 31, 2012 | | |
|------------------|---------------------------------|------------------------|-------------------|---------------------------------|------------------------|-------------------|
| | Production, Bbls | Production, MCF | Revenue \$ | Production, Bbls | Production, MCF | Revenue \$ |
| Donner #1 | 3,493 | - | 358,763 | 3,505 | - | 350,803 |
| Donner #2 | 124 | 47,909 | 167,034 | 194 | 29,912 | 101,105 |

The increase in revenue for Donner #1, for the year ended December 31, 2013 when compared to the corresponding year, was attributable to an increase in the commodity price of oil and an increase in the US dollar relative to the Canadian dollar. Production remained relatively the same as the prior year.

The increase in natural gas production for Donner #2 for the year ended December 31, 2013 was due to the well having a full year of natural gas production when compared with the previous year, when the well was converted to a natural gas producer in mid-year 2012. Donner #2 continues to deliver some minor condensate production associated with the gas production. The Company also benefited from an increase in commodity prices for natural gas and a strengthening of the US dollar when compared to the Canadian dollar. The Company experienced some oil production from Donner #2; however, this will be sporadic in the future.

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 March 2014. Average natural gas production during April was approximately 400 mcfpd.

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The Company also acquired the necessary permits, approvals and signed contracts for the drilling of the Brown #1 well. The Company owns a 100% 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. During the first seven days of production after the sales gas line was put in place, the daily average oil production from the well was 58 bopd and the average gas production was approximately 365 mcfgpd along with average daily water production of approximately 56 barrels per day. The Company is monitoring the production performance of the well before deciding on further operations such as adding additional perforation in the currently producing zone or completing the well in an additional zone.

c) **Tulla Property, Teton and Pondera County, Texas**

On November 1, 2011 the Company entered into a purchase and sale agreement with Washington-based Longshot Oil LLC, with respect to the acquisition by the company from Longshot of certain oil and gas properties in Pondera County, Montana. Pursuant to the terms of the purchase and sale agreement, the Company acquired Longshot's legal and beneficial right, title and interest in and to certain oil and gas properties in Pondera county, Montana, including all oil and gas leases, all geological and geophysical data (including all seismic data) and copies of all records with respect to such oil and gas properties. As consideration for the acquisition of the properties, the Company paid Longshot \$350,000 in cash.

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

| Well Name | Year Ended Dec. 31, 2013 | | Year Ended Dec. 31, 2012 | |
|--------------|-----------------------------|------------|-----------------------------|------------|
| | Production, Bbls | Revenue \$ | Production, Bbls | Revenue \$ |
| Tulla | - | - | 1,527 | 116,338 |

During August 2012, the Company sold Tulla for its net book value, to Bakken Oil Holdings LLC. ("Bakken"), and Bakken exchanged the remaining amount owing on the Woodrow Montana Project.

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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 (\$)

| | December 31, 2013 | September 30, 2013 | June 30, 2013 | March 31, 2013 | December 31, 2012 | September 31, 2012 | June 30, 2012 | March 31, 2012 |
|--|-------------------|--------------------|-----------------|-----------------|-------------------|--------------------|-----------------|-----------------|
| Total assets | 4,014,585 | 4,235,398 | 3,396,572 | 3,531,167 | 3,553,604 | 3,583,604 | 4,140,609 | 4,400,455 |
| Total liabilities ² | 1,169,960 | 1,164,428 | 121,000 | 202,956 | 170,665 | 80,884 | 154,331 | 155,958 |
| Shareholders equity | 2,844,625 | 3,070,970 | 3,275,572 | 3,328,211 | 3,382,939 | 3,980,865 | 3,986,278 | 4,244,497 |
| Revenues | 146,188 | 168,978 | 184,157 | 178,112 | 183,183 | 191,334 | 205,497 | 205,608 |
| Major expense items | | | | | | | | |
| Consulting fees | 96,834 | 140,048 | 49,571 | 47,989 | 56,961 | 50,977 | 73,673 | 59,953 |
| Professional fees ³ | 57,960 | 4,806 | 30,120 | 34,941 | 44,914 | 20,947 | 42,435 | 19,583 |
| Depletion | 51,986 | 81,345 | 89,299 | 98,585 | 75,166 | 52,475 | 37,860 | 28,215 |
| Stock-Based Compensation | 39,481 | 82,446 | - | - | (17,204) | 474 | 2,474 | 25,487 |
| Write down on resource property ¹ | - | - | - | - | - | 478,145 | - | - |
| Net income (loss) | (265,826) | (310,999) | (52,639) | (54,728) | (102,579) | (472,062) | (62,285) | (94,207) |
| Income (loss) per share | (0.01) | (0.01) | (0.00) | (0.00) | (0.00) | (0.01) | 0.00 | 0.00 |

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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.

RESULTS OF OPERATIONS

For the 3 months ended December 31, 2013

We generated total revenue of \$146,188 for the 3 months ended December 31, 2013, a reduction of approximately 25% from revenues of \$183,183 for the 3 months ended December 31, 2012. The decrease in total revenue for the 3 months ended December 31, 2013, when compared to the 3 months ended December 31, 2012, was caused by the reduction in production from the Livingston wells and Donner #2 well in the Hartburg project.

Costs and Expenses

We incurred costs and expenses in the amount of \$385,453 for the 3 months ended December 31, 2013, representing approximately a 34% increase from costs and expenses of \$287,342 for 3 months ended December 31, 2012.

The significant increase in costs and expenses for the 3 months ended December 31, 2013, when compared to the 3 months ended December 31, 2012, 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 \$49,137 (2012: \$91,157). The reduction in operating costs was primarily caused by the sale of the Tulla well, hence the Company is no longer incurring costs related to this well.
2. Consulting fees increased to \$96,834 (2012: \$56,961) for the 3 months ended December 31, 2013. The increase of 70% was due to back amounts paid to the President of the Company, and other consultants that the Company contracted to further its financing initiatives.
3. Depletion and depreciation decreased to \$51,986 for the 3 months ended December 31, 2013, as compared to \$75,166 for the corresponding period in the previous year. The decrease was caused by the increase in reserves in the Hartburg property.
4. Investor relations and business development costs for the 3 months ended December 31, 2013 increased by 80% to \$36,276 (2012: \$20,096). The Company has embarked on an investor marketing campaign.
5. Professional fees for the 3 months ended December 31, 2013 increased by 29% to \$57,960, due to legal fees associated with the new leases in the Hartburg project. (2012: \$44,914).
6. Stock-based compensation increased to \$39,481, for the 3 months ended December 31, 2013 as compared to \$nil for the 3 months ended December 31, 2012. The Company issued 1,000,000 stock options to directors, officers and consultants at an option price of \$0.06, which are exercisable for a period of 5 years. The Company uses the Black-Scholes valuation method to value the stock options at the time of grant.
7. Travel increased to \$9,142 (2012: \$2,207), due to costs relating to raising of funds by the CEO and consultants of the Company.

Income/(loss) before other items

The loss before other items for the 3 months ended December 31, 2013 was \$239,265, compared to a loss before other items of \$104,158 for the 3 months ended December 31, 2012.

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Other items

We reported a foreign exchange gain of \$10,939 for the 3 month to December 31, 2013, as compared to a foreign exchange gain of \$1,581 for the 3 months ended December 31, 2012. The Company reported interest paid of \$37,500 for the 3 months ending December 31, 2013, 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.

Net Loss and Comprehensive loss for the period

Comprehensive loss for the 3 months ended December 31, 2013 was \$265,826, compared to a comprehensive loss of \$102,579 for the 3 months ended December 31, 2012. The increase in loss for the 3 months ended December 31, 2013 was attributable to the items indicated above.

For the year ended December 31, 2013

We generated total revenue of \$677,435 for the year ended December 31, 2013, a reduction of approximately 14% from revenues of \$785,622 for the year ended December 31, 2012. The decrease in total revenue for the year ended December 31, 2013, when compared to the year ended December 31, 2012, was caused by the disposal of the Tulla well and a reduction in production from the Livingston wells. This was partially offset by increases in production from Hartburg wells.

Costs and Expenses

We incurred costs and expenses in the amount of \$1,306,211 for the year ended December 31, 2013, representing approximately a 27% increase from costs and expenses of \$1,029,106 for year ended December 31, 2012.

The increase in costs and expenses for the year ended December 31, 2013, when compared to the year ended December 31, 2012, 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 \$147,405 (2012: \$279,476). The reduction in operating costs was primarily caused by the sale of the Tulla well, hence the Company is no longer incurring costs related to this well.
2. Consulting fees increased to \$334,442 (2012: \$241,564). The increase of 38% was due to back amounts paid to the Company's President, and other consultants that the Company contracted to further its financing initiatives.
3. Debt issue costs for the year ended December 31, 2013 were \$63,792 (2012: \$nil). These costs are caused by the issue of the secured loan and will be amortized over the term of the loan. The remaining costs to be amortized are \$191,376.
4. Depletion and depreciation increased to \$321,215 (2012: \$193,716). The significant increase was caused by the addition of costs of developing the third well in the Hartburg property.
5. Investor relations and business development costs marginally decreased to \$100,999 (2012: \$104,183). The Company has embarked on an investor marketing campaign, however the Company expects these costs to reduce by the first quarter of 2014.
6. Professional fees were \$127,821 (2012: \$127,879). All fees associated with the secured loan have been deferred and will be amortized over the period of the loan.
7. Stock-based compensation was \$121,927 (2012: \$11,231), The Company issued 2,750,000 stock options to directors, officers and consultants at an option price of \$0.06, which are exercisable for a period of 5 years. The Company uses the Black-Scholes valuation method to value the stock options at the time of grant.
8. Travel increased to \$34,630 (2012: \$12,155), due to costs relating to raising of funds by the CEO and consultants of the Company.

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Income/(loss) before other items

The loss before other items for the year ended December 31, 2013 was \$628,776, compared to a loss before other items of \$243,484 for the year ended December 31, 2012.

Other items

We reported other income, generated from foreign exchange gain of \$11,899 for the year ended December 31, 2013, as compared to a foreign exchange loss of \$9,528 for the year ended December 31, 2012. The US dollar has strengthened against the Canadian dollar, and the Company receives all its revenue from wells located in the United States of America. We reported other income arising from interest earned of \$117 (2012: \$24). The Company paid \$67,432 as interest on its senior secured loan facility of \$1,000,000 for the year ended December 31, 2013 (2012: \$nil).

Net Loss and Comprehensive loss for the period

Comprehensive loss for the year ended December 31, 2013 was \$684,192, compared to a comprehensive loss of \$731,133 for the year ended December 31, 2012. The decrease in loss for the year ended December 31, 2013 was attributable to the items indicted above and the write down on resources property abandoned during the prior year that did not occur during the reporting period.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of \$260,873 as at December 31, 2013, compared to \$29,851 as at December 31, 2012. The increase in working capital was caused by the issuance of a senior secured loan facility of \$1,000,000; however this was reduced by the expenses incurred in arranging the facility.

The revenue we currently generate from natural gas and oil sales does not exceed our operating expenses. Our management anticipates that the current cash on hand may not be sufficient to fund our continued operations at the current level for the next twelve months. As such, we may require additional financing to fund our operations and proposed drilling activities in the Hartburg property for the year ended December 31, 2014. We will also require additional funds to expand our acquisition, exploration and production of natural oil and gas properties. Additional capital will be required to effectively expand our operations through the acquisition and drilling of new prospects and to implement our overall business strategy. We believe that debt financing may not be an alternative for funding as we have limited tangible assets to secure any debt financing. We intend to seek additional funding in the form of equity financing from the sale of our common stock, but cannot provide any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our operations and acquisition of new prospects. If we are unable to obtain additional financing, we will experience liquidity problems and management expects that we will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. In particular, the Company may not be able to drill its third well in the Hartburg property. Any additional equity financing may involve substantial dilution to our then existing shareholders.

Cash flows provided by Operating Activities

Operating activities used \$123,270 in cash for the year ended December 31, 2013, compared to \$35,433 in cash used in operating activities for the year ended December 31, 2012. The Company's increase in cash used in operations was caused by increases in expenses and a reduction in revenue.

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Cash Used in Investing Activities

Cash flows from investing activities for the year ended December 31, 2013 was \$60,078, compared to \$620,775 cash flows used by investing activities for the year ended December 31, 2012. The Company sold 50% of its Montana project for US\$550,000 and the Company sold 50% of holding in Muddy Creek for US\$400,000.

Cash flows from Financing Activities

On July 19, 2013, the Company closed its initial draw of \$1,000,000 (the "Initial Draw") pursuant to a senior secured loan facility of up to \$2,000,000 arranged with Ascendant Securities Inc. ("ASI") on behalf of a group of clients of ASI (the "Lenders"). An additional \$1,000,000 may be drawn at the option of the Company subject to the terms and conditions of a trust indenture between the Company and ASI. In connection with the Initial Draw, the Company has issued senior secured debentures of the Company (the "Debentures") in an aggregate principal amount of \$1,000,000. The Debentures will bear interest at a rate of 15% per annum, compounded monthly. The principal amount of the Debentures evidencing the Initial Draw will mature on July 18, 2015. As part of the consideration for the Loan Facility, the Lenders will receive an aggregate 6% overriding royalty interest in the Company's proceeds from all oil, gas and other hydrocarbons produced from any new wells developed on the Company's Donner Properties using any portion of the proceeds from the Initial Draw. The Company has paid ASI a cash agent's fee of \$60,000, the first installment of an annual monitoring fee of \$25,000 and a 2% overriding royalty interest on the Company's proceeds from all oil, gas and other hydrocarbons produced from any new well, for acting as collateral agent. The Company also issued an aggregate of 1,200,000 agent warrants. The Agent Warrants entitle the holder thereof of purchase up to 1,200,000 common shares of the Company at a price of \$0.10 per share until July 18, 2015. The Company incurred financing costs of \$231,217 which were deferred.

The Company raised net proceeds of \$340,304 from private placements for the year ended December 31, 2012.

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 April 25, 2014 was 39,570,655.

SHARE PURCHASE WARRANTS

The total number of share purchase warrants outstanding as of April 25, 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 April 25, 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 April 25, 2014 was 4,600,000 (2012: 2,825,000) at a weighted average exercise price of \$0.12 per share.

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COMMITMENTS

There are no contracts related to management or rent.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

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

The following summarizes the Company's related party transactions during the year ended December 31, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| Consulting fees to the Chief Executive Officer of the Company | \$ 90,000 | \$ 90,000 |
| Consulting and accounting fees to companies controlled by the Chief Financial Officer of the Company | \$ 73,500 | \$ 71,000 |
| Consulting fee to the Director of the Company | \$ 54,085 | \$ - |

As at December 31, 2013, the Company owed \$10,131 (2012 - \$2,822) to a director, the CEO and the CFO which is included in accounts payable. Stock-based compensation of \$68,117 was recognised during the year ended December 31, 2013 (2012 - \$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.

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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 or 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 year ended December 31, 2013.

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 December 31, 2013. 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

HILLCREST RESOURCES LTD.

Management Discussion & Analysis
For the year ended December 31, 2013

HEAD OFFICE

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V6C 1G8

Tel: (604) 488 - 1514

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

LISTINGS

TSX Venture Exchange: **HRH**

CAPITALIZATION

(as at April 25, 2014)

Shares Authorized: Unlimited

Shares Issued: 39,570,655

REGISTRAR TRANSFER AGENT

Computershare
11 - 100 University Avenue
Toronto, ON, M5S 2Y1

AUDITOR

Lancaster & David CA
510 - 700 West Georgia Street, Vancouver,
BC

LEGAL COUNSEL

McMillan & Co LLP
Vancouver, BC