



MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Month Period Ended
March 31, 2018

Report Date – May 30, 2018

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is provided by the management of Hillcrest Petroleum Ltd. ("Hillcrest" or the "Company") as at and for the three month period ended March 31, 2018. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statement for the three month period ended March 31, 2018 and the audited annual consolidated financial statements for the years ended December 31, 2017 and 2016 (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 www.hillcrestpetroleum.com 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 TSX Venture Exchange (the "Exchange") under the symbol "HRH" and on the OTCQB stock exchange in the United States of America ("US") under the symbol "HLRTF". The Company is in the business of acquiring and developing exploration and production interests in oil and gas projects in North America. 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. Currently, the Company's focus is on conventional oil and gas opportunities in Western Canada (Refer to "Oil and Gas Properties" section).

FORWARD-LOOKING STATEMENTS

This MD&A, which 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 an initial coin offering; 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 release of restricted cash; 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, 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 PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

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.

OIL AND GAS PROPERTIES

a) Western Canada Joint Venture

During 2016, the Company decided to actively pursue acquisition, development and exploration projects located within the Western Canada Sedimentary Basin ("WCSB"), and primarily in the provinces of Alberta and 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 and become the operator of record in two petroleum assets located in the WCSB. Subject to completion of due diligence and necessary regulatory approvals, we expect this agreement to take effect during the second quarter of 2018.

The primary terms of the JV Agreement are as follows:

- The Company, appointed as operator, will earn up to 75% of the Juniorco's working interest in the assets by contributing technical expertise and financing to restore production from the assets. The Company's working interest will revert to 50% once the Company has recovered all production restoration costs from the production revenues. Gross production from the assets is expected to be approximately 400 barrels of oil per day upon restoration.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

OIL AND GAS PROPERTIES (continued)

- Hillcrest has arranged third-party project financing, and these funds are to be provided on a non-dilutive basis to Hillcrest shareholders. Total project financing, including the placement of operator deposits and license liability rating ("LLR") bonds, is estimated to be \$2,200,000. Sufficient project financing has been negotiated and it will be secured by both the assets and the Company.
- Approximately \$900,000 is required to re-establish production from the assets, by undertaking equipment installation and upgrades, and well workovers. These production restoration projects are expected to reduce future operating expenses, thereby improving the operating margins.
- Project cost estimates also include the placement of approximately \$1,300,000 in LLR bonds. The Company will, consistent with regulatory requirements, request the return of these LLR bonds once economic production from the assets has been re-established for a sufficient period, thereby substantially reducing the net investment in the project.
- Once closed, Hillcrest will immediately commence assessment of additional infield development opportunities, such as well recompletions and infill development drilling.
- Hillcrest was obligated to obtain the regulatory approvals required for the Company to perform as an oil and gas operator within the provinces of Alberta and Saskatchewan. On July 25, 2017, the Company received approval from the Alberta Energy Regulator ("AER") to operate oil and gas assets in Alberta.
- Upon obtaining all regulatory approvals, the production restoration project will commence.

b) Flaxcombe Property, Saskatchewan

On December 14, 2017, the Company entered into a farm-in agreement with Westcore Energy Ltd. whereby the Company would provide the funds required to work-over two existing but shut-in oil wells, the 16-13 and 07-13 wells, located in the Flaxcombe area of southwestern Saskatchewan and return them to production. The Company earned a 50% working interest in the two wells by contributing 100% of the cost of the work-over operations, which were estimated at \$135,000. As at March 31, 2017, the Company has incurred \$152,427 on the work-over operations.

The 16-13 well re-commenced production in January 2018 at a field estimated daily total fluid production rate of 41 barrels per day, with a field estimated oil cut of 48%. The 07-13 well re-commenced production in February 2018 at a field estimated daily total fluid production rate of 91 barrels per day, with a field estimated oil cut of 11%. Due to a down-hole pump failure, the 16-13 well is currently shut-in, but the Company expects production to re-start from this well after local road bans are lifted and a service rig can be moved onto the location.

All disclosure of scientific or technical information on the Company's interest in the Flaxcombe oil property reserves contained in this MD&A is based on information reported Westcore Energy Ltd. in its most recent annual 51-101F2 Report on Reserves Data as of December 31, 2017 that was filed on SEDAR on April 27, 2018.

c) Gulf of Mexico Properties

During 2017, the Company completed the Chapter 7 liquidation of its wholly-owned subsidiary Hillcrest Gulf of Mexico, Inc. (HGOM) in the U.S. Court for the Southern District of Texas. As a result, the Company derecognized the remaining net liabilities of HGOM totaling approximately \$5,200,000.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

OIL AND GAS PROPERTIES (continued)

d) Pettit Project, Louisiana

During the year ended December 31, 2017, the Company relinquished all rights to the Pettit Project in northern Louisiana.

e) Hartburg Properties, Texas

In December 2017, the Company relinquished its mineral rights in the leases associated with the remaining well-bores. The Donner 2 well has since been acquired by a private third-party corporation, and the Company is no longer responsible for the ultimate plugging and abandonment costs for this well resulting in a gain of \$9,923. The Company continues to retain ownership and abandonment liability for the Donner 4 and Brown 1 well bores.

All disclosure of scientific or technical information on the Company's Hartburg oil and gas property reserves contained in this MD&A is based on information prepared by or under the supervision of the Company's Independent Qualified Reserves Evaluators, D. Braxton and Associates. The Company filed its most recent annual 51-101F2 Report on Reserves Data as of December 31, 2016 on SEDAR on May 1, 2017.

SELECTED QUARTERLY INFORMATION

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

| | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 |
|---|-------------------|----------------------|-----------------------|------------------|
| | (\$) | (\$) | (\$) | (\$) |
| Total assets | 356,087 | 251,077 | 122,339 | 240,928 |
| Total liabilities | 1,689,757 | 1,711,284 | 1,253,287 | 1,342,837 |
| Revenue, net of royalties | 15,667 | - | - | 7,850 |
| Net income (loss) | (458,063) | (394,630) | (415,149) | (392,018) |
| Earnings (loss) per share | (0.01) | - | (0.01) | (0.01) |
| Weighted average common shares outstanding | 78,711,070 | 74,692,996 | 74,103,891 | 68,995,655 |

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

SELECTED QUARTERLY INFORMATION (continued)

| | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|---|-------------------|----------------------|-----------------------|------------------|
| | (\$) | (\$) | (\$) | (\$) |
| Total assets | 341,393 | 2,603,374 | 13,956,890 | 13,855,275 |
| Total liabilities | 1,115,837 | 9,386,371 | 20,197,178 | 18,608,373 |
| Revenue, net of royalties | 28,449 | 60,513 | 176,982 | 582,967 |
| Net income (loss) | 6,486,330 | (1,191,314) | (1,558,245) | 171,700 |
| Earnings (loss) per share | 0.10 | (0.02) | (0.03) | 0.00 |
| Weighted average common shares Outstanding | 67,314,544 | 54,700,003 | 53,377,177 | 51,295,655 |

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

- During the quarter ended March 31, 2018, revenue increased due to the recompletion of Wells 16-13 and 7-13 in the Flaxcombe property.
- During the quarter ended June 30, 2017, revenue declined to \$Nil due to the sale of the Donner 1 well interest. The Company no longer has any producing wells in the Hartburg field.
- During the quarter ended March 31, 2017, assets and liabilities both decreased substantially due to the derecognition of the net liabilities of HGOM, post Chapter 7 filing. Accordingly, the Company reported a gain on loss of control of HGOM of \$6,887,012.
- During the quarter ended December 31, 2016, liabilities decreased by approximately \$11,000,000 due to the disposal by HGOM of the Eugene Island 32 field. This disposal also reduced the majority of HGOM's productive well interests and revenue declined substantially.
- During the quarter ended September 30, 2016, HGOM recognized approximately US\$700,000 in previously disputed operating costs.

SELECTED ANNUAL INFORMATION

Selected annual information for the years ended December 31, 2017, 2016 and 2015 is presented below:

| | 2017 | 2016 | 2015 |
|--|-------------|-------------|--------------|
| | (\$) | (\$) | (\$) |
| Total assets | 251,077 | 2,603,374 | 15,208,251 |
| Total liabilities | 1,711,284 | 9,386,371 | 19,165,727 |
| Shareholders' equity (deficiency) | (1,460,207) | (6,782,997) | (3,957,476) |
| Revenue, net of royalties | 36,299 | 1,299,214 | 3,925,785 |
| Net income (loss) | 5,284,533 | (3,561,995) | (14,702,523) |
| Earnings (loss) per share | 0.07 | (0.07) | (0.29) |

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of \$1,005,370 as at March 31, 2018, compared to \$1,155,779 as at December 31, 2017. The improvement in working capital deficiency was a result of the completion of a non-brokered private placement in the first quarter of 2018.

During the three month period ended March 31, 2018, the Company reported a net loss of \$458,196 due to the fact that revenue currently generated from oil sales does not exceed the Company's operating expenses. Consequently, the Company reported a cash outflow from operations of \$66,662 for the three month period ended March 31, 2018. 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 in the period wherein it issued 9,992,000 units at \$0.05 per unit for aggregate gross proceeds of \$499,600.

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, and as a result, the Company is investigating alternative financing sources such as the recently announced Strategic Alliance. (See below for further details).

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.

STRATEGIC ALLIANCE

On May 29, 2018, the Company announced that it has signed definitive agreements creating a strategic alliance (the "Strategic Alliance") with a private company (the "Partner"). The purpose of the Strategic Alliance is to provide an efficient and cost-effective mechanism for the pursuit and delivery of oil and gas acquisitions, and development projects, in Western Canada. The Company will introduce the Partner to pre-screened acquisition opportunities that are to be operated and managed by Hillcrest, whereby the Partner will fund the acquisition and development costs.

Hillcrest has compiled a register of potential acquisition targets, each selected based upon criteria including positive operating cash flow from current production operations, and the potential to increase the market value of the assets by more than 3x through field development activities. Hillcrest is currently in discussions with a number of these acquisition targets.

Under the Strategic Alliance, Hillcrest will make these acquisition opportunities available to the Partner. Should the Partner elect to participate in one or more of the acquisition opportunities, Hillcrest will facilitate the acquisition and development of the assets with funding provided by the Partner and operate the acquired assets under joint venture agreements. The Partner intends to raise up to \$50,000,000 for potential acquisitions and subsequent development of oil and gas assets through an asset backed token offering.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

STRATEGIC ALLIANCE (continued)

Consistent with the terms of the Strategic Alliance, Hillcrest will continue to focus its activities on the acquisition, development, and management of oil and gas assets.

Highlights of the Strategic Alliance are as follows:

- Partner will have an exclusive first right of refusal to fund 100% of the acquisition and development costs associated with oil and gas assets identified by Hillcrest during the term of the Strategic Alliance.
- Hillcrest will provide oil and gas business management services and will manage and operate all assets acquired pursuant to the Strategic Alliance.
- Hillcrest will receive a 25% carried interest in all assets acquired.
- Hillcrest will receive a management fee and be entitled to cost recovery in exchange for management of the assets. The Company will also receive bonuses based on certain milestones and operational performance targets to be agreed with the Partner.
- The term of the agreements are five years, with options to extend.

RESULTS OF OPERATIONS

Three Month Period Ended March 31, 2018

Revenues

The Company generated total revenue, net of royalties, of \$15,667 during for the three month period ended March 31, 2018 ("Current Quarter") as compared to \$28,449 in the three month period ended March 31, 2017 ("Prior Quarter"). The decrease is a result of the Company having sold its producing oil assets in 2017 and just having started operations in early 2018 on its newly acquired Flaxcombe property interest.

Expenses

The Company's expenses for the Current Quarter decreased by \$186,020 relative to the Prior Quarter. This was due primarily to a reduction in share based payments related to stock options. There were no options granted or vested in the Current Quarter.

Other Items

Financing expenses increased in the Current Quarter by \$35,858 due to an increase in overall corporate debt. The Company reported an impairment on its oil properties of \$202,525 in the Current Quarter versus \$Nil in the Prior Quarter. Finally, the Company reported an extraordinary gain of \$6,847,550 in the Prior Quarter due to the liquidation of HGOM.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

OUTSTANDING SHARE DATA

As at the Report Date there are 86,568,226 common shares outstanding.

STOCK OPTIONS

The total number of stock options outstanding as of the Report Date are summarized below:

| Number of Options | Exercise Price (\$) | Expiry Date |
|-------------------|---------------------|-------------------|
| 1,400,000 | 0.06 | September 9, 2018 |
| 500,000 | 0.06 | November 26, 2018 |
| 300,000 | 0.06 | April 3, 2021 |
| 4,500,000 | 0.07 | February 21, 2022 |
| 6,700,000 | 0.07 | |

SHARE PURCHASE WARRANTS

The total number of share purchase warrants outstanding as of the Report Date are summarized below:

| Number of Options | Exercise Price (\$) | Expiry Date |
|-------------------|---------------------|-------------------|
| 3,650,000 | 0.08 | December 8, 2018 |
| 4,450,000 | 0.08 | January 18, 2019 |
| 1,997,429 | 0.10 | July 7, 2019 |
| 800,000 | 0.10 | July 14, 2019 |
| 4,396,000 | 0.10 | February 27, 2020 |
| 600,000 | 0.10 | March 23, 2020 |
| 500,000 | 0.07 | August 17, 2020 |
| 500,000 | 0.10 | August 17, 2020 |
| 16,893,429 | 0.09 | |

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company:

- a) received the remaining \$237,500 in outstanding share subscriptions receivable owing in connection with the non-brokered private placement completed in March 2018.
- b) issued 300,000 stock options, exercisable at \$0.06 per share for a period of three years, to Torrey Hills Capital pursuant to an investor relations contract.
- c) issued 300,000 stock options, exercisable at \$0.06 per share for a period of four years, to a director of the Company.
- d) signed binding agreements creating a strategic alliance (the "Strategic Alliance") with a private company (the "Partner") to pursue oil and gas acquisitions in Western Canada. Under the Strategic Alliance, Hillcrest will grant the Partner an exclusive right of first refusal on pre-screened acquisition opportunities to be operated and managed by Hillcrest and will be assigned a 25% carried interest in any acquired assets in exchange for access to its acquisition opportunity register and oil and gas business management services. The Partner will fund 100% of acquisition and development costs.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three month periods ended March 31, 2018 and 2017. 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

| | 2018 | 2017 |
|--|--------|---------|
| | (\$) | (\$) |
| Consulting fees paid or accrued to Don Currie, Chief Executive Officer ("CEO") of the Company | 25,000 | - |
| Professional and consulting fees paid or accrued to a corporation controlled by Sean McGrath, the Chief Financial Officer ("CFO") of the Company | 27,500 | 7,500 |
| Share-based payments paid to certain directors and officers of the Company | - | 141,411 |
| | 52,500 | 148,911 |

- a) As at March 31, 2018, a total of \$31,645 (December 31, 2017 - \$Nil) was included in accounts payable and accrued liabilities owing to the CEO of the Company for consulting fees and reimbursable expenses.
- b) As at March 31, 2018, a total of \$200,000 (December 31, 2017 - \$200,000) was included in loans payable owing to the spouse of the CEO of the Company.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

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.

COMMITMENTS

- a) The Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, terminating on June 15, 2020. The remaining base rent payable under the lease is \$54,776 up until the lease expires. In addition to the base rent of \$2,067, the Company's share of operating costs is estimated at approximately \$1,608 per month.
- b) Hillcrest Exploration Ltd. ("HEL") entered into an office rental agreement with a term of 72 months, terminating on February 28, 2023. The remaining base rent payable under the lease is US\$138,779 up until the lease expires. In addition to the base rent, HEL's share of operating costs is estimated at approximately US\$1,568 per month.

OUTLOOK

Hillcrest is focused on adding, creating and increasing value through the acquisition, development and production of conventional onshore oil and gas assets in North America. The Company has disposed of its offshore oil interests and is actively evaluating new value accretive acquisitions. The Company's intention is to operate or, at minimum, to hold a controlling working interest in any significant growth assets acquired, to be able to direct operation activity to maximize Company value.

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 period ended March 31, 2018. The Company is not subject to externally imposed capital requirements.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies used by Hillcrest are disclosed in note 3 to the December 31, 2017 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. There were no changes to Hillcrest's critical accounting estimates during the period ended March 31, 2018.

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

New standards, amendments and interpretations to existing standards

The following standards and amendments to standards were adopted on January 1, 2018, but their adoption did not have a material impact on the financial statements:

IFRS 9, Financial instruments

This new standard replaces International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

IFRS 9 requires financial assets to be classified into one of three measurement categories on initial recognition: FVTPL, fair value through OCI and amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The new standard retains most of the existing requirements for financial liabilities.

IFRS 9 introduces a new impairment model for financial assets. This new model may result in the earlier recognition of credit losses as it requires the Company to account for expected credit losses from the time the financial instruments are first recognized.

IFRS 15, Revenue from Contracts with Customers

This new standard is based on the principle that revenue should be recognized to depict the transfer of goods or services to customers at an amount that the entity expects it will be entitled to in exchange for those goods.

IFRS 15 introduces a new five step model for the recognition of revenue based on when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards and could result in changes in the timing of revenue recognition for certain contracts

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS (continued)

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the consolidated statement of financial position.

The Company has not yet assessed the potential impact of the application of this standard.

The following standard has been issued for annual periods beginning on or after January 1, 2021 but is not yet effective:

IFRS 17, Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

The Company has not yet assessed the potential impact of the application of this standard.

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 which are material to the Company's business actually 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 acquisition, exploration and development of oil and gas properties. Given the nature of the oil and gas business, the limited extent of the Company's assets and the present stage of exploration, the following risks, among others, should be considered.

Financing Risks and Dilution to Shareholders

The Company has limited financial resources and further exploration or acquisitions 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.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis

Three Month Period Ended March 31, 2018

RISKS & UNCERTAINTIES (continued)

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 exploration. Any material decline in prices may result in the reduction of existing and potential profitable exploration and development activities as well as reducing the financing options available to the Company. Prices are prone to fluctuations and marketability is affected by government regulations relating to price, royalties and allowable production, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any commodities found on the properties.

Environmental Risks

The Company's exploration and appraisal programs 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.

Local Resident Concerns

In addition to ordinary environmental issues, the exploration and development of the Company's projects could be subject to resistance from local residents that could either prevent or delay exploration and development of its properties.

Exploration, Development and Operating Risks

Oil and gas exploration and development is highly speculative in nature and involves a high degree of risk. There is no assurance that expenditures made on future exploration and development by the Company will result in new discoveries of oil and gas in commercial quantities. The recovery of expenditures on oil and gas properties and the related deferred exploration expenditures are dependent on the ability of the Company to obtain financing necessary to complete the exploration and development of its projects, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. The long-term commercial success of the Company depends on its ability to acquire, develop and commercially produce oil and gas reserves. The Company is in the process of exploring its properties and determining the technical feasibility and economically recoverable reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Additionally, if such acquisitions and participation are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisition or participation uneconomic. Even if the Company is successful in locating satisfactory properties, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. The Company attempts to control operating risks by maintaining a disciplined approach to execution of its exploration and development programs. Exploration risks are managed by utilizing management experience and expertise along with technical professionals and by concentrating on the exploration activity on specific core regions that have multi-zone potential. 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. Additionally, oil and gas operations are subject to the usual risks involved in the acquisition, exploration, development and production of oil and gas properties, including whether any of the remaining projects contain economically recoverable reserves and are able to generate any revenues from production.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis

Three Month Period Ended March 31, 2018

RISKS & UNCERTAINTIES (continued)

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 exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of oil and gas properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. Adverse changes to laws and regulations could have a material adverse effect on present and future exploration and development projects, operations, and capital expenditures. There can be no assurance that all permits which the Company may require for facilities and to conduct exploration and development operations on the properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. 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. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

Competition

The oil and gas exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of leases and other interests as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Uninsurable Risks

Exploration, 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.

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.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

RISKS & UNCERTAINTIES (continued)

Litigation

The Company and/or its directors may become subject to a variety of civil or other legal proceedings, with or without merit.

Availability of Equipment and Labour

The oil and gas exploration 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.

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.

ADDITIONAL DISCLOSURE

Additional information relating to the Company and its regulatory filings is available on the Company's website at www.hillcrestpetroleum.com and under the Company's profile on SEDAR at www.sedar.com.

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Three Month Period Ended March 31, 2018

CORPORATE INFORMATION

REGIONAL OFFICE

3050 Post Oak Blvd – Suite 825
Houston, Texas
United States 77056

HEAD OFFICE

1300 – 1030 West Georgia Street
Vancouver, BC V6E 2Y3
Tel: (604) 609-0006

LEGAL COUNSEL

McMillan LLP
Royal Centre 1055 West Georgia Street
Vancouver, BC V6E 4N7

AUDITOR

PricewaterhouseCoopers LLP
Suite 1400 – 250 Howe Street
Vancouver, BC V6C 3S7

OFFICERS

Don Currie – *Chief Executive Officer*
Sean McGrath – *Chief Financial Officer*
Jason Oden – *Chief Operating Officer*

TRANSFER AGENT

Computershare Canada
510 Burrard Street
Vancouver, BC V6C 3A8

BOARD OF DIRECTORS

Michael Krzus – *Executive Chairman*
Don Currie – *Chief Executive Officer*
David Stone – *Independent*
Thomas Milne – *Independent*
Robert Lambert – *Independent*

LISTINGS

TSX Venture Exchange: **HRH**
OTCQB: **HLRTF**