



MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine Month Period Ended
September 30, 2019

Report Date – November 29, 2019

HILLCREST PETROLEUM LTD.

Management's Discussion & Analysis
Nine Month period Ended September 30, 2019

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 nine month period ended September 30, 2019. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the nine month period ended September 30, 2019 (the "Interim Financial Statements") and the audited annual consolidated financial statements for the year ended December 31, 2018 (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 OTC pink sheets 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 private placements and the use of proceeds thereof; the existence of reserves; oil production rates and recovery from drilling operations; commercial viability of drilled wells; additional drilling locations; storage and transportation of oil and costs thereof; the timing, method, cost and recovery from drilling operations; infrastructure development and the timing and effects thereof; the Company's next phase of capital expenditures; regulatory approvals and the Company's ability to obtain applicable permits; future operation, general and administrative expenditures and the anticipated impact of the reduction thereof; performance and financial results; capital expenditures; the Company's working capital deficiency and capital requirements; the ability of the Company to satisfy the interest and principal owed to debt holders; estimates and assumptions made in accordance with IFRS requirements; and the Company's ability to generate shareholder value, which is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements.

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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) West Hazel Property, Saskatchewan

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

In October 2018, the Company commenced the facility inspection/repair/upgrade and well reactivation activities required to re-establish oil production from previously producing wells on the West Hazel property.

In February 2019, the Company successfully re-established production from three wells and upgraded the related facilities by expending approximately \$931,000. In addition, the Company disposed of one third of its operating profit interest from reactivated wells in the West Hazel property in exchange for a cash payment of \$170,000.

Total field production in the nine months of 2019 totaled 20,543 barrels at an average price of \$56.06 per barrel. As of the Report Date, oil production performance continues to improve with the field currently exceeding 160 barrels of oil per day ("bopd").

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OIL AND GAS PROPERTIES (continued)

Pursuant to the JV Agreement, the Company is the operator of the field and has earned its 75% BPO working interest in the property. The Company's working interest will revert to 50% APO once the Company has recovered all production reactivation costs from the production revenues.

Hillcrest has also commenced technical studies to assess potential additional infield development opportunities.

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 December 31, 2018, 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 bopd, 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 bopd, with a field estimated oil cut of 11%. Due to a down-hole pump failure the 16-13 well was temporarily shut-in, but the well subsequently came back on line in June 2018.

Due to technical difficulties, both wells have since been shut in.

As a result of the poor performance of the field and a lack of profitability, the Company has recorded a full impairment of \$202,525 on the Flaxcombe Property. The Company is currently in discussions with the operator to determine a future course of action, including disposal of the Company's interest in the property.

c) 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.

In October 2019 the Company paid its proportionate share to reclaim the Brown 1 Well.

The Company continues to retain ownership and abandonment liability for the Donner 4.

HILLCREST PETROLEUM LTD.Management's Discussion & Analysis
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The table below summarized information reported for the most recent eight quarterly periods:

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	(\$)	(\$)	(\$)	(\$)
Total assets	1,234,139	1,104,211	1,180,254	1,115,423
Total liabilities	4,623,954	4,189,376	4,159,059	3,787,915
Revenue	377,620	205,819	133,389	640
Net income (loss)	(324,654)	(301,208)	(305,049)	(859,423)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average common shares Outstanding	91,217,270	89,521,797	87,293,226	87,293,226

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	(\$)	(\$)	(\$)	(\$)
Total assets	46,924	128,726	356,087	251,077
Total liabilities	1,841,182	1,743,187	1,689,757	1,711,284
Revenue	6,387	29,569	15,667	-
Net income (loss)	(183,037)	(366,012)	(458,063)	(394,630)
Earnings (loss) per share	(0.00)	(0.00)	(0.01)	-
Weighted average common shares Outstanding	87,293,226	86,576,237	78,711,070	74,692,996

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

- a) During the quarter ended September 30, 2019, revenue increased by \$171,702 due to increased oil production after pump changeouts were completed on several of the West Hazel oil wells.
- b) During the quarter ended March 31, 2019, revenue increased by \$117,722 due to the commencement of production from the West Hazel oil property.
- c) During the quarter ended December 31, 2018, total assets and liabilities increased primarily due to the issuance of convertible debentures to commence the well workovers on the West Hazel property. The Company expended \$595,181 in the quarter. The Company's accounts payable balance has also materially increased due to initial expenditures required to reactivate and upgrade West Hazel production operations and the insufficient cash flow from the initial production ramp up from West Hazel start up operations.
- d) During the quarter ended September 30, 2018, revenue decreased substantially due to both Wells 16-13 and 7-13 in the Flaxcombe property being shut-in for all or a portion of the period.
- e) During the quarter ended March 31, 2018, revenue increased due to the recompletion of Wells 16-13 and 7-13 in the Flaxcombe property.

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SELECTED ANNUAL INFORMATION

Selected annual information for the years ended December 31, 2018, 2017 and 2016 is presented below:

	2018	2017	2016
	(\$)	(\$)	(\$)
Total assets	1,115,423	251,077	2,603,374
Total liabilities	3,787,915	1,711,284	9,386,371
Shareholders' equity (deficiency)	(2,672,492)	(1,460,207)	(6,782,997)
Revenue, net of royalties	47,779	36,299	1,299,214
Net income (loss)	(1,866,535)	5,284,533	(3,561,995)
Earnings (loss) per share	(0.02)	0.07	(0.07)

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of \$2,872,786 as at September 30, 2019, compared to \$2,400,807 as at December 31, 2018. The balance has increased due to a cash out flow from operations as well as certain debt facilities which are in default and accordingly have been reported as current liabilities.

During the nine month period ended September 30, 2019, the Company reported a net loss of \$930,911 (2018 – \$824,208) due to the Company's oil production in 2019 from the West Hazel property wells being insufficient to cover the Company's corporate costs. As a result, the Company reported a cash outflow from operations of \$172,553 (2018 - \$353,480) for the nine month period ended September 30, 2019. The Company is currently in default on certain loans, but it continues to accrue interest in accordance with the terms of the agreements. 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 3,900,000 units at \$0.05 per unit for aggregate gross proceeds of \$195,000. The Company also completed an additional \$55,000 under a convertible debt financing in order to complete the well recompletions on the West Hazel property.

Management has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. If the Company is unable to obtain additional financing, it will experience liquidity problems and management expects that it will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve substantial dilution.

Due to the conditions and events as noted above, there is material uncertainty casting significant doubt on the Company's ability to continue as a going concern.

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RESULTS OF OPERATIONS

Three Month Period Ended September 30, 2019

Revenue

The Company generated total revenue of \$377,620 during the three month period ended September 30, 2019 ("Current Quarter") and \$10,759 during the three month period ended September 30, 2018 ("PY Quarter"). The increase in revenue is attributed to the Company commencing production on the West Hazel Property in 2019 versus only having minor production from the Flaxcombe Property in the PY Quarter.

Expenses

The Company's expenses for the Current Quarter increased by \$366,658 relative to the PY Quarter. This was due to the additional operating costs associated with the West Hazel Property and certain consulting fees due to increased corporate activity.

Nine Month Period Ended September 30, 2019

Revenue

The Company generated total revenue of \$716,828 during the nine month period ended September 30, 2019 ("Current Period") and \$55,995 during the nine month period ended September 30, 2018 ("PY Period"). The increase in revenue is attributed to the Company commencing production on the West Hazel Property during 2019 versus only having minor production from the Flaxcombe Property in the PY Period.

Expenses

The Company's expenses for the Current Period increased by \$522,405 relative to the PY Period. This was due to the additional operating costs associated with the West Hazel Property and certain consulting fees due to increased corporate activity.

OUTSTANDING SHARE DATA

As at the Report Date there are 91,593,226 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
300,000	0.06	April 3, 2021
3,700,000	0.07	February 21, 2022
300,000	0.06	May 1, 2022
350,000	0.065	June 13, 2022
4,650,000	0.07	

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SHARE PURCHASE WARRANTS

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

Number of Warrants	Exercise Price (\$)	Expiry Date
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
2,222,000	0.10	May 10, 2021
8,218,000	0.10	

SUBSEQUENT EVENTS

Subsequent to September 30, 2019, the Company:

- a) repriced a total of 4,190,600 existing share purchase warrants down to \$0.05 per share
- b) repriced a total of 4,650,000 existing stock options down to \$0.05 per share.

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 \$17,570 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) HEL entered into an office rental agreement with a term of 72 months, terminating on February 28, 2023. The landlord issued a notice of termination to the Company effective January 31, 2019 and has sent a demand for payment of \$43,961 (US\$32,245) representing unpaid rental charges under the rental agreement. The Company has recognized the full liability as at September 30, 2019.

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RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the nine month periods ended September 30, 2019 and 2018. Key management personnel include the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	September 30, 2019	September 30, 2018
	(\$)	(\$)
Consulting fees paid or accrued to Mike Krzus, Executive Chairman of the Company.	107,965	-
Consulting fees paid or accrued to Don Currie, Chief Executive Officer ("CEO") of the Company.	90,000	25,000
Professional and consulting fees paid or accrued to a corporation controlled by Sean McGrath, the Chief Financial Officer ("CFO") of the Company.	45,000	42,500
Salary and consulting fees paid or accrued to a corporation controlled by Dale Miller, Chief Operating Officer ("COO") of the Company.	45,000	-
Share-based payments paid to certain directors and officers of the Company in connection with the extension of the expiry date of share purchase warrants	-	35,400
	287,965	102,900

- a) As at September 30, 2019, a total of \$71,357 (December 31, 2018 - \$43,125) was included in accounts payable and accrued liabilities owing to the CFO of the Company for consulting fees.
- b) As at September 30, 2019, a total of \$187,492 (December 31, 2018 - \$133,102) was included in accounts payable and accrued liabilities owing to the CEO of the Company for consulting fees and reimbursable expenses.
- c) As at September 30, 2019, a total of \$169,500 (December 31, 2018 - \$120,000) was included in accounts payable and accrued liabilities owing to the Chairman of the Company for consulting fees.
- d) As at September 30, 2019, a total of \$83,994 (December 31, 2018 - \$20,850) was included in accounts payable and accrued liabilities owing to a corporation controlled by the COO of the Company for consulting fees.
- e) As at September 30, 2019, a total of \$741 (December 31, 2018 - \$741) was included in accounts payable and accrued liabilities owing to a director of the Company for reimbursable expenses.
- f) As at September 30, 2019, a total of \$641 (December 31, 2018 - \$660) was included in accounts payable and accrued liabilities owing to the former COO of the Company for reimbursable expenses.
- g) As at September 30, 2019, a total of \$579,284 (December 31, 2018 - \$600,000) was included in convertible debentures owing to the CEO. A total of \$25,000 (December 31, 2018 - \$57,353) has been paid in advance for future interest payments and is recorded as prepaids on the consolidated statement of financial position.
- h) As at September 30, 2019, a total of \$50,104 (December 31, 2018 - \$45,055) was included in loans owing to the Chairman of the Company.

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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 September 30, 2019. The Company is not subject to externally imposed capital requirements.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies and critical accounting estimates used during the period ended September 30, 2019 are disclosed in notes 2 and 3 of the 2018 audited annual consolidated financial statements. Preparing financial statements in accordance with IFRS requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position.

OUTLOOK

Hillcrest is focused on 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 a minimum, to hold a controlling working interest in any significant growth assets acquired, in order to be able to direct operational activity to maximize Company value.

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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 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.

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.

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.

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.

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.

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RISKS & UNCERTAINTIES (continued)

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.

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.

Litigation

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

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.

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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.

Reliance on Management and Dependence on Key Personnel

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

Availability of Equipment and Labour

The oil and gas exploration industry 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.

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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.

CORPORATE INFORMATION

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OFFICERS

Don Currie – *Chief Executive Officer*
Sean McGrath – *Chief Financial Officer*
Dale Miller – *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*