



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended
December 31, 2021

Report Date – April 5, 2022

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

INTRODUCTION

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

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

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

CORPORATE OVERVIEW

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

The Company's current focus is on developing high-value, high-performance clean energy technologies in its business transition from oil and gas production to clean energy technology development and commercialization. The Company's legacy oil assets in Saskatchewan are currently in the process of being remediated and the Company has retained an agent to identify prospective buyers, who are interested in acquiring the property along with the associated decommissioning liabilities.

The Company's specific area of technological expertise is electric machine control systems and power electronics targeted to enable high efficiency and/or high-power density applications. These technologies reduce energy requirements and in turn, significantly improve powertrain performance in electric vehicles and potentially enable greater energy efficiencies in grid-connected renewable energy applications, such as photovoltaic systems and wind turbines, where these attributes are essential. The Company has employed and engaged management and consultants with extensive experience directly relevant to its focus areas and continues to build its capability to expand the scope of its activities in core technology fields. Over the next year, the Company will complete its transition from a hydrocarbon-based production company to one developing, licensing or selling accessible or owned clean energy technology and IP.

FORWARD-LOOKING STATEMENTS

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

FORWARD-LOOKING STATEMENTS (continued)

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

"believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements.

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

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

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

STRATEGY AND BUSINESS OBJECTIVES

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

CLEAN ENERGY TECHNOLOGY

The Company's immediate objectives include the development and commercialization of intellectual property ("IP") associated with the acquisition of ANIGO Technologies Inc. ("ANIGO"). This includes technology development and commercialization through the collaborative agreement with Systematec, deploying Company owned and generated IP through licensing, co-development or joint partnerships.

Over the next year, the Company will solely focus on realizing value from developing, licensing and/or selling clean energy technology and IP.

CLEAN ENERGY TECHNOLOGY (continued)

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

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

Upon its acquisition of ANIGO, the Company recognized \$1,550,000 as an intangible asset, which is attributable to the portfolio of acquired software IP. During the year ended December 31, 2021, the Company also incurred research and development expenses of \$625,483 and capitalized \$462,090 of R&D equipment. The Company entered into an office and warehouse rental agreement effective September 1, 2021, for a technology research and development lab and spent \$29,265 in IT infrastructure and \$32,068 in office furniture and lab equipment.

OIL AND GAS PROPERTIES

West Hazel Property, Saskatchewan

The Company has a 75% Working Interest before payout ("BPO") and a 50% Working Interest after payout ("APO") and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin, by returning certain wells to service and restarting production.

Field production for the year ended December 31, 2020, totaled 34,514 barrels at an average price of \$36.45 CDN per barrel. The decrease in oil prices for February and March of 2020 significantly affected the Company's revenues and the Company received no revenue for April and portions of May as it shut-in production.

During the year ended December 31, 2021 a short horizontal oil well with multi-zone production potential was drilled at a cost of \$1,577,922. Total field production for the year ended December 31, 2021, totaled 18,588 barrels at an average price of \$54.00 CDN per barrel.

Due to declining production and extended production interruptions from oil wells during the year ended December 31, 2021, the Company recognized an impairment loss of \$2,180,055 on its oil and gas properties, effectively writing down the value to \$Nil.

RESULTS OF OPERATIONS

Three Month Period ended December 31, 2021

Revenue

The Company generated total revenue of \$48,939 during the three-month period ended December 31, 2021, compared to \$251,536 during the three-month period ended December 31, 2020. The Company produced less barrels of oil compared to the prior year and received no revenue in 2021 for December as it shut-in production.

Costs

The Company's royalty, operating costs, and depletion expenses for the three-month period ended December 31, 2021, were \$86,964 compared to \$210,808 during the three-month period ended December 31, 2020. The decrease in operating costs is correlated with the decrease in production.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

RESULTS OF OPERATIONS (continued)

General and Administrative expenses

The Company's general and administrative expenses increased by \$1,263,576 mainly due to share-based compensation expense of \$638,555 compared to \$39,890 during the same period in the prior year and research and development expenses of \$203,287, which were \$Nil in the prior period. As the Company continued to develop and commercialize its clean energy technology, office and general expenses and management and consulting fees also increased by \$459,524 from \$516,883 in the prior period to \$976,407 in the current period.

Other expenses

Other expenses increased by \$2,211,501 from a gain of \$7,614 in the prior period to \$2,203,887 in the current period as the result of the Company recognizing an impairment loss of \$2,180,055 on its oil and gas properties in the current year. The impairment is due to declining production and extended production interruptions from oil wells.

Year ended December 31, 2021

Revenue

The Company generated total revenue of \$624,874 during the year ended December 31, 2021, compared to \$696,749 during the year ended December 31, 2020. The decrease is due to decreased production offset by revenue from the newly drilled well.

Costs

The Company's royalty, operating costs, and depletion expenses for the year ended December 31, 2021, were \$596,368 compared to \$783,984 during the year ended December 31, 2020. The decrease in operating costs is the result of extended periods of suspended production operations and eliminating fuel and generator rental costs by connecting the field to grid power, offset by the recovery of property taxes.

General and Administrative expenses

The Company's general and administrative expenses increased by \$8,909,517 mainly due to share-based compensation expense of \$6,748,037 as the Company had four stock option grants and issued restricted share units ("RSUs") during the year. The increase is also due to management and consultant fees, which increased to \$1,357,308 in the year from \$748,918 in the prior year. The increase is the result of the Company's hiring of additional consultants in its development and commercialization of clean energy technology, which also resulted in \$625,483 of research and development expenses during the year. The Company increased its spending on office and general expenses, which was \$2,251,157 during the year compared to \$900,147 in the prior year. The increase is mainly due to business development expenses, establishment of the Company's research and development lab and hiring of employees as the Company continued its growth.

Other expenses

Other expenses increased by \$2,154,264 from \$87,534 to \$2,241,798 as the result of the Company recognizing an impairment loss of \$2,180,055 on its oil and gas properties. The impairment is due to declining production and extended production interruptions from oil wells.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

SELECTED QUARTERLY INFORMATION

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

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	\$	\$	\$	\$
Total assets	6,631,415	7,015,592	8,287,852	3,096,973
Total liabilities	1,385,582	1,275,536	1,645,380	2,107,896
Revenue	48,939	20,487	269,689	285,759
Net loss	(4,060,660)	(1,378,147)	(7,413,476)	(342,994)
Earnings (loss) per share	(0.01)	(0.00)	(0.03)	(0.00)
Weighted average common shares outstanding	305,031,538	299,791,161	264,373,245	213,585,326

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	\$	\$	\$	\$
Total assets	1,808,632	1,185,767	909,745	750,618
Total liabilities	2,236,229	3,044,458	3,647,537	3,436,163
Revenue	251,536	198,811	110,158	136,244
Net loss	(410,831)	(1,486,967)	(117,209)	(232,230)
Earnings (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)
Weighted average common shares outstanding	144,159,918	137,039,416	124,616,784	124,101,277

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

- a) During the quarter ended December 31, 2021, revenue decreased from December 31, 2020, as the result of declining production. This combined with the Company's planned exit from the oil and gas business resulted in the Company recognizing an impairment loss of \$2,180,055 on its oil and gas properties. Overall assets increased due to the Company's increase in cash from the closing of private placements and warrant and option exercises during the year and due to the Company's investment in its clean energy technology.
- b) During the quarter ended September 30, 2021, revenue decreased from September 30, 2020, as the result of declining production and extended production interruptions due to various field operations involving wells and gathering lines. Revenues during the quarter were primarily from the recently drilled well. Assets increased as the Company continued its investment in the development and commercialization of its clean energy technology, which was correlated with increased research and development during the period.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

SELECTED QUARTERLY INFORMATION (continued)

- c) During the quarter ended June 30, 2021, revenue increased from June 30, 2020, as the Company continued to realize production from the new drilled well. Assets increased due to private placements and the exercise of warrants and options during the period. Expenses increased due to share-based compensation expense and increased management and consulting expenses, research and development and office expenses as the Company began to develop and deploy its clean energy technology.
- d) During the quarter ended March 31, 2021, revenue increased from March 31, 2020 due to increased volume from one month of production from the newly drilled well. Total liabilities decreased as the Company used proceeds from various share issuances to retire debt.
- e) During the quarters ended December 31, 2020, and September 30, 2020, the Company's revenue decreased from the prior year quarters as a result of lower volume and lower oil prices from its oil sales. Expenses increased as the Company entered into various monthly contracts and began its transition to clean technology. Total liabilities decreased as the Company used proceeds from its private placement to retire debt.
- f) During the quarter ended June 30, 2020, revenue decreased from June 30, 2019, as the Company shut-in production for one and a half months. The shut-in of production also resulted in a decrease in expenses as the Company subcontracts for its services.

SELECTED ANNUAL INFORMATION

Selected annual information for the years ended December 31, 2021, 2020 and 2019 is presented below:

	2021	2020	2019
	\$	\$	\$
Total assets	6,631,415	1,808,632	863,898
Total liabilities	1,385,582	2,236,229	3,353,924
Shareholders' equity (deficiency)	5,245,833	(427,597)	(2,490,026)
Revenue, net of royalties	475,482	536,057	763,000
Net loss	(13,195,277)	(2,247,237)	(1,201,929)
Loss per share	(0.05)	(0.02)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of \$3,575,845 as at December 31, 2021, compared to a working capital deficiency of \$694,545 as at December 31, 2020. The balance increased as the Company raised funds by issuance of shares for private placements, in addition to warrant and option exercises.

During the year ended December 31, 2021, the Company reported a net loss of \$13,195,277 (December 31, 2020 – \$2,247,237). This was mainly due to share-based compensation expense of \$6,748,037. The Company's management and consulting fees, research and development and office expenses also increased due to the establishment of a clean energy technology lab, redirecting the Company's focus to developing its clean energy technology. As a result, the Company reported a cash outflow from operations of \$4,609,126 for the year ended December 31, 2021 (December 31, 2020 - \$1,572,168).

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

LIQUIDITY AND CAPITAL RESOURCES (continued)

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 non-brokered private placements during the year, one in January 2021 wherein it issued 25,340,000 units for aggregate gross proceeds of \$1,267,000 and one in December 2021 wherein it issued 18,164,500 units for aggregate gross proceeds of \$3,632,900, of which \$566,054 is to be received subsequent to year end, resulting in net proceeds of \$3,066,846 being received in 2021 for this private placement. The Company also received proceeds from the exercise of warrants in the amount of \$4,429,453 and proceeds of \$375,000 from the exercise of options. During the year, the Company also entered into an equity facility issuing 13,176,470 units at \$0.17 per unit for proceeds of \$2,240,000.

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

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

As at the Report Date, the Company has \$2,598,498 cash on hand and \$Nil loans outstanding.

OUTSTANDING SHARE DATA

As at the Report Date there are 320,424,095 common shares outstanding, 16,450,000 shares issuable on the exercise of stock options (weighted average exercise price of \$0.19), 43,224,494 shares issuable on the exercise of share purchase warrants (weighted average exercise price of \$0.27) and 2,650,000 shares issuable on the redemption of RSUs (weighted average fair value of \$0.20).

SUBSEQUENT EVENTS

Subsequent to December 31, 2021, 1,062,500 common shares were issued pursuant to the redemption of RSUs.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

COMMITMENTS

- a) On November 19, 2020, the Company entered into an office rental agreement in Vancouver, British Columbia with a term of 36 months, commencing December 1, 2020, and terminating on November 30, 2023, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$45,910 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.
- b) On July 19, 2021, the Company entered into an office and warehouse rental agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2021, and terminating on August 31, 2024, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of \$47,209 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the years ended December 31, 2021, and 2020. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Year Ended	
	December 31, 2021	December 31, 2020
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations, controlled by officers of the Company	873,987	415,301
Director fees paid or accrued to directors	92,606	-
Share-based compensation	4,450,914	271,706
	<u>5,417,507</u>	<u>687,007</u>

- a) As at December 31, 2021, the Company was owed \$Nil (December 31, 2020 - \$129,805) from the Chief Executive Officer.
- b) As at December 31, 2021, the Company had accrued \$107,500 (December 31, 2020 - \$Nil) in bonuses that were payable to the Company's Executive Chairman, Chief Technology Officer, Chief Operating Officer and Chief Financial Officer.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

CAPITAL MANAGEMENT

The Company considers its capital resources to be the shareholders' equity, 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 development of its clean energy technology and its current oil operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies and critical accounting estimates used during the year ended December 31, 2021, are disclosed in notes 2 and 3 of the 2021 audited annual consolidated financial statements. Preparing financial statements in accordance with IFRS requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position.

OUTLOOK

Hillcrest is focused on developing and delivering value from its clean technology business and maximizing remaining value from its current oil operations to provide potential cash flow which, if available, would be used for Company expenses including clean technology activities.

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

RISKS & UNCERTAINTIES

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

Financing Risks and Dilution to Shareholders

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

Intellectual Property Risks

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

Product Development Risks

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

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

RISKS & UNCERTAINTIES (continued)

Product Development Risks (continued)

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

Litigation

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

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

Fluctuating Oil and Gas Prices

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

Conflicts of Interest

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

Environmental Risks

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

HILLCREST ENERGY TECHNOLOGIES LTD.

(formerly Hillcrest Petroleum Ltd.)

Management's Discussion & Analysis

Year Ended December 31, 2021

RISKS & UNCERTAINTIES (continued)

Uninsurable Risks

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

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters.

Reliance on Management and Dependence on Key Personnel

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

Availability of Equipment and Labour

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet debt, nor did it have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

ADDITIONAL DISCLOSURE

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