HILLCREST
energy technologies™

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Nine Months Ended
September 30, 2022 and 2021

Report Date – November 21, 2022

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 nine months ended September 30, 2022. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2022, and the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2021 (the "Annual Financial Statements").

The following information has been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All financial results are reported in Canadian dollars, unless otherwise indicated.

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

CORPORATE OVERVIEW

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

Hillcrest is currently focused on developing high-value, high-performance clean energy technologies.

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.

In October 2022, the Company signed a Memorandum of Understanding ("MOU") with Hercules Electric Mobility to build and test an electric powertrain for a range of e-mobility products. The collaborative project begins in October 2022 and is expected to run through mid-2023. Also in October 2022, the Company signed another MOU with a Global Tier 1 Automotive Supplier to carry out a joint development project for a powertrain system. Hillcrest and the supplier will collaborate to integrate an optimized version of Hillcrest's 250-kilowatt (kW), 800-Volt (V) inverter into a future powertrain system. The joint project is expected to run through 2023.

Through the remainder of 2022 and into 2023, the Company expects to continue developing and commercializing its technologies with the intent of licensing, partnering and/or selling accessible or owned clean energy technologies and IP.

The Company's legacy oil assets in Saskatchewan are currently in the process of being remediated with completion expected in 2023.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements pertaining to, among other things: additional capital funding; the Company's ability to obtain such funding and the use thereof; the Company's ability to continue as a going concern; the completion of private placements and the use of proceeds thereof; the Company's next phase of capital expenditures; regulatory approvals and the Company's ability to obtain applicable permits; future operation, general and administrative expenditures and the anticipated impact of the reduction thereof; performance and financial results; capital expenditures; the Company's working capital and capital requirements; estimates and assumptions made in accordance with IFRS requirements; and the Company's ability to generate shareholder value, which is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained in this MD&A, which may prove to be incorrect, include but are not limited to: the general continuance of current or, where applicable, assumed industry conditions, ability of the Company to achieve its plans, and statements relating to the Company's future plans and management's belief as to the development of the Company's technologies; the Company's ability to retain key employees and executives; the availability and timing of additional financing to fund the Company's capital and operating requirements as needed; and certain cost assumptions. Statements regarding future plans of the Company are subject to known and unknown risks, uncertainties, and other factors, which could cause actual results to differ materially from those expected. These risks include, but are not limited to: the risk associated in the commercial viability of the technologies the Company is in the process of developing or deploying; delays or changes in plans with respect to the technologies; the risk of foreign exchange rate fluctuations, costs and expenses; inflation and lack of availability of goods and services; changes in commodity prices; unanticipated operating results; financial markets; economic conditions; volatility in the debt and equity markets; regulatory changes; changes in tax or environmental laws; and certain other known and unknown risks listed under the section "Risks & Uncertainties" herein.

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

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

STRATEGY AND BUSINESS OBJECTIVES

The Company's business plan is to focus on sustainable value per share growth. To accomplish this, the Company will pursue specific opportunities related to clean energy technology.

CLEAN ENERGY TECHNOLOGY

The Company's immediate objectives include the development and commercialization of intellectual property ("IP"), including the IP associated with the acquisition of ANIGO Technologies Inc. ("ANIGO"), now named 1198007 B.C. Ltd. This includes technology development and commercialization activities through the collaborative agreement with Systematec.

In 2021, the Company initiated development and achieved proof of concept for the Hillcrest Zero Voltage Switching ("ZVS") inverter, the Company's first clean energy technology.

CLEAN ENERGY TECHNOLOGY (continued)

During the period ended September 30, 2022, the Company completed design specifications for the Hillcrest 250kW 800V ZVS EV inverter commercial prototype and announced the expected delivery of the completed prototype to be in Q4 2022.

Over the year, the Company intends to continue the development and commercialization of several additional clean energy technologies, including a grid-tied ZVS inverter, an enhanced powertrain solution as well as a multi-level ZVS inverter.

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

Revenue may not be achieved from the technology portfolio in the near term. At present, the Company's plans for IP and related technology 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 period ended September 30, 2022, the Company also incurred research and development expenses of $1,060,734 and capitalized $170,243 of R&D equipment. The Company entered into an office and warehouse rental agreement in 2021 for a technology research and development lab and spent $7,833 in lab leasehold improvements during the current period.

OIL AND GAS PROPERTIES – DISCONTINUED OPERATIONS

West Hazel Property, Saskatchewan

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

In November 2021, the Company's oil and gas property at West Hazel, Saskatchewan ceased production and oil wells were shut down due to the lack of production and extended production interruptions causing oil wells to be uneconomical to produce. Revenues in 2022 are the result of sales of existing oil inventory produced in 2021. On June 29, 2022, the Company formally ceased oil and gas operations.

The Company commenced abandonment and reclamation activities at West Hazel in 2021, with the abandonment of seven wellbores. All wells have now been abandoned with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2023.

The Company's ceasing of oil and gas operations at its West Hazel field has completed the Company's exit from the fossil fuel business. As at September 30, 2022, the assets and liabilities related to the oil and gas properties have been reclassified as assets and liabilities of discontinued operations in the condensed interim consolidated financial statements. Operating results and cash flows related to these assets and liabilities have been included as a net gain or loss from discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss, and as cash flow from discontinued operations in the condensed interim consolidated statements of cash flows, respectively.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2022

Revenue
There were no revenues from continuing operations for the three months ended September 30, 2022 and 2021. The Company's revenues from discontinued operations for the three months ended September 30, 2022 were $Nil compared to $20,487 during the three months ended September 30, 2021. The Company ceased oil production in late 2021 and received no revenue in 2021 for July, August and portions of September as it shut-in production.

Costs
The Company's royalty, operating costs, and depletion expenses from discontinued operations for the three months ended September 30, 2022, were $62,464 compared to $74,862 during the three months ended September 30, 2021. Royalty and depletion expenses were $Nil in the current quarter compared to $11,555 and $5,258 respectively in the prior year quarter. The decrease in operating costs from $74,862 to $62,464 is related to the decrease in activity as the result of ceasing production.

General and Administrative Expenses
The Company's general and administrative expenses from continuing operations was $2,021,514 compared to $1,281,146 increasing by $740,368 due to increased office and general expenses, share-based compensation and research and development offset by a decrease in management and consulting expenses. Office and general expenses increased by $513,649 due to business development costs directly attributable to technology development and increased advertising and communications. Share-based compensation increased by $212,394 as the Company granted stock options and restricted share units ("RSUs") during the current quarter. Research and development increased by $207,588 as the Company continued to invest and commercialize its clean energy technologies.

Nine Months Ended September 30, 2022

Revenue
There were no revenues from continuing operations for the nine months ended September 30, 2022 and 2021. The Company's revenues from discontinued operations for the nine months ended September 30, 2022 were $51,965 compared to $575,935 during the nine months ended September 30, 2021. The Company ceased oil production in towards the end of 2021 and sales in the beginning of 2022 were the result of selling existing oil inventory from 2021. Revenues from 2021 were the result of the Company drilling a short-lateral oil well and generating additional revenue from this new well beginning March 2021.

Costs
The Company's royalty, operating costs, and depletion expenses from discontinued operations for the nine months ended September 30, 2022, were $137,723 compared to $509,404 during the nine months ended September 30, 2021. The Company incurred $Nil government royalties in the current period as revenues in 2022 were the result of existing oil inventory produced in 2021. The decrease in operating costs is correlated with the decrease in production.

RESULTS OF OPERATIONS (continued)

Nine Months Ended September 30, 2022 (continued)

General and Administrative Expenses
The Company's general and administrative expenses from continuing operations were $4,460,924 compared to $9,122,036 due to a decrease in share-based compensation and management and consulting expenses offset by an increase in office and general expenses and research and development expenses. Office and general expenses increased by $685,946 from $1,544,601 in the prior period to $2,230,547 in the current period as the Company expanded both its corporate and clean energy teams from the prior year. Of these expenses, $406,874 were directly attributable to technology development activities including personnel costs and business development and commercialization expenses. Research and development expenses of $1,060,734 increased by $639,038 from $421,696.

SELECTED QUARTERLY INFORMATION

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

	September 30, 2022 $	June 30, 2022 $	March 31, 2022 $	December 31, 2021 $
Total assets	3,824,216	4,262,602	5,425,164	6,631,415
Total liabilities	630,144	785,641	1,108,336	1,385,582
Revenue from discontinuing operations	-	-	51,965	48,939
Loss from continuing operations	(2,034,445)	(1,108,611)	(1,102,974)	(1,820,260)
Gain (loss) from discontinuing operations	103,547	23,178	6,129	(2,240,400)
Total net loss	(1,930,898)	(1,085,433)	(1,096,845)	(4,060,660)
Earnings (loss) per share from continuing operations	(0.01)	(0.00)	(0.00)	(0.01)
Earnings (loss) per share from discontinuing operations	0.00	0.00	0.00	(0.01)
Weighted average common shares outstanding	327,322,845	322,724,644	319,379,179	305,031,538

SELECTED QUARTERLY INFORMATION (continued)

	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $	December 31, 2020 $
Total assets	7,015,592	8,287,852	3,096,973	1,808,632
Total liabilities	1,275,536	1,645,380	2,107,896	2,236,229
Revenue from discontinuing operations	20,487	269,689	285,759	251,536
Loss from continuing operations	(1,294,468)	(7,449,576)	(407,700)	(429,891)
Gain (loss) from discontinuing operations	(83,679)	36,100	64,707	19,060
Total net loss	(1,378,147)	(7,413,476)	(342,993)	(410,831)
Earnings (loss) per share from continuing operations	(0.00)	(0.03)	(0.00)	(0.01)
Earnings (loss) per share from discontinuing operations	(0.00)	0.00	0.00	0.00
Weighted average common shares outstanding	299,791,161	264,373,245	213,585,326	144,159,918

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

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

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

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

SELECTED QUARTERLY INFORMATION (continued)

d) During the quarter ended December 31, 2021, revenue from discontinuing operations decreased from December 31, 2020, as the result of declining production. This combined with the Company's planned exit from the oil and gas business resulted in the Company recognizing an impairment loss of $2,180,055 on its oil and gas properties resulting in a loss of $2,240,400 from discontinued operations. Overall assets increased due to the Company's increase in cash from the closing of private placements and warrant and option exercises over the year and due to the Company's investment in its clean energy technologies.

e) During the quarter ended September 30, 2021, revenue from discontinuing operations decreased from September 30, 2020, as the result of declining production and extended production interruptions due to various field operations involving wells and gathering lines. Revenues from discontinuing operations during the prior year 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 technologies, which was correlated with increased research and development during the period.

f) During the quarter ended June 30, 2021, revenue from discontinuing operations increased from June 30, 2020, as the Company continued to realize production from the newly 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 from equity incentive grants in the quarter and increased management and consulting expenses, research and development and office expenses as the Company began to develop and deploy its clean energy technologies.

g) During the quarter ended March 31, 2021, revenue from discontinuing operations 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.

h) During the quarters ended December 31, 2020, and September 30, 2020, the Company's revenue from discontinuing operations 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.

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, from discontinuing operations	475,482	536,057	763,000
Total net loss	(13,195,277)	(2,247,237)	(1,201,929)
Total loss per share	(0.05)	(0.02)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital of $1,197,634 as at September 30, 2022, compared to a working capital of $2,161,757 as at September 30, 2021. Working capital decreased as the Company continued its investment in its clean energy technologies.

During the period ended September 30, 2022, the Company reported a total net loss of $4,113,176 (September 30, 2021 – $9,134,616) due to increased research and development expenses along with increased office costs. During the period the Company reported a total cash outflow from operations of $3,755,458 for the period ended September 30, 2022 (September 30, 2021 - $2,915,669).

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. The Company received $1,060,000 in connection with a private placement expected to close at the end of November 2022 at $0.12 per unit, of which $235,200 was received before September 30, 2022. Each unit consists of 1.2 common shares. In connection with a temporary warrant exercise program, the Company also received written commitments to exercise 3,750,000 of the eligible warrants, resulting in 4,500,000 common shares being issued with gross proceeds of $450,000, of which $360,000 was received prior to September 30, 2022. The program offered current holders of eligible warrants to acquire 1.2 common shares at an exercise price of $0.12 per warrant. The Company also received proceeds in 2022 from the exercise of share purchase warrants in the amount of $217,970.

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 $1,020,179 cash on hand and $Nil loans outstanding.

OUTSTANDING SHARE DATA

As at the Report Date there are 329,995,095 common shares outstanding, 17,983,333 shares issuable on the exercise of stock options (weighted average exercise price of $0.19), 36,560,160 shares issuable on the exercise of share purchase warrants (weighted average exercise price of $0.29) and 3,859,999 shares issuable on the redemption of restricted share units (weighted average redemption price of $0.14).

SUBSEQUENT EVENTS

Subsequent to September 30, 2022:

a) The Company received $1,060,000 in connection with a private placement expected to close at the end of November 2022 at $0.12 per unit, of which $235,200 was received before September 30, 2022. Each unit consists of 1.2 common shares.

b) In connection with a temporary warrant exercise program, the Company received written commitments to exercise 3,750,000 of the eligible warrants, resulting in 4,500,000 common shares being issued with gross proceeds of $450,000, of which $360,000 was received prior to September 30, 2022. The program offered current holders of eligible warrants to acquire 1.2 common shares at an exercise price of $0.12 per warrant.

c) The Company granted an aggregate of 3,093,923 options to eligible officers, directors, consultants and employees under the Company's Stock Option Plan. Each stock is exercisable for one common share of the Company at an exercise price of $0.15 per share. The Options are subject to vesting criteria and have a term of 5 years.

d) The Company granted an aggregate of 1,960,590 Restricted Share Units ("RSUs") to eligible officers, directors, and employees under the Company's Hillcrest Restricted Share Unit Plan. The units are subject to vesting criteria and have a term of 3 years.

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 technologies and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $47,209 per annum, plus common costs and taxes. This rental agreement is being accounted for under IFRS 16 – Right-of-use asset and corresponding lease liability on the balance sheet.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months and nine months ended September 30, 2022, and 2021. 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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	($)	($)	($)	($)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	161,625	202,645	451,495	444,645
Director fees paid or accrued to directors	32,500	34,480	88,833	67,918
Share-based compensation	674,410	154,857	496,472	3,917,102
	868,535	391,982	1,036,800	4,429,665

a) As at September 30, 2022, the Company was owed $120,972 (December 31, 2021 - $Nil) from the Officers of the Company.

b) As at September 30, 2022, a total of $Nil (December 31, 2021 - $107,500) was included in accounts payable and accrued liabilities in bonuses that were payable to the Company's Officers.

CAPITAL MANAGEMENT

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

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

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

There were no changes in the Company's approach to capital management during the period ended September 30, 2022. 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 energy technology business through the continued development and commercialization of its technologies with the intent of licensing, partnering and/or selling accessible or owned clean energy technology and IP.

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, which were formally ceased in June 2022. 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.

<u>Financing Risks and Dilution to Shareholders</u>
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.

<u>Intellectual Property Risks</u>
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.

RISKS & UNCERTAINTIES (continued)

Product Development Risks

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

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

Litigation

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

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

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.

Inflation

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

RISKS & UNCERTAINTIES (continued)

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 clean tech industry is dependent on the availability of equipment and labour in the areas where such activities will be conducted. Demand for limited equipment and labour and restrictions imposed on access to equipment may affect the availability of such equipment to the Company which could delay environmental remediation activities related to the Company's oil properties.

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.

Environmental Risks
The Company's oil field operations, which were formally ceased in June 2022, 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.

Uninsurable Risks
The Company's oil and gas operations, which were formally ceased in June 2022, 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.

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**