



MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine-Months Ended September 30, 2025

Report Date – November 20, 2025



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 period ended September 30, 2025. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto for the nine-months ended September 30, 2025, and the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2024 (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 <http://www.sedarplus.ca>.

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.



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 "7HI".

The Company's specific area of technological expertise is high-value, high performance power conversion technologies and digital control systems for next-generation powertrains and grid-connected renewable energy systems. Hillcrest has developed a Zero Voltage Switching ("ZVS") inverter technology platform to be deployed into several products, including a ZVS traction inverter prototype, a ZVS power module, and a ZVS grid inverter prototype and a ZVS power factor correction prototype.

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 2021, Hillcrest achieved proof of concept for its Zero Voltage Switching (ZVS) Technology. In December 2022, the Company completed its first commercial prototype utilizing this ZVS technology - an 800V, 250kW ZVS traction inverter prototype.

Throughout 2023, the Company continued developing and commercializing various applications based on its core ZVS technology platform with the intent of developing, licensing and/or selling accessible or owned clean energy technologies and IP.

In January 2023, the Company closed a non-brokered private placement of 1,775,000 units of the Company at a price of \$0.72 per unit for gross proceeds of \$1,278,000, including \$1,204,000 received as at December 31, 2022. Each unit consists of 1.2 common shares in the capital of the Company, resulting in the issuance of a total of 2,130,000 common shares.

In April and May 2023, the Company closed a non-brokered private placement, over three tranches, of a total of 4,193,750 units of the Company at a price of \$0.48 per unit for gross proceeds of \$2,013,000, with each unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.90 per share for 24 months from the date of issuance. In connection with this placement, 1,000 finder's warrants were granted with an exercise price of \$0.90 and exercisable over two years.

Also in April 2023, Hillcrest announced that it had successfully completed the first milestone of its October 2022 MOU with a Global Tier 1 Automotive Supplier. In June 2023 the Company also announced that dynamic load demonstration testing was underway as part of the second milestone of this MOU. The second milestone was completed in Q3 2023.

In May 2023, the Company successfully completed dynamic load bench tests involving the Company's 250kW 800V inverter prototype with a prominent European Automotive Original Equipment Manufacturer (European OEM) with test results that showcased a marked advantage in electromagnetic compatibility (EMC) characteristics and inverter efficiency. The European OEM has completed its analysis of the demonstration results and is proceeding with the next phase of co-development discussions.

In June 2023, the Company completed a consolidation of the authorized and issued common shares of the Company (the "Common Shares"), on the basis of a one (1) post-consolidated Common Share for each six (6) pre-consolidation Common Shares. All share numbers shown in this report reflect the post-consolidated numbers except as indicated otherwise.

Also in June 2023, the Company completed the design and began manufacturing its ZVS-enabled power module. These power modules are the first to be optimized for the Company's ZVS technology and are integrated into the Company's traction inverter to create the first-ever ZVS-optimized traction inverter.

In July 2023, the Company completed the design of its next-generation traction inverter commercial prototype optimized with the Company's own ZVS-enabled power module. This 350kW prototype is designed for applications up to 1,000V.



In October 2023, the Company announced support from the Government of Canada for a demonstration program with Hercules Electric Mobility Ltd. ("Hercules"). The Company signed an MOU with Hercules in October 2022 to build, test and potentially commercialize an electric powertrain that includes a ZVS traction inverter. The National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) is providing advisory services and research and development funding of up to \$130,000 toward the demonstration of the Hillcrest ZVS traction inverter with Hercules. This funding is expected to be a significant facilitator of an important phase of development for both the Company and Hercules. In March 2024 the Company completed an in-water demonstration with Hercules. Work on the collaborative project continues and is expected to run through 2025.

On October 4, 2023, Hillcrest closed a non-brokered private placement in the amount of 4,350,000 units of the Company (the "Units") at a price of \$0.40 per Unit for gross proceeds of \$1,740,000. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.50 per Common Share for a period of 24 months from the date of issuance. However, the Warrants will be subject to an accelerated expiry upon 30 business days' notice from the Company in the event the Common Shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.60 on the Canadian Securities Exchange.

In January 2024, the Company secured a \$5 million equity drawdown facility ("Equity Facility"). Pursuant to the Equity Facility, the Company will pay the investor a commitment fee equal to 4.9% of the total capital of the Company committed, payable in cash or common shares in the capital of the Company (the "Shares") at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"), at the election of the Company. On any drawdown amount, the Company will pay a 12% drawdown fee, which may be payable in Shares or by deduction from the funded advance, at the option of the investor. Each drawdown will be in units (the "Units"), with each Unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Drawdown Warrant"). The Units will be issued at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"). All Drawdown Warrants issued as part of the Units will be exercisable at an exercise price equal to the greater of 125% of the Issue Price, and the minimum exercise price permitted by policies of the CSE and will be exercisable for a period of three years from the date of issuance.

The Company issued 1,022,830 common shares for settlement of the commitment fee and closed several drawdowns, issuing 6,915,493 common shares for gross proceeds of \$1,465,673. Pursuant to the drawdowns, 3,226,092 warrants with an exercise price ranging from \$0.25 to \$0.33 and exercisable over three years were issued.

The investor in the Equity Facility had a consulting agreement with the Company during 2024.

In February 2024, the Company announced the integration of its ZVS-enabled power modules into its next-generation EV traction inverter prototype, providing a substantial boost in power level and power density for the new inverter prototype.

In March 2024, the Company completed the first in-vehicle demonstration of its ZVS traction inverter with Hercules Electric Mobility Ltd. ("Hercules"). This multi-phase demonstration was supported by the Government of Canada. As originally announced in October 2023, the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) provided advisory services and research and development funding of \$130,000 toward the demonstration of the Hillcrest ZVS traction inverter with a global motor supplier and Hercules.

Also in March 2024, the Company announced the completion of electromagnetic compatibility ("EMC") chamber testing on Hillcrest's EV traction inverter prototype with a European automotive manufacturer. Automotive manufacturers are often referred to as automotive original equipment manufacturers, or



automotive OEM's. The tests showcased the ability of the Company's inverter to achieve significantly better EMC during all tested operating points compared to existing inverters on the market.

In April 2024, Hillcrest entered into a collaboration agreement with Powertech Labs Inc. in which Powertech will provide testing and consulting services to assist Hillcrest in the development and validation of its ZVS inverter technology for grid-connected applications.

Also in April 2024, the Company closed a non-brokered private placement of 12,874,000 units of the Company ("Units") at a price of \$0.25 per Unit for gross proceeds of \$3,218,500. In connection with placement, the Company paid commissions and finders fees in the amount of \$630 in cash finder's fees and issued an aggregate of 2,520 share purchase warrants (the "Finder's Warrants") to certain arm's length finders, and the Company further issued 459,540 Units to two arm's length service providers in connection with the Private Placement. Each Finder's Warrant entitles the holder thereof to purchase one Share at a price of \$0.25 per Share until April 30, 2027, subject to an accelerated expiry upon 30 business days' notice from the Company in the event the Common Shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange.

In June 2024, the Company closed a non-brokered private placement of 3,530,000 units of the Company (the "Units") at a price of \$0.25 per Unit for gross proceeds of \$882,500 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company (a "Share") and one Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Share (a "Warrant Share") at a price of \$0.30 per Warrant Share for a period of 36 months from the date of closing (the "Closing Date"). The Warrants are subject to an accelerated expiry upon thirty (30) business days' notice from the Company in the event the Shares trade for ten (10) consecutive trading days any time after four (4) months from closing of the Offering at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange (the "CSE"). In connection with closing of the Offering, the Company issued 36,000 non-transferable Share purchase warrants (the "Compensation Warrants") to an arm's length service provider, with each Compensation Warrant exercisable into a Share (a "Compensation Share") at a price of \$0.30 per Compensation Share for a period of 36 months from the Closing Date. The Compensation Warrants are subject to an accelerated expiry upon thirty (30) business days' notice from the Company in the event the Shares trade for ten (10) consecutive trading days any time after four (4) months from closing of the Offering at a volume-weighted average price of at least \$0.50 on the CSE. In connection with the Offering, one subscriber sold an aggregate of 600,000 Shares and used the proceeds to facilitate their participation in the Offering.

Also in June 2024, Hillcrest announced the completion of a joint development agreement with Ocean Batteries AS ("Ocean Batteries") for the delivery of 300kVA | 800V Hillcrest ZVS inverter prototypes. Hillcrest will work with Ocean Batteries on the design and testing of a ZVS inverter for integration into their onshore energy storage systems. Successful deployment of these prototypes is expected to pave the way for a commercial supply arrangement. In November 2024, the Company announced discussions are underway with Ocean Batteries to expand the joint development agreement to potentially include additional applications of Hillcrest's ZVS technology to EV chargers and onboard energy storage systems for marine applications.

In July 2024, Hillcrest launched a testing and demonstration program for a power factor correction prototype, the latest application of the Company's Zero Voltage Switching technology.

In October 2024, Hillcrest provided an update on joint development discussions with leading automakers and Tier One suppliers with interest in the Zero Voltage Switching technology. Tier 1 automotive suppliers are companies that supply fully assembled components and/or systems to automotive manufacturers.

In November 2024, the Company announced the anticipated launch of its FPGA-based control system for ZVS inverter products by the end of this year. The ability to offer this control system in addition to the microcontroller option currently available for Hillcrest's ZVS inverter prototypes satisfies a need expressed by several customers and is expected to generate additional commercial opportunities for the Company.



In December 2024, the Company announced the signing of an MOU with Systematec GmbH to strengthen the existing collaborative partnership between the companies. The MOU contemplates multiple new arrangements, including the potential establishment of a distribution agreement. Under the terms being explored, Systematec would distribute Hillcrest's proprietary Zero Voltage Switching (ZVS) inverter technology for automotive applications in Europe.

Also in December 2024, Hillcrest announced it had successfully concluded 2024 customer demonstrations of the Company's ZVS technology. Through extensive demonstration tests performed at automotive manufacturers' and suppliers' facilities, as well as at Systematec GmbH's facilities in Germany, the Company's ZVS traction inverter prototype and Power Factor Correction (PFC) prototype have delivered significant performance gains, solidifying the Company's position at the forefront of power electronics innovation.

In December 2024, the Company announced a non-brokered private placement of up to an aggregate of 11,111,111 units of the Company (a "Unit") at a price of \$0.18 per Unit for aggregate gross proceeds of up to \$2,000,000 (the "Offering"). A portion of the Offering was to be completed as a settlement of outstanding debt, for up to \$1,500,000 on the same terms as the other Units being distributed as new subscriptions. This non-brokered private placement was cancelled on December 24, 2024.

The Company announced the termination of the Equity Facility on December 13, 2024, as the Company had access to alternative financing arrangements.

In January 2025, the Company closed the first tranche of an unsecured convertible debenture financing with a total principal amount of \$1,942,825, including \$1,554,825 to settle existing debt and accounts payable.

In March 2025, the Company closed a second tranche of the unsecured convertible debenture financing, issuing debentures with a total principal amount of \$663,923, including \$470,523 to settle existing debt and accounts payable.

The debentures bear interest at 10% per annum and mature two years following the date of issuance. The outstanding principal amount owed under a debenture may be converted, in the sole discretion of the holder at any time prior to maturity, into Company units at a conversion price of \$0.12 per unit (the "Conversion Price"). Each unit will consist of one Company common share and one common share purchase warrant, with each exercisable at a price of \$0.12 per common share for 36 months from the date of issuance. At maturity, the Company may convert the outstanding principal amount, together with any accrued and unpaid interest thereon, into units at the Conversion Price, provided that, if the holder of a debenture and the Company make different elections at maturity, the election by the party who opted in favour of the largest conversion of the principal amount into units at the Conversion Price will prevail. The debentures are also subject to a forced conversion right, whereby the Company may convert the outstanding principal amount and any accrued and unpaid interest thereon into units at the Conversion Price if the closing price of the Company's common shares on the CSE is greater than or equal to \$0.36 for a period of ten consecutive trading days. If the Company arranges a distribution of securities, other than pursuant to an equity incentive plan, holders of the debentures may elect to complete a securities-for-debt transaction in connection with such subsequent financing to settle the outstanding principal and interest accrued and owing.

During the three-months ended March 31, 2025, the Company issued 1,166,666 common shares pursuant to the redemption of RSUs.

On January 29, 2025, the Company granted 1,629,076 RSUs, vesting immediately upon grant and expiring December 1, 2028, to various Company directors and officers.

On January 29, 2025, the Company granted 100,000 stock options exercisable at a price of \$0.12 per Company common share, vesting immediately and expiring January 29, 2030, to a Company officer.

On March 4, 2025, the Company granted 600,000 RSUs, vesting 50% on August 30, 2025 and 50% on February 28, 2026 and expiring December 1, 2028, to a Company consultant.



On March 4, 2025, the Company granted 210,000 stock options exercisable at a price of \$0.12 per Company common share, vesting 50% on June 4, 2025 and 50% on September 4, 2025 and expiring March 4, 2030, to a Company consultant

The Company's end of life, non-producing, legacy oil assets in Saskatchewan are currently in the process of being remediated with completion expected in 2025 or 2026.

STRATEGY AND BUSINESS OBJECTIVES

The Company's business plan is to focus on sustainable value per share growth. To accomplish this, the Company will continue to pursue specific opportunities related to clean energy technologies, which are defined by the International Energy Agency (IEA) as technologies that contribute to achieving net-zero emissions across the energy system.

HILLCREST ZVS TECHNOLOGY AND PRODUCT DEVELOPMENT PROJECTS

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 Hillcrest Energy Technologies Royalty Holdings Ltd. This includes technology development and commercialization activities through the collaborative agreement with Systematec GmbH ("Systematec").

The Company uses a building-block approach to the development of its products that all rely on use of the Company's proprietary zero voltage switching technology (the "**ZVS Technology**"). Since ZVS Technology achieved proof of concept in 2021, the Company has focused its resources on applying this core technology to numerous products it intends to bring to market.

This building-block approach allows the Company to proceed with multiple development projects in parallel, providing a more efficient and integrated approach to product development. This approach, does however, make it difficult for the Company to assign specific costs, expenditures, and resources to any one development project at this stage in the process as the costs of development are integrated amongst the various development projects. As the various products enter a commercial phase, the ability to segregate resources and expenditures by product will be viable.

ZVS Technology – In 2021, the Company initiated the development of its core technology – the ZVS Technology. This firmware-based technology can be applied to a wide variety of power conversion devices, along with hardware adjustments, to improve power conversion efficiency and performance, as compared to current products on the market today. The ZVS Technology is the fundamental building block for each of the application-specific products the Company develops.

Proof of concept for the ZVS Technology was achieved in 2021 and continues to be refined and improved as it is applied to specific power conversion applications.

Originally deployed using a microcontroller, in 2024, the Company is expanding its ability to deploy the ZVS Technology using a Field-Programmable Gate Array ("**FPGA**")-based control system. The ability of the Company to offer both control system options provides greater choice for potential customers.

ZVS Traction Inverter Prototype– Throughout 2023 and 2024, the Company developed a 350kW | 1,000 V traction inverter prototype (the "**Traction Inverter Prototype**") that integrates the ZVS Technology. This traction inverter prototype is intended to demonstrate the capabilities of the Company's proprietary technology in electric mobility applications. The Traction Inverter Prototype has reached a commercial level and now serves as the foundation upon which all customer-specific design and engineering customization can be accomplished.

ZVS Power Module Prototype – During 2023, the Company developed its own power module (the "**ZVS Power Module**") to be used in the Company's power conversion applications to maximize the benefits of the Company's ZVS Technology while improving the power density and performance of these devices. The ZVS power module is continually improved as each of the Company's power conversion prototypes are advanced through the development and commercial processes.



During 2024, the ZVS Power Module was integrated into the Company's ZVS inverter prototypes and continues to be refined and improved as advanced testing is completed with potential customers across various industries and applications.

ZVS Grid Power Conversion System (PCS) Prototype – Beginning in Q4 2023, the Company began the development process of adapting the Traction Inverter Prototype for use in grid-connected applications. This process includes adapting the hardware, communications, and firmware to the specific requirements needed to connect to various power grids found across the globe. This prototype can be used for a wide variety of applications, including renewable energy generation and storage as well as electric vehicle (“EV”) charging infrastructure and data centers.

The Company is currently developing a 200kW | 1000V grid-connected PCS prototype and is engaging with potential customers on joint development opportunities across multiple grid-connected industries, including the project with Ocean Batteries SA.

ZVS Power Factor Correction Prototype – During the first half of 2024, the Company responded to increasing interest from potential customers and began development of a power factor correction prototype.

Power factor measures how effectively electrical power is converted into useful work. A high power factor means more useful power is available, while a low power factor means more power is wasted as reactive power, which does not do useful work. This imbalance can increase energy costs and reduce the working capacity of electrical systems.

Power factor correction (“PFC”) is often incorporated into electrical equipment to increase the amount of electrical power available for useful work. Deploying the Company's ZVS Technology in PFC applications is expected to improve the operating capacity, performance, and lifespan of grid-connected electrical equipment. It will also allow for a reduction in the size of filtering components, resulting in substantial operating and capital cost savings. For grid operators, the Company's ZVS-enabled PFC solution offers better power quality and improved grid stability.

PFC is needed in nearly everything connected to the electric grid, including renewable energy generation and storage, EV onboard chargers and charging stations, data centers, and various industrial applications.

As with prior product development efforts, this prototype leverages the building block approach by using an existing proof of concept device along with already-developed grid-connect firmware to develop this prototype. This greatly reduces the time and cost associated with this initial development activity.

The Company is now demonstrating this prototype to potential customers. Further commercialization of this prototype is expected to occur in collaboration with a customer who will want it customized to meet their specific needs.

As of September 30, 2025, the Company's IP portfolio consists of 9 patent applications in various stages of approval, proprietary firmware and decades of know-how. Combined, these IP assets protect the Company's competitive advantage.

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

Use of the building block approach coupled with the specific decisions made by the Company during the early stages of development, allow the Company to offer broad scope of supply options to our potential customers. The Company can offer its core ZVS Technology as a library, microprocessor or FPGA for a customer to deploy into their own power conversion devices or design and produce full, ZVS-enabled devices that meet a customer's specific needs. In the immediate term, this allows the Company to expand its presence in the market and secure initial commercial agreements. Over time, as the Company gains market validation and experience in the production and delivery across the various scopes of supply, it will be better positioned to manufacture products at scale, initially leveraging the robust contract manufacturing capabilities available globally.

HILLCREST ENERGY TECHNOLOGIES LTD.

Management's Discussion & Analysis

Nine-Months Ended September 30, 2025



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

Upon its acquisition of ANIGO, now Hillcrest Energy Technologies Royalty Holdings Ltd., the Company recognized \$1,550,000 as an intangible asset, which is attributable to the portfolio of acquired software IP. During the current three-month period ended September 30, 2025, the Company also incurred research and development expenses of \$637,592 (2024 – \$500,510). The Company also entered into an office and warehouse rental agreement in 2021 for a technology research and development lab in Vancouver, British Columbia.

OIL AND GAS PROPERTIES – DISCONTINUED OPERATIONS

West Hazel Property, Saskatchewan

The Company has a 62.25% working interest and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin. The Company formally ceased production in November 2021 and oil wells have been shut in. All wells have now been abandoned and surface equipment removed 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 2025 or 2026.

OVERALL PERFORMANCE

Key Performance Indicators

	Three-months ended September 30, 2025		September 30, 2024		Nine-months ended September 30, 2025		September 30, 2024	
Revenue	\$	-	\$	-	\$	-	\$	-
Net loss	\$	(1,059,033)	\$	(2,250,773)	\$	(4,956,905)	\$	(8,226,543)
Loss per share	\$	(0.01)	\$	(0.02)	\$	(0.05)	\$	(0.09)
Total assets	\$	2,148,418	\$	3,420,920	\$	2,148,418	\$	3,420,920
Research and development expenses	\$	493,725	\$	549,668	\$	1,757,887	\$	1,499,093

During the three-month period ended September 30, 2025, the Company incurred a net loss of \$1,059,033 compared to \$2,250,773 for the period ended September 30, 2024. The decrease in net loss for the period is attributed to the decrease in management and consulting expenses of \$92,150, a decrease in office and general expenses of \$917,589, a decrease in foreign currency exchange loss of \$7,161, and a decrease in research and development expenses of \$55,942. This was offset by an increase in share-based compensation of \$18,643 and an increase in finance expenses of \$68,347. In addition, the loss from discontinued operations decreased by \$1,325 and other income increased \$204,562. The decrease in management and consulting expenses of \$92,150 is the result of decrease in third party consultants in 2025. The decrease in office and general expenses is related to the curtailment of business development and investor relation activities in the quarter. Share-based compensation expense increased during the quarter as a result of the timing of the issuance of options and the vesting periods of prior options which were granted. Foreign currency exchange loss was reduced resulting from the movement in the Canadian dollar vs the US dollar. The decrease in research and development expenses during the quarter is the result of a reduction of research and development work. The increase in finance expense is the result of the additional debt resulting from the promissory notes and the convertible debentures. Finally, the increase in the loss from discontinued operations is the result of the increase in certain annual operating costs incurred during the period.

During the nine-month period ended September 30, 2025, the Company incurred a net loss of \$4,956,905 compared to \$8,226,210 for the period ended September 30, 2024. The decrease in net loss for the period is attributed to the decrease in management and consulting expenses of \$1,485,002, a decrease in office and general expenses of \$1,517,819, and a decrease in share-based compensation of \$648,906. This was offset by an increase in research and development expenses of \$258,794 and an increase in finance expense of \$200,468. In addition, the loss from discontinued operations decreased by \$1,722. The



decrease in management and consulting expenses of \$1,485,002 is the result of payment of shares to certain officers and directors for services in 2024. The decrease in office and general expenses is related to the decrease in the expense related to the issuance of shares to employees for services in 2024 along with curtailment of business development and investor relation activities in the first nine months of the year. Share-based compensation expense decreased during the quarter as a result of the timing of the issuance of options and the vesting periods of prior options which were granted. Foreign currency exchange loss was reduced resulting from the movement in the Canadian Dollar vs the US dollar. The increase in research and development expenses during the quarter is the result of additional staff costs resulting from research and development work. The increase in finance expense is the result of the additional debt resulting from the promissory notes and the convertible debentures. Finally, the decrease in the loss from discontinued operations is the result of the certain annual operating costs incurred during the period.

As at September 30, 2025, the Company had total assets of \$2,148,418 compared to \$3,420,920 as at September 30, 2024. The decrease in total assets is the result of the cash collected on the issuance of shares, promissory notes, and convertible debentures offset by the cash expenses incurred during the periods. In addition, prepaid expenses decreased resulting from the prepayment of investor relations contracts and the related amortization of those contracts. Property and equipment was reduced due to the amortization of the assets during the related periods.

Results of Operations

	Three-months ended September 30, 2025		Three-months ended September 30, 2024		Nine-months ended September 30, 2025		Nine-months ended September 30, 2024	
Management and consulting	\$	43,850	\$	136,000	\$	158,640	\$	1,643,642

During the three months ending September 30, 2025, management and consulting expenses decreased \$92,150 to \$43,850 compared to \$136,000 for the three-months ended September 30, 2024. For the nine-months ended September 30, 2025, management and consulting fees were \$158,640, a decrease of \$1,485,002 from \$1,643,642 for the nine-months ended September 30, 2024. The decrease in the amount is the result of the following:

Director's Fees

For the three months ending September 30, 2025, director's fees remained consistent with \$31,250 of director fees compared to \$35,000 for the prior period.

Director's fees decreased \$3,650 from \$105,000 for September 30, 2024 compared to \$101,350 for the nine-months ending September 30, 2025.

Consulting Fees

During the three months ending September 30, 2025, consulting fees decreased \$88,400 to \$12,600 compared with \$101,000 for the three-months ending September 30, 2024. The decrease in consulting fees is the result of the reduction of consultants used in the period.

During the nine months ending September 30, 2025, consulting fees decreased \$1,481,352 to \$57,290 compared with \$1,538,642 for the nine months ending September 30, 2024. During the nine month period ending September 30, 2024, the Company incurred additional costs on consulting fees resulting from the payment of shares to certain consultants and directors for services. There were no similar costs in 2025.

	Three-months ended September 30, 2025		Three-months ended September 30, 2024		Nine-months ended September 30, 2025		Nine-months ended September 30, 2024	
Research and development	\$	493,725	\$	549,668	\$	1,757,887	\$	1,499,093

Research and development expenses decreased \$55,943 to \$493,725 for the three months ending September 30, 2025 compared to \$549,668 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, research and development expenses were \$1,757,887 compared to \$1,499,093 for the nine months ending September 30, 2024 representing a \$258,794 increase.



The components of R&D consist of the following:

Contract and Employee Labour

Contract and employee labour was \$388,532 for the three months ending September 30, 2025 compared to \$548,196 for the three months ending September 30, 2024. In addition, contract and employee labour was \$1,737,376 for the nine months ending September 30, 2025 compared to \$1,495,808 for the nine months ending September 30, 2024.

Contract and employee labour increased due to the timing of work provided by the Company's third-party consultants and employees on the Company's ZVS various prototype developments and customer demonstration projects. In addition, Hillcrest allocated costs for employees directly related to research and development activities from office and general expenses.

Materials and Supplies

Materials and supplies for the three month period ending September 30, 2025 was \$362 compared to \$1,472 for the three month period ending September 30, 2024. For the nine months ending September 30, 2025, materials and supplies were \$20,511 compared to \$3,420 for the nine months ending September 30, 2024. The increase is related to the increase in needs for the components and equipment required to conduct the research and development activities in the respective periods.

	Three-months ended September 30, 2025		Nine-months ended September 30, 2025	
	2025	2024	2025	2024
Office and general expense	\$ 413,689	\$ 1,331,278	\$ 2,308,352	\$ 3,826,171

Office and general expenses were \$413,689 for the three months ending September 30, 2025 compared to \$1,331,278 for the three months ending September 30, 2024 representing a \$917,589 decrease. For the nine months ending September 30, 2025, office and general expense was \$2,308,352 compared to \$3,826,171 for the nine months ending September 30, 2024.

The significant components of office and general consist of the following:

Business Development

Business development decreased \$164,530 to \$44,206 for the three months ending September 30, 2025 compared to \$208,735 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, business development was \$391,309 compared to \$448,034 for the nine months ending September 30, 2024. These expenses related to the use of business development consultants and product marketing services relating to the promotion of the Company's ZVS technology and related product prototypes.

Investor Marketing Programs

Investor marketing program expense was \$12,000 for the three month period ending September 30, 2025 compared to \$536,465 for the three months ending September 30, 2024, representing a \$524,465 decrease year-over-year. For the nine months ending September 30, 2025, investor marketing programs were \$702,123 compared to \$990,425 for the nine months ending September 30, 2024, representing a \$288,302 decrease. These expenses are related to the various investor marketing programs the Company conducted during the periods to generate shareholder interest.

Professional Fees

Professional fees for the three months ending September 30, 2025 were \$34,734 compared to \$99,855 for the three months ended September 30, 2024, representing a decrease of \$65,121. For the nine months ending September 30, 2025, professional fees were \$189,929 compared to \$285,595 for the nine months ending September 30, 2024. The decrease is due to a reduction in legal fees resulting from a decrease of \$28,328 in general corporate matters and a reduction of \$67,337 related to services provided for intellectual property work related to patent filings and general matters.

Salaries and Wages

HILLCREST ENERGY TECHNOLOGIES LTD.**Management's Discussion & Analysis****Nine-Months Ended September 30, 2025**

Salaries and wages were \$171,387 for the three months ending September 30, 2025, compared to \$283,027 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, salaries and wages were \$590,748 compared to \$1,531,651 for the nine months ending September 30, 2024 representing a decrease of \$940,903. The decrease in salaries and wages for the nine months is the result of the shares issued to employees as compensation in 2024, along with the reduction in the number of employees during the year and the allocation of costs for employees directly related to research and development activities.

General Office Expenses

General office expenses were \$57,317 for the three months ending September 30, 2025 compared to \$88,218 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, office expenses were \$148,505 compared to \$225,580 for the nine months ending September 30, 2024. The decrease for both the three and six months is the result of the decrease in office occupancy costs resulting from rent recoveries.

Depreciation

Depreciation expense was \$69,561 for the three months ending September 30, 2025 compared to \$75,159 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, depreciation expense was \$209,308 compared to \$228,368 for the nine months ended September 30, 2024. The decrease is the result of a decrease in the depreciation of the right-of-use assets, representing the office leases and property and equipment due to the aging of the assets.

	Three-months ended September 30, 2025		Nine-months ended September 30, 2025	
	2025	2024	2025	2024
Share-based compensation	\$ 234,396	\$ 215,753	\$ 700,634	\$ 1,349,540

During the nine months ending September 30, 2025, Hillcrest granted 310,000 stock options and 2,229,076 RSUs to directors, employees, and consultants compared to 5,108,867 stock options and 3,768,333 RSUs during the nine months ending September 30, 2024. The decrease in share-based compensation relates directly to the vesting periods of the current and prior granted options and RSUs and increase in quantity of options and RSUs granted.

	Three-months ended September 30, 2025		Nine-months ended September 30, 2025	
	2025	2024	2025	2024
Finance expense	\$ 79,467	\$ 11,120	\$ 235,125	\$ 34,657

Finance expense represents the deemed interest on the lease obligations for both the three and nine months ending September 30, 2025 and 2024. During the prior year, Hillcrest entered into a new lease agreement, resulting in an increase in interest expense for the current period as the debt was outstanding for the full nine months. As a result of these new lease agreements, there has been an increase in related interest expense for the period. In addition, the Company has recognized interest expense of \$59,237 for the three months ending September 30, 2025 and \$110,129 for the nine months ending September 30, 2025 related to the promissory note and convertible debenture.

	Three-months ended September 30, 2025		Nine-months ended September 30, 2025	
	2025	2024	2025	2024
Other income	\$ 216,486	\$ 11,924	\$ 221,353	\$ 156,711

Other income represents the amount of grants, interest income received, and a recovery of expenses of \$150,000 on the shares returned to treasury from the payment on consulting fees during the nine month period. In 2024, the Company received \$156,575 of grants compared to \$71,336 for the nine months ending September 30, 2025.

HILLCREST ENERGY TECHNOLOGIES LTD.**Management's Discussion & Analysis**
Nine-Months Ended September 30, 2025

	Three-months ended September 30, 2025		Three-months ended September 30, 2024		Nine-months ended September 30, 2025		Nine-months ended September 30, 2024	
Loss discontinued operations	\$	1,545	\$	2,870	\$	4,291	\$	6,013

During the three months ending September 30, 2025, the Company incurred a loss from discontinued operations of \$1,545 compared to \$2,870 for the three months ending September 30, 2024. For the nine months ending September 30, 2025, the Company had a loss from discontinued operations of \$4,291 compared to \$6,013 for the nine months ending September 30, 2024. The loss is the result of the Company's royalty and operating costs from discontinued operations. These expenses are mainly attributable to insurance, lease payments, and road usage expenses. In addition, the Company incurred office and general administration costs related to bank charges, and general office items.

LIQUIDITY AND CAPITAL RESOURCES

Management has determined that cash flows for operating, research and development activities, and general and administrative expenses will be funded by Hillcrest's existing cash on hand. Any expected short fall of cash required for these expenses will be funded by the issuance of common shares through private placements or issuance of debt facilities. The Company continues to propose to certain creditors the potential settlement of outstanding amounts by issuance of shares.

Cash flow used in operations for the nine months ending September 30, 2025 was \$1,668,123 compared to \$7,572,697 for the nine months ending September 30, 2024, resulting from the expenses incurred on the management and consulting fees, research and development expenses, and office and general expenses. These costs were incurred for the day-to-day management of the Company and the continuous development of the Company technologies.

Hillcrest received \$1,974,833 of cash flows from financing for the nine months ended September 30, 2025. During this period, the Company received gross proceeds of \$2,606,748 from the completion of issuance of a convertible debenture. This was offset by the repayment of \$111,118 in lease liabilities and \$520,797 of promissory notes.

Hillcrest received \$7,581,564 of cash flows from financing for the nine months ending September 30, 2024. During the nine months ended September 30, 2024, the Company has completed various non-brokered private placements of 22,475,710 units of the Company (the "Units") at a price of \$0.25 per Unit for gross proceeds of \$5,618,928 (the "Offering"), of which \$627,500 was collected in the prior year. Each Unit is comprised of one common share in the capital of the Company (a "Share") and one Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Share (a "Warrant Share") at a price of \$0.30 per Warrant Share for a period of 36 months from the date of closing (the "Closing Date"). The Warrants are subject to an accelerated expiry upon thirty (30) business days notice from the Company in the event the Shares trade for ten (10) consecutive trading days anytime after four (4) months from closing of the Offering at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange (the "CSE").

For the nine months ending September 30, 2025 and December 31, 2024, Hillcrest did not have any investing activities.

The following table represents the net capital of the Company:

	September 30, 2025	December 31, 2024
Shareholders' deficiency	\$ (4,715,845)	\$ (1,107,343)
Convertible debentures	1,713,979	-
Promissory notes	1,378,167	1,898,964
Net capital	\$ (1,623,699)	\$ 791,621

Hillcrest uses net working capital to monitor leverage. The net capital is the result of the issuance of common shares and promissory notes offset by the operating loss of the Company since inception.



WORKING CAPITAL

The Company had a working capital deficiency of \$2,267,620 as at December 31, 2024, compared to \$4,649,966 as at September 30, 2025. Working capital decreased as the Company continued the development of its clean energy technologies.

Current assets at September 30, 2025 were \$368,410 compared to \$949,341 at December 31, 2024. The decrease in the current assets is attributed to a decrease in prepaid expenses of \$720,560 resulting from the decrease in the prepayments for the investor relations marketing program and a decrease in \$10,162 of assets of discontinued operations, and a decrease in receivables of \$939 resulting from lower GST recovery. This was offset by an increase in cash resulting from the share transactions.

Current liabilities increased \$1,179,680 to \$5,018,376 as at September 30, 2025 compared to \$3,838,696 as at December 31, 2024. The increase in current liabilities is due to an increase in accounts payable and accrued liabilities of \$1,684,379 due to timing of various vendor invoices, an increase in lease liabilities of \$19,088 due to an increase in the principal amount of the lease payment, and the reduction of promissory notes of \$520,797 during the period as these were converted to long-term convertible debentures. In addition, the Company has \$437,218 of current liabilities related to the discontinued operations.

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 that it will be on terms that are acceptable to Hillcrest. 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.

CONTRACTUAL OBLIGATIONS

The Company has entered into two lease agreements. The office lease agreement has a term of 36 months, commencing November 1, 2024 and terminating on October 31, 2027, 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 \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

The office and warehouse rental extension agreement in Vancouver, British Columbia to accommodate the development of the Company's clean energy technology and IP, has a term of 36 months, commencing September 1, 2024 and terminating on August 31, 2027. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of \$58,317 per annum in year one, \$61,094 per annum in year two, and \$63,871 per annum in year three, plus common costs and taxes.

CONTINGENCIES

Contingent liabilities

The Company does not have any contingent liabilities.

Contingent assets

The Company does not have any contingent assets.

SELECTED QUARTERLY INFORMATION

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



	Sept 30, 2025	June 30, 2025	Mar 31, 2025	Dec 31, 2024
	\$	\$	\$	\$
Loss from continuing operations	(1,152,488)	(1,521,639)	(2,373,487)	(2,545,896)
Loss from discontinued operations	(1,545)	(1,129)	(1,617)	(184,716)
Total net loss	(1,154,033)	(1,522,768)	(2,375,104)	(2,730,612)
Loss per share from continuing operations	(0.01)	(0.02)	(0.02)	(0.05)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)

	Sept 30, 2024	June 30, 2024	Mar 31, 2024	Dec 31, 2023
	\$	\$	\$	\$
Loss from continuing operations	(2,247,903)	(4,339,340)	(1,633,287)	(1,956,709)
Loss from discontinued operations	(2,870)	(2,625)	(518)	(45,998)
Total net loss	(2,250,773)	(4,341,965)	(1,633,805)	(2,002,707)
Loss per share from continuing operations	(0.02)	(0.05)	(0.02)	(0.03)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)

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

During the three months ending September 30, 2025, the Company incurred a net loss from continuing operations of \$1,152,488 and a net loss from discontinued operations of \$1,454. The operating loss decreased due to lower research and development expenses and office and general expenses. This was offset by an increase in management and consulting fees and share-based compensation expense.

During the three months ending June 30, 2025, the Company incurred a net loss from continuing operations of \$1,521,639 and a net loss from discontinued operations of \$1,129. The operating loss decreased due to lower management and consulting fees, office and general expenses, share-based compensation, and an increase in finance expenses. This was offset by an increase in research and development costs in the period.

During the three months ended March 31, 2025, the Company incurred a net loss from continuing operations of \$2,373,487 and a loss from discontinued operations of \$1,617. The increase in operating loss for the quarter is attributed to an increase in investor relations costs due to the various marketing programs and an increase in consultant costs during the period. Loss from discontinued operations was \$1,617, resulting largely from the annual operating costs associated with the properties.

During the three months ended December 31, 2024, the Company incurred a net loss from continuing operations of \$2,545,896 and a loss from discontinued operations of \$184,716. The increase in operating loss for the quarter is attributed to an increase in share-based compensation, an increase in investor relations costs due to the various marketing programs and an increase in consultant costs during the period. Loss from discontinued operations was \$184,716, resulting largely from the revision on the estimation of the ARO liability.

During the three months ended September 30, 2024, the Company recorded a net loss from continuing operations of \$2,247,903 and a loss from discontinued operations of \$2,870. The Company continued to focus on the development and commercialization of its clean energy technology with increased research and development spending in this area. In addition, both management and consulting and office and general increased due to increased costs for services to certain consultants and officers. Share-based



compensation expense was lower from recognition on stock options and RSUs granted during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended June 30, 2024, the Company recorded a net loss from continuing operations of \$4,339,340 and a loss from discontinued operations of \$2,625. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area. In addition, both management and consulting and office and general increased due to the issuance of common shares for services to certain consultants, officers, and directors. Share-based compensation expense was also significantly higher from recognition on stock options and RSUs granted during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended March 31, 2024, the Company recorded a net loss from continuing operations of \$1,633,287 and a loss from discontinued operations of \$518. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in professional fees for IP related work. Share-based compensation expense was also significantly higher from recognition on stock options and RSUs granted. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended December 31, 2023, the Company recorded a net loss from continuing operations of \$1,956,709 and a loss from discontinued operations of \$45,998. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in investor relations expenditures. Share-based compensation expense was also significantly higher with from its recognition on RSUs granted. There were no revenues from discontinued operations together with minimal activities during the period.

OUTSTANDING SHARE DATA

As at the report date there are 100,283,911 common shares outstanding, 7,651,645 shares issuable on the exercise of stock options, 22,282,90 shares issuable on the exercise of share purchase warrants, 8,339,624 shares issuable on the redemption of restricted share units, and 21,722,901 convertible debentures units issuable upon conversion, which allow the holder to acquire up to 43,445,802 common shares.

SUBSEQUENT EVENTS

On October 14, 2025, the Company announce its intention to complete an offering (the "Offering") of units of the Company (the "Units") of up to \$7,200,000 comprised of: (i) up to \$3,900,000 in proceeds to the Company to be raised via the issuance of Units at a price of \$0.09 per Unit on a private placement basis (the "Cash Offering") and (ii) up to \$3,300,000 in debt to be settled through the issuance of Units on the same terms as in respect of the Cash Offering (the "Debt Offering").

In addition to the announcement of the Cash Offering and Debt Offering, the Company also announced it had entered into a memorandum of understanding with Pasqua First Nation ("PFN") and a letter agreement with Apeiron Resources Ltd. to establish an entity to commercialize the Company's ZVS technology. Separately and independent of the partnership entity, PFN may invest up to \$3,000,000 directly into Hillcrest through the purchase of Units in the Company. This potential investment in Hillcrest is intended to support the further development and commercialization of Hillcrest's ZVS technology and support general operating needs.

Also on October 14, 2025, and further to the Company's press release issued on September 26, 2025, announcing the proposed extension of 4,350,000 warrants of the Company from an expiry date of October 4, 2025 to October 4, 2027 (the "Warrant Extension"), the Company confirmed that the Warrant Extension had been consented to by all warrant holders and the Warrant Extension had been effected.

On October 28, 2025, the Company announced it had closed the first tranche (the "First Tranche") of its previously announced offering (the "Offering") of units of the Company (the "Units") for gross proceeds of \$2,656,758 at a price of \$0.09 per Unit, comprised of: (i) \$764,650 in aggregate gross proceeds raised

HILLCREST ENERGY TECHNOLOGIES LTD.

Management's Discussion & Analysis Nine-Months Ended September 30, 2025



through the issuance of 8,496,112 Units on a private placement basis (the "Cash Offering") and (ii) \$1,892,108 in proceeds raised through the issuance of 21,023,424 Units in consideration for the settlement of \$1,892,108 in debt owing to arm's length creditors of the Company (the "Debt Offering").

The Second Tranche of the Offering is expected to trigger Company security holder approval requirements pursuant to Section (2)(a)(i)(2) of Policy 4 of the CSE's policies ("CSE Policy 4"), due to the potential issuance of over 100% of the total number of securities currently outstanding of the Company as result of the aggregated Offering.

The Company, however, will rely on the financial difficulties exemption under Section (2)(b) of CSE Policy 4 such that it will not be required to seek or obtain Company security approval for the Offerings (the "Exemption"). In this regard, the audit committee of the Company, which is composed solely of independent directors of the Company, had determined that: (i) the Offerings are in the best interests of the Company, (ii) the Offerings are reasonable in the circumstances, and (iii) it is not feasible to obtain Company security holder approval or to complete a rights offering to the Company's existing security holders on the same terms as the Offerings.

In connection with its reliance on the Exemption, no Related Person (as such term is defined under the policies of the CSE) will participate in the Offerings, including that outstanding director fees will no longer be settled pursuant to the Debt Settlement.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three months ended September 30, 2025 and 2024. 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		Six Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	\$ 189,468	\$ 232,971	\$ 499,187	\$ 640,769
Director fees paid or accrued to directors	31,250	35,000	101,350	105,000
Share-based compensation	89,080	69,874	361,371	710,774
	\$ 309,798	\$ 337,845	\$ 961,908	\$ 1,456,543

As at September 30, 2025, the Company was owed \$906 (December 31, 2024 - \$906) from directors of the Company. These amounts are non-interest bearing and are due on demand. Subsequent to September 30, 2025, this amount was settled.

As at September 30, 2025, the Company was owed \$8,000 (December 31, 2024 - \$8,000) included in share subscriptions receivable from an officer of the Company. This amount is non-interest bearing and due on demand.

As at September 30, 2025, a total of \$34,650 (December 31, 2024 - \$60,105) was included in accounts payable and accrued liabilities in consulting fees and GST that were payable to the Company's officers.

As at September 30, 2025, a total of \$145,161 (December 31, 2024 - \$90,358) was included in accounts payable and accrued liabilities for director fees and reimbursable expenses payable to Company directors and 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.

HILLCREST ENERGY TECHNOLOGIES LTD.

Management's Discussion & Analysis Nine-Months Ended September 30, 2025



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 ending September 30, 2025. The Company is not subject to externally imposed capital requirements.

USE OF PROCEEDS FROM FINANCING

Financing	Proceeds	Original Use of Proceeds	Variation from Original Use of Proceeds
January 17, 2024 through December 13, 2024	\$1,465,673	Technology and product development, commercialization, and general working capital.	\$500,000 of the proceeds was used for investor relations programs and the remainder to technology and product development, commercialization, and general working capital.
February 9, 2024 through April 30, 2024	\$3,218,500	Technology and product development, commercialization, general working capital, and the payment of \$300,000 in fees to service providers providing marketing and investor relations services to the Company.	\$500,000 of the proceeds was used for investor relations programs and the remainder to technology and product development, commercialization, and general working capital.
June 3, 2024	\$882,500	Increased marketing and investor relations activities as well as technology development and general working capital, including retirement of existing accounts payable.	None.
March 4, 2025 (convertible debenture)	\$2,606,748	Retirement of existing accounts payable, technology development, general working capital and, where feasible, enhanced marketing and investor relations activities.	None.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES



Significant accounting policies and critical accounting estimates used during the year ended December 31, 2024 are disclosed in notes 2 and 3 of the 2024 Annual 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 and an investment in the securities of the Company should be considered highly speculative. 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 not had a history of earnings and has not paid any dividends - it is unlikely that the Company will pay any dividends in the immediate or foreseeable future. The success of the Company will depend entirely on the expertise, ability, judgment, discretion, integrity and good faith of its management.

The Company has limited financial resources and there is no assurance that additional funding will be available to the Company for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans. The continued operation of the Company will be dependent upon its ability to generate operating revenues and/or to procure additional financing. There can be no assurance that any such revenues can be generated or 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.

Negative Cash Flow From Operations

For the three months ended September 30, 2025, the Company sustained net losses and had negative cash flow from operating activities. The Company continues to have negative operating cash flow. It is possible the Company may have negative cash flow in any future period and as a result, the Company may need to use available cash, including proceeds from the Offering and any future financings to fund any such negative cash flow.

Meeting Projected Development or Investment Goals in the Announced and Expected Time Frames

From time to time, the Company sets goals for, and makes statements regarding, its expectations regarding the timing of accomplishing certain objectives that are material to our success or the announces its expectations of anticipated investments or opportunities with third parties. The actual timing of these events can vary dramatically. If the Company fails to achieve one or more of these milestones as planned, there



is a risk that the Company's operations, financial condition and the price of the Common Shares could be materially adversely affected.

Contractual Risk

The Company is a party to, or may become a party to, various contracts or agreements which materially affect the operations of the Company's business. It is always possible that the other contracting parties may not fully perform their obligations. Any dereliction of contractual duties could and may have a material adverse effect on the Company's ability to generate revenue and/or earnings.

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.

Competition

Other companies operating in the green energy space are also attempting to create technology for implementation into traction inverters for electric vehicles or larger grid projects, similar to the Company. Other companies and individuals are engaged in this business, and although the industry is not dominated by any single competitor or a small number of competitors, the Company's competitors may have longer operating histories, greater brand recognition and loyalty, facilities devoted to research and development, a larger customer base as well as operations dedicated towards identifying consumer preferences, strong industry relationships with both customers and distributors, as well as significantly greater financial, sales, marketing, manufacturing, distribution, technical, and other resources than the Company has.

Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favorable rates of return and therefore, negatively impact the price of the Common Shares.

Global Trade and Tariff Risk

Free trade of goods and services between North America and Europe have been supported by bilateral and regional trade agreements. Recent changes in international trade policy in connection with tariffs imposed by the United States on Canada and other countries around the world, including those in the European Union, including the imposition of tariffs on automobiles, parts and other products, introduced uncertainty and volatility to the global economic generally, and in the automobile industry specifically. The uncertainty surrounding the global economic conditions could have adverse effects on the Company's growth, including future operations and distribution, due to the targeting of suppliers of automotive parts and producers of automobiles as a prospective customer base for the Company.

Risks Related to Global Operations

The Company operates in Canada and, through its service provider, in Germany, while the targeted customer base is global and includes potential customers in the European Union. Our operations, costs and timelines may be affected by global economic or geopolitical conditions, including recessions, slow



economic growth, economic and pricing instability, inflation levels, increase of interest rates and credit market volatility, all of which could impact demand in the worldwide transportation industries or otherwise have a material adverse effect on our business, results of operations and financial condition. Shortages, price increases and/or delays in shipments of supplies, equipment and raw materials have occurred and may continue to occur in the future which may result in increased operational or construction costs or operational or construction slowdowns.

Operating internationally, including through the establishment of an international customer base, has certain inherent risks, including:

- political, civil and economic instability;
- risks of war and other hostilities;
- corruption risks;
- trade, customs and tax risks, including with respect to tariffs;
- currency exchange rates and currency controls;
- limitations on the repatriation of funds;
- insufficient infrastructure;
- economic sanctions;
- increase in working capital requirements related to long supply chains;
- changes in labour laws and regimes and disagreements with the labour force;
- difficulty in protecting intellectual property rights and complying with data privacy and protection laws and regulations; and
- different legal systems, some of which may be less established.

The likelihood of such risks materializing and their potential effect on our business and results of operations will vary from country to country and are unpredictable, but could have a material adverse effect on our ability to execute our strategy and, accordingly, on our business, results of operations and financial condition.

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.

Changes in Economy



We are affected by changes in the broader economy, including but not limited to changes in interest rates, the unemployment rate, stock market volatility, availability of credit, government spending and consumer confidence. Such changes may lead to difficulty in obtaining capital, increases in debt costs, establishing and servicing customer relationships, delays in payments, increases in raw material prices, and/or fewer business opportunities for the Company in terms of acquisitions, collaborations or expansions. The severity and duration of an economic downturn or deteriorating financial market conditions are unknown and beyond our control. Any change in the broader economy or in global financial markets may have a material adverse effect on our financial condition and profitability.

We raise capital through the sale of our securities to fund our operations prior to achieving revenue related to our products. As such, any changes in the economy which may result in stock market volatility, particularly for early-stage companies such as ours, may have a material impact on our ability to fund operations in a timely manner or at all.

Macroeconomic Risks

Political and economic instability (including Russia's invasion of Ukraine and war in Israel), global or regional adverse conditions, such as pandemics or other disease outbreaks (including the COVID-19 global outbreak) or natural disasters, currency exchange rates, trade tariff developments, transport availability and cost, including import-related taxes, transport security, inflation and other factors are beyond the Company's control. The macroeconomic environment remains challenging, and the Company's results of operations could be materially affected by such macroeconomic conditions.

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.

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.

Uninsurable Risks

The Company's oil and gas operations involved 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.

Access to and Cost of Raw Materials

The Company is dependent on a sufficient supply of raw materials and any ingredients that are required to meet current and future customer demand for the Company's products. These materials are necessary for the commercial production of the Company's various product offerings. Variations in supply and demand of these materials at global or regional levels, weather conditions, regulatory changes, geopolitical events and an outbreak of a virus could substantially impact the price and availability of both, raw materials and materials needed to package the Company's products, which could result in loss of sales or claims against the Company as well as adversely affect its brand and reputation. Profitability of the Company is sensitive to fluctuations in wholesale prices of these raw materials as well as other factors such as energy, fuel, equipment, labour and shipping costs and other market conditions, all of which are external factors, beyond the Company's control.

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 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 <http://www.sedarplus.ca>