HILLCREST
energy technologies™

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2025

Report Date – April 30, 2026

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is provided by the management of Hillcrest Energy Technologies Ltd. ("Hillcrest" or the "Company") as at and for the year ended December 31, 2025. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2025 (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.

Also in May 2023, the Company successful 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.

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 EMC chamber testing on Hillcrest's EV traction inverter prototype with a European automotive manufacture. 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 $87,840 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.

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.

On October 15 and 23, 2025, the Company issued an aggregate of 695,481 units at a value of $0.12 per unit upon the conversion of a convertible debenture with a $78,000 principal value and $5,458 of accrued interest into units, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for three years following the conversion date. Accretion of $3,945 added to the book value of the convertible debenture was also reclassified to share capital upon conversion.

On October 28, 2025, the Company closed a private placement for gross proceeds of $764,650, issuing 8,496,112 units at a price of $0.09 per unit. Each unit consists of one common share and one common share purchase warrant exercisable into an additional common share of the Company at a price of $0.12 per share for 24 months from the date of issuance.

On October 28, 2025, the Company issued 2,563,056 units at a price of $0.09 per unit to settle convertible debentures with a principal value of $215,400 and $15,275 of interest accrued on those debentures, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for a period of two years following the issuance date. The Company recognized a $10,977 gain on settlement based on the difference between the book values of the convertible debentures, interest payable and equity component of the convertible debentures at settlement compared to the value of the settlement units.

On October 28, 2025, the Company issued 15,280,878 units at price of $0.09 per unit to settle $1,375,279 of promissory note balances payable, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for a period of two years following the issuance date.

On October 28, 2025, the Company issued 3,179,490 units at a price of $0.09 per unit to settle $286,154 of trade payable balances outstanding, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for a period of two years following the issuance date.

On December 31, 2025, the Company issued 409,388 units at a value of $0.12 per unit upon the conversion of a convertible debenture with a $45,000 principal value and $4,127 of accrued interest into units, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for three years following the conversion date. Accretion of $2,356 added to the book value of the convertible debenture was also reclassified to share capital upon conversion.

During the year ended December 31, 2025, the Company issued 3,481,850 common shares valued at $1,419,891 pursuant to the redemption of RSUs.

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 2027.

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 technology.

HILLCREST ZVS TECHNOLOGY AND PRODUCT DEVELOPMENT PROJECTS

The Company's development and commercialization activities are focused on its proprietary zero voltage switching technology (the "ZVS Technology"), including intellectual property acquired through ANIGO Technologies Inc. (now Hillcrest Energy Technologies Royalty Holdings Ltd.) and advanced through a collaborative agreement with Systematec GmbH ("Systematec").

The Company applies a building-block approach to product development, deploying the ZVS Technology as a common platform across multiple application-specific products developed in parallel. This integrated approach maximizes development efficiency but makes allocation of costs to individual projects impractical until products reach a commercial phase. As individual products advance toward commercialization, the ability to segregate resources and expenditures by product will become viable.

ZVS Technology

The ZVS Technology is a proprietary power conversion platform combining advanced control software with specialized hardware design know-how, deployed using commercially available components. This combination is intended to deliver improvements in efficiency, power density, and component sizing relative to conventional hard-switched power conversion systems. Proof of concept was achieved in 2021 and the technology has been continuously refined since. The platform supports deployment via both microcontroller and Field-Programmable Gate Array ("FPGA")-based control systems, providing flexibility across different customer and application requirements.

Since 2022, the Company has published four technical white papers documenting the performance characteristics and component-level benefits of the ZVS Technology across a range of power conversion applications: an evaluation of the ZVS inverter and its implications for drive systems (July 2022); an analysis of the benefits of high switching frequency on DC-link capacitors (August 2022); an analysis of the impact of ZVS on AC filter performance in grid-connected inverters (July 2025); and a technical paper on the Company's True ZVS topology (November 2025). These publications have supported customer engagement and market validation activities across both automotive and grid-connected markets.

Centers of Excellence

In January 2025, the Company announced the formalization of its operational structure around two Centers of Excellence, each focused on a distinct market segment:

- The **Grid Center of Excellence**, based at the Company's Vancouver, Canada research and development lab, is focused on the development and commercialization of grid-connected power conversion systems, with priority on renewable energy integration, energy storage, and data center applications.
- The **Automotive Center of Excellence**, based in Germany and operated in collaboration with Systematec GmbH, supports EV customer engagements, co-design programs, and IP monetization in the European market. Systematec brings over 25 years of experience in powertrain component engineering for hybrid and electric vehicles. All intellectual property developed through this collaboration is owned by the Company.

ZVS Traction Inverter

The Company's 350kW | 1,000V ZVS traction inverter prototype has undergone advanced demonstration and validation testing with multiple automotive OEMs and Tier One suppliers, achieving greater than 99% efficiency across 90% of the tested operating range. The commercial prototype achieved up to 99.7% peak efficiency, with system-level efficiency gains of up to 6% at low-power WLTP operating points. In March 2025, the Company announced the commencement of a formal technology evaluation project with a global Tier One automotive supplier consistently ranked among the top 15 largest by revenue. In December 2025, the Company announced the successful completion of Phase 1 of that evaluation, which demonstrated the technical feasibility of converting the supplier's half-bridge power modules to enable ZVS operation for next-generation EV inverter applications.

The Company's expected path to commercialization for its traction inverter technology is through licensing and co-design arrangements with automotive OEMs and Tier One suppliers. This approach is intended to allow the Company to monetize its ZVS Technology without direct manufacturing exposure. Multiple commercial discussions were ongoing as at December 31, 2025; however, no binding licensing or revenue-generating agreements had been executed at that date.

The traction inverter platform also serves as the foundation for the Company's ZVS Power Factor Correction ("PFC") prototype, which was under active evaluation by potential onboard charger ("OBC") customers during 2025.

ZVS Power Module

The ZVS Power Module is a proprietary power module developed to maximize the performance benefits of the ZVS Technology in EV traction inverter applications. The ZVS Power Module has been integrated into the Company's traction inverter prototype and continues to be refined as development and customer testing advance.

ZVS Power Factor Correction Prototype

Beginning in the first half of 2024, the Company developed a ZVS Power Factor Correction ("PFC") prototype in response to growing customer interest. Power factor correction is incorporated into electrical equipment to increase the amount of useful electrical power available and is relevant to a broad range of grid-connected applications, including EV onboard chargers ("OBCs"), renewable energy systems, energy storage, and data centers. The Company's PFC prototype leverages the existing ZVS Technology platform and grid-connect firmware developed for other products, which reduced the time and cost associated with its initial development.

The PFC prototype was under active demonstration and evaluation with potential OBC customers during 2025. Further commercialization is expected to occur in collaboration with customers who will require application-specific customization. No revenue-generating agreements related to the PFC prototype had been executed as at December 31, 2025.

ZVS Grid Power Conversion System (PCS1000)

The Company is developing the ZVS PCS1000, a 200kW modular grid-connected power conversion system. The PCS1000 is designed to deliver greater than 99% peak conversion efficiency, along with reduced electromagnetic interference ("EMI"), more compact passive components, and a modular architecture scalable to 1.2 MW through parallel configuration. These characteristics are intended to address requirements across several grid-connected markets, including data centers, energy storage systems, EV charging infrastructure, and industrial power conversion.

The PCS1000 is being developed to align with the Open Compute Project 800V data center sidecar architecture, an emerging standard being adopted across the data center industry to address the power density requirements of high-performance computing and AI workloads. The Company was advancing the PCS1000 prototype toward customer demonstration, with demonstrations targeted for Q2 2026. No revenue-generating agreements related to the PCS1000 had been executed as at December 31, 2025.

Commercialization Strategy

The Company expects to realize value from its ZVS Technology portfolio through two primary commercial paths. In automotive markets, the Company is pursuing technology licensing and co-design fee arrangements with established OEMs and Tier One suppliers, which is expected to provide a capital-efficient path to revenue without direct manufacturing requirements. In grid markets, the Company intends to deliver complete power conversion systems, initially through contract manufacturing arrangements, targeting applications in data centers, energy storage, and related grid-connected industries.

The Company offers flexible scope-of-supply options, including licensing of the ZVS Technology as a combined software and hardware design package, or delivery of fully engineered, application-specific ZVS-enabled devices built on commercially available components. Revenue from the technology portfolio may not be achieved in the near term and remains contingent on the outcome of ongoing development and commercialization activities.

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 year ended December 31, 2025, the Company also incurred research and development expenses of $2,288,480 (2024 – $2,041,425). T

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 2027.

OVERALL PERFORMANCE

Key Performance Indicators

	2025	2024	2023
Revenue	$ -	$ -	$ -
Net loss	$ (7,265,229)	$ (10,957,155)	$ (8,138,709)
Loss per share	$ (0.07)	$ (0.12)	$ (0.13)
Total assets	$ 2,067,139	$ 2,961,693	$ 2,713,041
Research and development expenses	$ 2,288,480	$ 2,041,425	$ 2,130,596

During the year ended December 31, 2025, the Company incurred a net loss of $7,265,229 compared to $10,957,155 for the year ended December 31, 2024. The decrease in net loss for the year is attributed to a decrease in share-based compensation of $2,289,955, a decrease in office and general expenses of $1,887,992, a decrease in management and consulting expenses of $375,627, and a gain on settlement of debt of $10,977. This was offset by an increase in financing expenses of $726,292 and an increase in research and development of $247,055. In addition, the loss from discontinued operations decreased by $160,093 along with a loss due to foreign exchange decreased by $3,958.

The decrease in share-based compensation resulted from lower issuances of stock options and restricted share units during the year, as well as changes in expense recognition over the vesting periods compared to the previous year.

The decrease in management and consulting expenses is the result of engaging fewer corporate consultants in 2025 compared to 2024. The decrease in office and general expenses was primarily attributable to lower costs for investor relations, salaries and wages, business development, professional fees, and travel, slightly offset by an increase in general office expenses.

Financing expenses increased due to interest and accretion expense on the convertible debentures that were issued in 2025, and financing costs associated with the promissory note. The increase in the research and development expenses in the year resulted from an increase in consultants and operational staff costs, offset by a decrease in materials and supplies used. Finally, the decrease in the loss from discontinued operations is the result of the revision on the estimate for the asset retirement obligation in 2024, which did not recur in 2025.

During the year ended December 31, 2024, the Company incurred a net loss of $10,957,155 compared to $8,138,709 for the year ended December 31, 2023. The increase in the net loss for the year is attributed to the increase in management and consulting expenses of $720,932, an increase in office and general expenses of $1,065,891, an increase in share-based compensation of $747,895, and an increase in financing expenses of $148,105. This was offset by a decrease in research and development costs of

$89,171 and a decrease in other income of $42,140. In addition, the loss from discontinued operations increased by $128,263.

The increase in management and consulting expenses of $720,932 is the result of engaging certain additional third-party corporate consultants during 2024. The increase in office and general expenses is related to the increased cost for investor relations and business development expenses, along with increased professional fees incurred during the period. This was offset by a decrease in salaries and wages, transfer agent and filing fees, and travel expenses. Financing expenses increased resulting from the interest recognized on the various office lease rental agreements. The decrease in the research and development expenses in the year resulted from a decrease in consultants and supplies used. The decrease in share-based compensation is the result of the amount of share-based grants in the year and the recognition of the expense on the vesting periods of those grants. Finally, the increase in the loss from discontinued operations is the result of the revision on the estimate for the asset retirement obligation.

Results of Operations

		2025		2024
Management and consulting	$	566,174	$	941,801

During the year ended December 31, 2025, management and consulting expenses decreased by $375,627 to $634,586 compared to $941,801 for the year ended December 31, 2024. The decrease in the amount is the result of the following:

Consulting Fees

During the year, consulting fees decreased by $362,710 to $439,091 compared with $801,801 for the year ended December 31, 2024. The decrease in consulting fees during the current year was primarily attributable to higher consulting costs incurred in the prior year, when the Company engaged various corporate consultants to assist with Company's expanded commercial activities. The activities included the development of sales and licensing models and forecasts as well as the anticipated establishment of formal customer management and supply chain operations that will be necessary to support potential commercial supply agreements for the Company's ZVS technology and related products.

Director's Fees

Director's fees decreased by $12,917 from $140,000 in 2024 to $127,083 for the year ended December 31, 2025. The decrease is the result of the departure of a director during the year.

		2025		2024
Research and development	$	2,288,480	$	2,041,425

Research and development expenses increased by $247,055 to $2,288,480 for the year ended December 31, 2025 compared to $2,041,425 for the year ended December 31, 2024. The components of R&D consist of the following:

Contract and Labour

Contract labour and operational staff costs were $2,246,789 for the year ended December 31, 2025 compared to $1,876,302 for the year ended December 31, 2024, representing a $370,487 increase. Contract labour and operational staff costs increased due to the timing of work provided by the Company's third-party consultants on the Company's ZVS prototype development and customer demonstration projects in the year.

Materials and Supplies

Materials and supplies for the year end December 31, 2025 was $41,691 compared to $165,123 for the year ended December 31, 2024. The decrease of $123,432 is related to the decrease in needs for the components and equipment rental required to conduct the research and development activities in the respective periods.

		2025		2024
Office and general	$	2,863,202	$	4,751,194

Office and general expenses were $2,863,202 for the year ended December 31, 2025, compared to $4,751,194 for the year ended December 31, 2024, representing a $1,887,992 decrease.

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

Business Development

Business development decreased by $231,054 to $481,344 in 2025 compared to $712,398 in 2024. In the prior year, business development expenses were higher due to the expanded 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 $714,123 for the year ended December 31, 2025, compared to $1,742,794 for the year ended December 31, 2024, representing a $1,028,671 decrease year-over-year. The decrease in these expenses is related to fewer investor marketing programs the Company conducted during the year to generate shareholder interest.

Professional Fees

Professional fees for the year ended December 31, 2025 were $371,814 compared to $448,460 for the year ended December 31, 2024, representing a decrease of $76,646. The decrease was due to lower legal fees related to general corporate matters and intellectual property services, including patent filings and other general matters.

Salaries and Wages

Salaries and wages were $766,861 for the year ended December 31, 2025, compared to $1,205,063 for the year ended December 31, 2024. The decrease in salaries and wages of $438,202 is the result of the reduction in the number of employees during the year.

General Office Expenses

General office expenses were $127,409 in 2025 compared to $107,724 in 2024. The increase of $19,685 is the result of a recruitment fee paid for a key employee and decreased rent recoveries.

Transfer Agent and Filing Fees

Transfer agent and filling fees were $45,314 for the year ended December 31, 2025, compared to $52,952 for the year ended December 31, 2024. The decrease of $7,638 is attributable to the reduced fees for transfer agent services for share transactions.

Travel Expenses

Travel expenses decreased by $87,963 to $77,815 for the year ended December 31, 2025, compared to $165,778 for the year ended December 31, 2024. The decrease in the expense is related to a decrease in travel expenses associated with both business development and finance activities.

Depreciation

Depreciation expenses were $278,522 for the year end of December 31, 2025, compared to $316,025 for the year end of December 31, 2024. The decrease of $37,503 is attributable to leasehold improvements being fully depreciated in 2025.

		2025		2024
Share-based compensation	$	690,707	$	2,980,662

During the year ended December 31, 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 4,526,986 RSUs during the year ended December 31, 2024. The decrease in share-based compensation relates directly to the vesting periods of the current and prior granted options and RSUs and decrease in quantity of options and RSUs granted. During the year ended December 31, 2024, Hillcrest also granted 7,297,025 common shares to officers, directors and consultants, with 3,329,076 of these shares ultimately returned to treasury and cancelled.

		2025		2024
Finance expenses	$	890,413	$	164,121

Finance expense increased by $726,292 from $164,121 for the year ended December 31, 2024 to $890,413 for the year ended December 31, 2025. The increase is mainly due to interest expense of $227,761 and accretion expense of $162,524 related to the issuance of convertible debentures during the year. There was also an increase in financing and interest costs of $385,494 related to the issuance of promissory notes.

		2025		2024
Other income	$	135,078	$	157,897

Other income represents the amount of grants and interest income received, as well as the recovery of expenses totaling $63,147 related to shares returned to treasury in settlement of consulting fees during the year. In 2025, the Company received $71,336 of grants compared to $156,573 in 2024 and $595 of interest income compared to $1,322 in 2024.

		2025		2024
Loss from discontinued operations	$	30,636	$	190,729

During the year ended December 31, 2025, the Company incurred a loss from discontinued operations of $30,636 compared to $190,729 for the year ended December 31, 2024. The decrease in the loss in the current year is primarily attributable to a higher loss recorded in 2024, as a result of a $157,468 revision to the decommissioning liability estimate, which did not recur in 2025. Operating costs from discontinued operations for the year ended December 31, 2025 were $26,444, compared to $24,465 for the year ended December 31, 2024. These expenses primarily relate to insurance, lease payments, and administrative costs. In addition, the Company incurred office and general administrative expenses of $4,192 in 2025, compared to $8,796 in 2024, which mainly consist of bank charges and general office expenses.

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.

Cash flow used in operations for the year ended December 31, 2025 was $2,127,794 compared to $7,519,539 for the year ended December 31, 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 $2,170,867 in cash from financing activities for the year ended December 31, 2025. During the year, the Company received $1,270,263 from promissory notes and $401,400 from the non-brokered private placement of unsecured convertible debentures. The Company also received $174,200 from securities subscribed and closed a private placement for gross proceeds of $764,650 by issuing 8,496,112 units at a price of $0.09 per unit, each consisting of one common share and one common share purchase warrant. This was offset by the repayment of promissory notes of $290,457 and repayment of $149,189 in lease liabilities.

Hillcrest received $7,489,515 of cash flows from financing for the year ended December 31, 2024. During this period, the Company issued 24,342,323 common shares for gross proceeds of $4,944,674 from the completion of private placements, issued 345,000 common shares on the exercise of stock options for proceeds of $100,050, and issued 2,528,585 common shares on the exercise of warrants for proceeds of $760,991. In addition, Hillcrest received $1,788,985 on the issuance of promissory notes. This was offset by incurring $630 of cash finder's fees and the repayment of $130,081 in lease liabilities.

For the years ended December 31, 2025 and 2024, Hillcrest did not have any investing activities.

The following table represents the net capital of the Company:

	2025	2024
Shareholders' equity (deficiency)	$ (4,348,879)	$ (1,107,343)
Convertible debentures	2,050,452	-
Promissory notes	242,000	1,898,964
Net capital	$ (2,056,427)	$ 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 $5,960,473 as at December 31, 2025, compared to $2,878,668 as at December 31, 2024. Working capital decreased as the Company continued the development of its clean energy technologies.

Current assets for the year ended December 31, 2025 were $343,996 compared to $960,028 at December 31, 2024. The decrease in the current assets is mainly attributed to a reduction in prepaid expenses of $750,010, resulting from a prepaid investor relations marketing program in 2024. This was offset by a increase in receivables of $87,271 resulting from higher GST receivable claims, an increase in due from related parties of $13,541 resulting from collections from the various related parties, and an increase in cash of $43,073 due to the timing of various operating expenses.

Current liabilities increased by $2,465,773 to $6,304,469 as at December 31, 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 $2,051,471 due to timing of various vendor invoices, offset by the settlement of promissory notes of $1,656,964 during the year. In addition, the Company issued convertible debentures with a remaining balance of $2,050,452 recorded as a current liability.

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

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

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 with a term of 36 months, commencing September 1, 2024 and terminating on August 31, 2027, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of $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:

	Dec 31, 2025 $	Sept 30, 2025 $	June 30, 2025 $	Mar 31, 2025 $
Loss from continuing operations	($2,186,979)	(1,152,488)	(1,521,639)	(2,373,487)
Loss from discontinued operations	($26,345)	(1,545)	(1,129)	(1,617)
Total net loss	($2,213,324)	(1,154,033)	(1,522,768)	(2,375,104)
Loss per share from continuing operations	(0.02)	(0.01)	(0.02)	(0.02)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)

	Dec 31, 2024 $	Sept 30, 2024 $	June 30, 2024 $	Mar 31, 2024 $
Loss from continuing operations	(2,545,896)	(2,247,903)	(4,339,340)	(1,633,287)
Loss from discontinued operations	(184,716)	(2,870)	(2,625)	(518)
Total net loss	(2,730,612)	(2,250,773)	(4,341,965)	(1,633,805)
Loss per share from continuing operations	(0.05)	(0.02)	(0.05)	(0.02)
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 December 31, 2025, the Company incurred a net loss from continuing operations of $2,186,979 and a net loss from discontinued operations of $26,345. The operating loss increased due to higher financing expenses, office and general expenses, research and development costs, management and consulting fees, and foreign exchange loss, as well as a decrease in other income. This increase was partially offset by a decrease in share-based compensation and a gain on the settlement of debt compared to the preceding quarter.

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.

OUTSTANDING SHARE DATA

As at the report date there are 200,539,990 common shares outstanding, 6,284,979 shares issuable on the exercise of stock options, 118,062,217 shares issuable on the exercise of share purchase warrants, 11,693,611 shares issuable on the redemption of restricted share units, and 2,025,475 convertible debentures units issuable upon conversion, which allow the holder to acquire up to 4,050,949 common shares.

SUBSEQUENT EVENTS

On January 9, 2026, the Company closed a non-brokered private placement of 40,476,444 units at a price of $0.09 per unit for gross proceeds of $3,642,880, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 per share for 24 months following issuance.

On January 9, 2026, the Company issued 10,558,201 units at a price of $0.09 per unit to settle convertible debenture principal and interest totaling $950,239.

On January 12, 2026, the Company issued 271,150 units at a price of $0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling $32,538. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 per share for 36 months following issuance.

On January 15, 2026, the Company granted 7,583,333 RSUs to Company executives in relation to 2024 and 2025 performance.

On January 20, 2026, the Company issued 4,000,093 units at a price of $0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling $480,011. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 per share for 36 months following issuance.

On January 23, 2026, the Company issued 7,207,394 units at a price of $0.12 per unit pursuant to the conversion of convertible debenture principal and interest totaling $864,887. Each unit consisted of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 per share for 36 months following issuance.

On February 17, 2026, the Company issued 271,150 common shares at a price of $0.12 per share for proceeds of $32,538 pursuant to the exercise of warrants.

On January 20, 2026, the Company, in combination with Pasqua First Nation #79 ("PFN"), and Apeiron Resources Ltd. ("Apeiron"), operationalized CleanPath Distribution Inc. ("CleanPath"), an Indigenous-led Canadian corporation.

CleanPath is owned as follows: PFN: 51%; Apeiron: 24.5%; and the Company: 24.5%. The entity is governed by a Board of Directors with representation from all three partners.

On April 2, 2026, the Company issued 2,912,771 units at a price of $0.18 per unit to settle debt totaling $524,299.

Subsequent to December 31, 2025, 2,150,272 Company common shares were issued pursuant to the redemption of RSUs and 1,316,666 stock options of the company expired.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the year ended December 31, 2024 and 2023. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), Chief Commercialization Officer ("CCO") and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	Year Ended December 31, 2025	Year Ended December 31, 2024
	($)	($)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	754,872	873,865
Director fees paid or accrued to directors	127,084	140,000
Share-based compensation	339,334	1,379,502
	1,221,290	2,393,367

As at December 31, 2025, the Company was owed $14,447 (December 31, 2024 - $906 due from a director) from directors and officers of the Company. These amounts are non-interest bearing and are due on demand.

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

As at December 31, 2025, a total of $330,669 (December 31, 2024 - $150,463) was included in accounts payable and accrued liabilities in consulting fees, director fees, reimbursable expenses and GST payable to Company directors and officers.

During the year ended December 31, 2025, officers and officers subscribed to $346,715 (2024 – nil) of the convertible debentures, of which $190,000 (2024 – nil) was for cash and $156,715 (2024 – nil) was for the settlement of certain accounts payable. During the year ended December 31, 2025, Hillcrest incurred $28,989 (2024 – nil) of interest expense related to the debentures. In addition, a Company officer converted a debenture with a principal totaling $78,000 and interest totaling $5,458 to 695,481 units at a value of $0.12 per unit, with each unit consisting of one Company common share and one Company common share purchase warrant exercisable at a price of $0.12 for three years following the conversion date.

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 year ended December 31, 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, 2025 are disclosed in notes 2 and 3 of the 2025 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. The Company considers the risks set out below to be some of the most significant to current and potential investors in the Company, but readers are cautioned that the list is not exhaustive. If any of these risks materialize into actual events or circumstances, or any other additional risks or uncertainties material to the Company's business occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), and business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline, and investors may lose all or part of their investment. The Company is engaged in the development of clean technologies and oil and gas production operations. Given the nature of both the clean technology business and the oil and gas business, the limited extent of the Company's assets, the following risks, among others, should be considered.

Financing Risks and Dilution to Shareholders

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

Intellectual Property Risks

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

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 the industry is not dominated by any single competitor or a small number of competitors.

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.

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 automotives 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 tarifffs;
- 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.

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**