



Suite 1700 3050 Post Oak Blvd
Houston, Texas 77056
Tel: 713-626-9564
Toll-free: 1-855-609-0006
Fax: 713-626-0888

February 21, 2017

TSX-V: HRH
OTCQB: HLRTF

HILLCREST SIGNS LETTER AGREEMENT FOR WESTERN CANADA ASSETS

BALANCE SHEET TO BE STRENGTHENED VIA GULF OF MEXICO RESTRUCTURE

VANCOUVER, B.C. – Hillcrest Petroleum Ltd. (the “Company” or “Hillcrest”) is pleased to announce that the Company has signed a letter agreement (the “Letter Agreement”) with a Canadian oil and gas company (“Seller”) whereby the Company will earn up to a 75% Working Interest and become the operator of record in two petroleum assets located in Western Canada (the “Fields”). The Company will provide expertise and funding to restore production in excess of 400 barrels of oil per day (“bopd”). The Company expects that production from the Fields will be restored during the second quarter of this year. Further production increases are expected through additional field development activity in the 3rd and 4th quarters of 2017.

The primary terms of the Letter Agreement are as follows:

- The Seller owns a 100% Working Interest in the Fields.
- The Company will earn up to 75% of the Seller’s Working Interest in the Fields by contributing expertise and funding to restore the Fields’ production to previous levels from existing wells. Hillcrest’s working Interest will decrease after its initial investment is recovered from production revenue.
- Hillcrest will become Operator of the Fields.

The parties expect to complete binding definitive agreements by early March. This transaction is subject to TSX Venture Exchange approval.

“Hillcrest is very pleased to have negotiated and secured the majority Working Interest in these assets.” Don Currie, Hillcrest Petroleum CEO, states: “The project will provide cash flow and has the ability to grow through further development in and around the Fields. The assets being acquired had been producing in excess of 400 barrels of oil per day and were shut in when low commodity prices drove operating profit to unsustainable levels. Current commodity prices allow Hillcrest to profitably re-activate existing wells with modest initial expenditure. In addition to turning production back on, the Fields have further development potential which we intend to aggressively exploit in the second half of 2017. While we continue to review US-based opportunities, our management team has a long history of creating value in the Western Canada Sedimentary Basin, and we believe this is an opportune time to re-enter this world class jurisdiction.”

To further strengthen the Company's balance sheet and be consistent with the decision by the Company to concentrate on onshore oil and gas development and production, on February 3, 2017, the Company's wholly owned subsidiary Hillcrest GOM Inc. ("HGOM") was voluntarily placed into a Chapter 7 liquidation in the US Court for the Southern District of Texas. HGOM is the owner of a small number of non-operated oil and gas leases in the shallow waters of the Gulf of Mexico. After extensive consultation with financial and legal advisors, the Company recognized that business conditions in the Gulf of Mexico, most particularly for relatively small companies with non-operated interests, have become unsustainable. This voluntary liquidation will allow the Company to more effectively allocate resources to capture and develop attractive, low cost onshore assets and is expected to reduce the Company's consolidated current and non-current liabilities by approximately \$14.3 million.

The Company has granted an aggregate of 4,500,000 incentive stock options to certain directors, officers, employees and consultants for the purchase of common shares exercisable at a price of \$0.07 per share until February 21, 2022. All of the options granted vest immediately.

For more information on Hillcrest Petroleum Ltd, contact Don Currie toll free at 1-855-609-0006 or visit the Company's website at www.hillcrestpetroleum.com

ON BEHALF OF THE BOARD

Donald Currie
Chief Executive Officer and Director

Cautionary Statement Regarding "Forward-Looking" Information

Some of the statements contained in this news release are forward-looking statements and information within the meaning of applicable securities laws. Forward-looking statements and information can be identified by the use of words such as "expects", "intends", "is expected", "potential", "suggests" or variations of such words or phrases, or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements and information are not historical facts and are subject to a number of risks and uncertainties beyond the Company's control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, except as may be required by law.

Neither TSX Venture Exchange nor its Regulations Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.