

Hillcrest Petroleum Ltd.

FORM 51-101F1

For the Year Ended December 31, 2016

***STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION***

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

TABLE OF CONTENTS

PART 1 DATE OF STATEMENT

Item 1.1 Relevant Dates

PART 2 DISCLOSURE OF *RESERVES DATA*

Item 2.1 Reserves Data (Forecast Prices and Costs)

Item 2.2 Supplementary Disclosure (Constant Prices and Costs)

Item 2.3 Reserves Disclosure Varies with Accounting

Item 2.4 Future Net Revenue Disclosure Varies with Accounting

PART 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used in Supplemental Estimates

Item 3.2 Forecast Prices Used in Estimates

PART 4 RECONCILIATIONS OF CHANGES IN *RESERVES*

Item 4.1 Reserves Reconciliation

PART 5 ADDITIONAL INFORMATION RELATING TO *RESERVES DATA*

Item 5.1 Undeveloped Reserves

Item 5.2 Significant Factors or Uncertainties

Item 5.3 Future Development Costs

PART 6 OTHER *OIL AND GAS* INFORMATION

Item 6.1 Oil and Gas Properties and Wells

Item 6.2 Properties with no Attributed Reserves

Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

Item 6.3 Forward Contracts

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

Item 6.5 Tax Horizon

Item 6.6 Costs Incurred

Item 6.7 Exploration and Development Activities

Item 6.8 Production Estimates

Item 6.9 Production History

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

PART 1 DATE OF STATEMENT

The effective date of the information being provided in this statement is as at December 31, 2016, and for the year ended December 31, 2016. The preparation date of the information being provided in this statement is March 13, 2016.

For a glossary of terminology and definitions relating to the information included within this statement (including the aforementioned dates) readers are referred to National Instrument 51-101 (“NI 51-101”).

All dollar figures are US Dollars, unless otherwise specified.

PART 2 DISCLOSURE OF RESERVES DATA

The following is a summary of the oil and natural gas reserves and net present values of future net revenue of Hillcrest Petroleum Ltd. and its subsidiaries (the “Company”) as evaluated by D Braxton & Associates, (“DBA”), an independent qualified reserves evaluator appointed by the Company pursuant to NI 51-101. The Company has two properties with proved reserves, situated onshore Texas, (United States) and these properties were independently evaluated by DBA for the year ended December 31, 2016 upon which DBA issued their report dated March 5, 2017.

Readers should note that the totals in the following tables may not add due to rounding.

The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the Company’s reserves. There is no assurance that the forecast price and cost assumptions contained in the DBA report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the DBA report. The recovery and reserves estimates attributed to the Company’s properties described herein are estimates only. The actual reserves attributed to the Company’s properties may be greater or less than those calculated.

When converting natural gas measured in thousands of cubic feet (Mcf) to barrels of oil equivalent (“BOE”) the Company has adopted the standard measure of 6 Mcf = 1 BOE. A BOE conversion ratio of 6 Mcf = 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. BOE comparisons may be misleading, particularly if used in isolation.

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

Item 2.1 Reserves Data (Forecast Prices and Costs)

1. Breakdown of Reserves (Forecast Case) - The following summarizes the aggregate proved reserves of the Company which are located in Texas:

Hillcrest Petroleum Ltd.								
Summary of Oil and Gas Reserves								
As of December 31, 2016								
Forecast Prices and Costs - US Dollars								
Reserves								
Reserve Category	Light and Medium Oil		Heavy Oil		Natural Gas (Non-associated and Associated)		Natural Gas Liquids	
	Gross (M bbl)	Net (M bbl)	Gross (M bbl)	Net (M bbl)	Gross (M bbl)	Net (M bbl)	Gross (M bbl)	Net (M bbl)
Proved Developed Producing	42.7	9.7	-	-	11.0	8.0	-	-
Proved Developed Non-Producing	97.0	23.2	-	-	376.0	94.0	-	-
Proved Undeveloped	-	-	-	-	-	-	-	-
Probable	35.7	7.9	-	-	-	-	-	-

2. Net Present Value of Future Net Revenue (Forecast Case) – The following summarizes the future net revenue attributable to the Company’s proved reserves disclosed in section 1, estimated using forecast prices and costs before deducting future income tax expenses, if any, calculated without discount and using discounts as presented:

Hillcrest Petroleum Ltd.					
Summary of Net Present Values of					
Future Net Revenue					
As of December 31, 2016					
Forecast Prices and Costs - US Dollars					
Net Present Values of Future Net Revenue					
Reserve Category	Before Income Taxes Discounted at (%/Year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved Developed Producing	428.6	381.8	341.7	307.3	277.5
Proved Developed Non-Producing	1,544.8	1,080.6	789.6	601.4	475.5
Proved Undeveloped	-	-	-	-	-
Probable	597.5	346.7	208.7	130.6	85.0

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

3. Additional Information Concerning Undiscounted Future Net Revenue (Forecast Case) – The following summarizes by reserve category (Proved, Probable or Possible) the elements using forecast pricing and costs of the undiscounted future net revenue and the per unit value of future net revenue before income tax:

Hillcrest Petroleum Ltd.								
Total Future Net Revenue								
(Undiscounted)								
As of December 31, 2016								
Forecast Prices and Costs - US Dollars								
Reserve Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	ARO Costs (M\$)	Production Taxes (M\$)	Ad Valorem Taxes (M\$)	Future Net Revenue After TOTI (M\$)
Proved Developed Producing	621	-	116	-	27	29	17	431
Proved Developed Non-Producing	1,933	-	329	83	26	102	53	1,340
Proved Undeveloped	-	-	-	-	-	-	-	-
Probable	730	-	36	2	-	34	20	638
Possible	-	-	-	-	-	-	-	-

Item 2.2 Supplemental Disclosure (Constant Prices and Costs)

Optional – not presented.

Item 2.3 Reserves Disclosure Varies With Accounting

In determining reserves to be disclosed, the Company prepares consolidated financial statements and includes 100 percent of the reserves attributable to the parent company and 100 percent of the reserves attributable to its wholly-owned subsidiaries. There are no minority interests related to any subsidiaries of the Company.

Item 2.4 Future Net Revenue Disclosure Varies With Accounting

As discussed in Item 2.3, the Company prepares consolidated financial statements and no portion of future net revenue related to the Company's oil and gas reserves is attributable to a minority interest in a subsidiary held by non-affiliates.

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

Part 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used In Supplemental Disclosure

Optional - Not Presented

Item 3.2 Forecast Prices Used In Estimates

1. The following summarizes the pricing assumptions by product used in estimating reserves data disclosed in Item 2.1:

Hillcrest Petroleum Ltd. Summary of Pricing and Inflation Rate Assumptions As of December 31, 2016 Forecast Prices and Costs - US Dollars				
Year	WTI Cushing Oil Price US\$/BBL	Henry Hub Natural Gas Price US\$/MMBtu	Inflation Rate %/Yr	Exchange Rate US\$/Cdn\$
2017	53.67	3.08	1.50	0.78
2018	60.07	3.15	1.50	0.78
2019	65.55	3.45	1.50	0.78
2020	69.00	3.75	1.50	0.78
2021	73.71	3.89	1.50	0.78
2022	77.91	4.07	1.50	0.78
2023	80.31	4.25	1.50	0.78
2024	81.51	4.31	1.50	0.78
2025	82.74	4.38	1.50	0.78
Thereafter	esc 1.5%	esc 1.5%	1.50	0.78

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

PART 4 RECONCILIATION OF CHANGES IN RESERVES

Item 4.1 Reserves Reconciliation

The following is a reconciliation of gross reserves by product of the Company since January 1, 2016 through December 31, 2016:

Hillcrest Petroleum Ltd.		
Reconciliation of Company Gross Reserves		
Total Proved		
As of December 31, 2016		
Forecast Prices and Costs - US Dollars		
Category	<u>Light & Medium Oil</u> Gross Proved Mstb	<u>Natural Gas</u> Gross Proved MMcf
Beginning Gross Reserves, January 1, 2016	53.0	255.3
Acquisitions	-	-
Drilling Extensions (Infill Drilling)	-	-
Improved Recovery	-	-
Technical Revisions	91.7	188.2
Exploration Discoveries	-	-
Dispositions	-	-
Economic Factors	-	-
Production	(4.7)	(56.5)
Ending Gross Reserves, December 31, 2016	140.0	387.0

PART 5. ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Item 5.1 Undeveloped Reserves

The following is a reconciliation of gross reserves by product for probable undeveloped reserves of the Company's since January 1, 2016 through December 31, 2016: None Reported.

The Company has reported no undeveloped reserves for the year ended December 31, 2016, within the meaning of that term under NI 51-101, either proved, probable and possible reserves.

Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data

See notes to the Company's financial statements for the year ended December 31, 2016, for a discussion of some of the important economic factors and significant uncertainties likely to affect the components of oil and gas information and the reserves data disclosed herein. In addition, such components may be affected by material fluctuations in commodity prices, material changes in current taxation or royalty rates and/or state and federal regulations governing the conduct of oil and gas activities.

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

Item 5.3 Future Development Costs

All of the future development costs relate to workovers on the behind pipe reserves in the Donner 1, Donner 2 and Brown 1 wells.

PART 6. OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

The Company's only properties with attributed reserves are the Hartburg Field, Newton County, Texas, onshore United States. The following summarizes wells, capable of producing which have reserves attributed to them.

Oil Wells Producing		Gas Wells Producing	
Gross	Net	Gross	Net
1	0.3	-	-

Item 6.2 Properties with No Attributed Reserves

None as of December 31, 2016

Item 6.2.1 Significant Factors or Uncertainties Relevant to *Properties with No Attributed Reserves*

None as of December 31, 2016

Item 6.3 Forward Contracts

None in place as of December 31, 2016.

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

The Company's abandonment and reclamation costs are ascertained by estimating the costs using current techniques to fulfill the current obligations in regard to wells that are under appraisal or pending development. The Company routinely estimates and provides for asset retirement obligations with respect to all property interests, including oil and natural gas properties, in its consolidated financial statements in accordance with Canadian generally accepted accounting principles (See Notes to Consolidated financial statements for the year ended December 31, 2016).

At December 31, 2016, the Company reported its discounted liability for asset retirement obligations as \$65,084. The costs were estimated based on an abandonment price per foot of well depth in the area of production less salvage value. The undiscounted cost is \$67,874 for 2.16 net wells; discounted at 10% cost is \$65,084 for 2.16 net wells. All abandonment costs are included in the cash flows. The amount expected to be spent in the next 3 years is an undiscounted cost of US\$34,200.

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

Item 6.5 Tax Horizon

Based on current reserves, the Company currently does not estimate that income taxes are likely to become payable before 2017, subject to current assumptions of production levels, operating and capital expense deductions, commodity prices and currently available operating loss carry forwards. There are no income taxes associated with the estimated future net cash flows estimated from current proved reserves based on the Company's basis in its assets and net operating loss carry forwards available to offset taxable income within its consolidated group.

Item 6.6 Costs Incurred

In the year ending December 31, 2016, the Company made the following expenditures (whether capitalized or charged to expense):

<i>In Thousand US dollars</i>	United States
	(\$)
Property acquisition costs – proved properties	-
Development costs – proved properties	-
Property acquisition costs – proved properties	-
Pipeline engineering and design costs	-
Exploration costs	-
	-

Item 6.7 Exploration and Development Activities

At December 31, 2016, the Company drilled or completed no exploratory wells in its Texas oil and natural gas properties. The Company drilled and completed no development wells in its Texas oil and natural gas properties.

Item 6.8 Production Estimates

The gross volume of production estimated for the year ended December 31, 2017 included in future net revenue calculations for gross proved reserves and gross probable reserves estimated under Item 2.1.

Hillcrest Petroleum Ltd.					
Gross 2017 Production Volumes (Company Working Interest Before Royalties)					
	Total (BOE)	Light and Medium Oil (Barrels)	Natural Gas (Mcf)	Natural Gas Liquids (Barrels)	Non-Conv. Gas (MMCF)
Total Proved	6,967	3,620	20,080	-	-
Total Probable	-	-	-	-	-
Total Proved Plus Probable	6,967	3,620	20,080	-	-
Total Possible	-	-	-	-	-
Total Proved Plus Probable Plus Possible	6,967	3,620	20,080	-	-
<i>* Barrel of oil equivalent, 6 Mcf:1 barrel</i>					

Hillcrest Petroleum Ltd.
Statement of Reserves Data and Other Oil & Gas Information
For the Year Ended December 31, 2016

Item 6.9 Production History

The Company's share of production volumes by field for the year ended December 31, 2016 were as follows:

	MBBLs	MMCF
Hartburg Field	2.9	49.6
Total	2.9	49.6