

Hillcrest Petroleum Ltd.

FORM 51-101F1

For the Year Ended December 31, 2019

***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, 2019

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PART 1 DATE OF STATEMENT

The effective date of the information being provided in this statement is as at December 31, 2019, and for the year ended December 31, 2019. The preparation date of the information being provided in this statement is April 13, 2020.

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 Canadian 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 Trimble Engineering Associates Ltd, (“TEAL”), an independent qualified reserves evaluator appointed by the Company pursuant to NI 51-101.

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 TEAL report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the TEAL 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.

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Item 2.1 Reserves Data (Forecast Prices and Costs)

1. Breakdown of Reserves (Forecast Case) - The following summarizes the aggregate gross and net reserves of the Company, which are all contained in the West Hazel field located in Saskatchewan:

Hillcrest Petroleum Ltd. Summary of Oil and Gas Reserves As of December 31, 2019 Forecast Prices and Costs								
Reserves								
Reserve Category	Light and Medium Oil		Heavy Oil		Natural Gas (Non-associated and Associated)		Natural Gas Liquids	
	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)
Proved Developed Producing P(DP)	-	-	25.1	12.1	-	-	-	-
Proved Developed Non-Producing P(DNP)	-	-	72.2	28.5	-	-	-	-
Proved Developed P(D)			97.3	40.6				
Proved Undeveloped P(UD)	-	-	322.6	139.2	-	-	-	-
Proved P	-	-	419.9	179.8	-	-	-	-

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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, 2019					
Forecast Prices and Costs - \$CAD Dollars					
Net Present Values of Future Net Revenue					
	Before Income Taxes				
	Discounted at (%/Year)				
Reserve Category	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved (DP)	(1,179.1)	(1,012.8)	(879.5)	(771.2)	(682.1)
Proved (DNP)	996.7	940.3	889.8	844.4	803.3
Proved (UD)	3,848.0	3,381.2	2,984.2	2,644.4	2,351.8
Total Proved	3,665.6	3,308.7	2,994.5	2,717.6	2,473.0
Total Probable	2,061.2	1,768.4	1,530.9	1,336.3	1,175.6
Total Proved and Probable	5,726.8	5,077.1	4,525.4	4,053.9	3,648.6

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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, 2019 Forecast Prices and Costs - \$CAD Dollars								
Reserve Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	ARO Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After TOTI (M\$)
Proved (DP)	951.4	255.3	1,512.7	30.0	332.4	(1,179.1)	-	(1,179.1)
Proved (DNP)	2,299.1	637.0	414.7	187.5	63.3	996.7	149.6	847.1
Proved (UD)	10,015.2	1,529.0	2,137.9	2,362.0	138.3	3,848.0	1,086.2	2,761.8
Total Proved	13,265.7	2,421.3	4,065.3	2,579.5	534.0	3,665.6	1,235.8	2,429.8
Total Probable	3,970.8	961.8	936.7	-	11.1	2,061.2	489.3	1,571.9
Total Proved and Probable	17,236.5	3,383.1	5,002.0	2,579.5	545.1	5,726.8	1,725.1	4,001.7

Item 2.2 Supplementary Disclosure (Constant Prices and Costs)

Not applicable

Item 2.3 Reserves Disclosure Varies with Accounting

Not applicable

Item 2.4 Future Net Revenue Disclosure Varies with Accounting

Not applicable

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Part 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used in Supplemental Estimates

Not applicable

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, 2019 Forecast Prices and Costs				
Year	WTI Cushing Oil Price US\$/BBL	WCS CDN\$/BBL	Inflation Rate %/Yr	Exchange Rate US\$/Cdn\$
2020	61.00	60.00	2.00	0.76
2021	65.00	63.00	2.00	0.77
2022	68.00	65.00	2.00	0.78
2023	70.00	67.00	2.00	0.79
2024	71.00	69.00	2.00	0.80
2025	72.00	71.00	2.00	0.80
Thereafter	esc 2.0%	esc 2.0%	2.00	0.80

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PART 4 RECONCILIATION OF CHANGES IN RESERVES

Item 4.1 Reserves Reconciliation

As no reserves were reported in 2018, this is an initial reserves report and no reconciliation is required.

PART 5. ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Item 5.1 Undeveloped Reserves

Undeveloped reserves are attributed for a 6 development wells, with 4 wells assumed to be drilled in 2020 and 2 assumed to be drilled in 2021.

Item 5.2 Significant Factors or Uncertainties Affecting *Reserves Data*

See notes to the Company's financial statements for the year ended December 31, 2019, 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 federal regulations governing the conduct of oil and gas activities.

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Item 5.3 Future Development Costs

Development costs associated with Proved and Proved + Probable reserves are:

2020	\$1,967,500
2021	\$ 612,000

Development costs are expected to be funded through either equity or debt funding, likely supported by cash flow from production.

PART 6. OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

The Company currently has 4 Gross and 3 Net producing oil wells located in the West Hazel field in Saskatchewan.

Item 6.2 Properties with no Attributed Reserves

Not applicable

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

Not applicable

Item 6.3 Forward Contracts

Not applicable

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, 2019).

At December 31, 2019, the Company reported its undiscounted liability for asset retirement obligations as \$373,187. The costs were estimated based on an abandonment price per foot of well depth in the area of production less salvage value. The oil and gas properties had estimated abandonment dates between 2024 and 2028.

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Item 6.5 Tax Horizon

Based on current reserves, the Company currently does not estimate that income taxes are likely to become payable before 2021, 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, 2019, the Company made the following expenditures (whether capitalized or charged to expense):

<u><i>In Thousand Canadian dollars</i></u>	<u>Canada</u>
	(\$)
Property acquisition costs – proved properties	-
Development costs – proved properties	997.1
Property acquisition costs – proved properties	-
Pipeline engineering and design costs	-
Exploration costs	-
	<u>997.1</u>

Item 6.7 Exploration and Development Activities

No exploration or development activity was undertaken in 2019.

Development costs above are associated with re-activating production from the previously shut in field.

Item 6.8 Production Estimates

The gross volume of production estimated for the year ended December 31, 2020 included in future net revenue calculations for gross proved reserves and gross probable reserves estimated under Item 2.1 is 18,230 bbl..

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Item 6.9 Production History

The West Hazel field was shut in prior to 2019.

Quarterly oil production (bbl) during 2019 was:

Q1	3,731
Q2	5,467
Q3	11,343
Q4	11,130
<hr/>	
Total	31,671

Average unit per bbl value metrics (\$CDN/bbl) for 2019 were:

Price received	\$53.80
Royalties	\$13.75
Production Costs	\$36.67
Netback	\$3.38