



Hillcrest Petroleum Expects Alberta Assets To Start Production by November 2017, Saskatchewan Asset To Follow

Alberta and Saskatchewan Wells Only Needs US\$ 30 A Barrel To be Profitable



Don Currie (CEO)

"We are technically only paying \$900,000 for 300 plus barrels a day."

When talking about why a retail investor should put money in Hillcrest Petroleum - an independent junior oil and gas production company headquartered in Houston, (TSXV: HRH and OTC: HLRTF) - Don Currie, CEO and Chairman says: "At the end of the day I would put my money behind someone who has skin in the game. With Hillcrest you are investing in a team with experience, and a track record of past success. I don't know how you beat that combination."

Hillcrest has assets in Alberta, Saskatchewan, and Texas. At the moment the Company is concentrating on expanding its portfolio of past producing wells that can economically be brought back into production. All the Hillcrest assets have the capacity for further development and expansion.

The two in Canada are previously producing properties that Hillcrest plans to have up and running as soon as they can. Plans for them include further development to expand the resource. On July 26, 2017 Hillcrest announced that the Alberta Energy Regulator had approved it to operate oil and gas assets in Alberta.



TSXV:HRH & OTC:HLRTF

Share Structure:

Shares Issued:	74,590,512
Market Cap:	5,221,335
Year High:	.10
Year Low:	.035



Looking Forward

Hillcrest is on the acquisition trail.

"We are still continuing to look because we have private money behind us that's willing to let us go out under certain criteria and find opportunities." - Don Currie

The Company also knows from experience that a certain kind of prudence pays big rewards.



It was a day that Currie and Hillcrest had been waiting for: “Once we are confirmed as operator we can officially go about reopening the wells and start talking to service providers for transportation of the unrefined crude oil. You can’t do that without operator status.”

Now that they are officially operators, Hillcrest can get to work securing contracts to sell the oil and put in mechanical upgrades at the wells. “Realistically,” says Currie “we can reopen the wells in Alberta within 45-60 days.”

The Alberta asset consists of two wells and three additional development locations which have already been located with 3D seismic mapping. Under the terms of the agreement, Hillcrest has agreed to invest C\$930,000, about half of which is a refundable field abandonment bond with the province, with the other half to, perform minor facility upgrades, purchase site equipment and restart production.

The Saskatchewan asset consists of 4 wells and five additional development sites that have been located with subsurface mapping. Hillcrest is considering 3D seismic mapping before drilling. The Saskatchewan project is still in early stages: “We are waiting for confir-

mation that the leases and assets in Saskatchewan are available for us to start working on, at which point our operator application will go into the province and the whole process starts again.”

The two projects will cost a combined C\$2.2 million, most of which is refundable bonds. In return they should provide - depending on the amount of oil pumped - gross revenues over C\$400,000 per month.

In exchange, Hillcrest receives a 75% working interest in each property until the amount invested is repaid. Then, Hillcrest receives a 50% working interest. Hillcrest remains the asset operator throughout. Once the asset is officially back in production and reaches certain revenue levels, the government returns the LLR bond.

“Once the revenue starts and it reaches the level of one or two times your bond value, you get that money back. When Alberta was shut in originally it was running at a substantial positive value, you can use that positive value as a bond credit with the regulator when getting involved with other assets. We found this to be very, very valuable because of the \$2,2 million we are committing here, \$1.3 million is bond money that goes to Saskatchewan and Alberta. We estimate all that bond money will be returned within about 6-months from start of production, so we are actually only paying \$900,000 for 300 plus barrels per day.”



In the last five years the price of oil has tumbled. Crude oil prices have been extremely volatile in the last few years. In January 2012, a barrel of oil touched US\$125.00. By July 31, 2017, it had dropped to US\$52.16. As of July 31, 2017, oil's 52-week low came to US\$42.03 with a high of US\$58.26. As the price of oil fell, some producing wells ceased production and waited for high oil prices to return. Among these shut-in wells are those whose owners no longer have the financial capacity to turn them back on. These are the ones that have Hillcrest's immediate attention.

Hillcrest's short-term strategy has been shaped by falling global oil prices. It can be summed up as the acquisition of substantial, operated, producing assets with high value growth potential in proven and prolific conventional oil and gas basins. The Alberta and Saskatchewan wells are a blueprint for Hillcrest's immediate future.

“We can replicate that model in both provinces and have started discussions with various people in both provinces, to get involved on a joint venture basis by using bond value and minimal cash to open up wells.”

The company is looking for properties in Canada in the \$2 million to \$5 million range and have submitted bids for properties as high as US\$30 million in Texas. “Right now we are looking at assets that come with current production and have the ability to be further developed. We are looking for distressed or non-core assets. In the current climate it is usually cheaper to buy distressed assets than to go out and start development of a greenfield.”

Over the longer term, plans call for exploration and development. Hillcrest has another existing property in Texas that is highly prospective. The company has postponed drilling for the moment, to allow time to get their financial house in order first.

“Drilling those properties is at our discretion. There is no gun to our head or time line associated with it. They still hold attraction for us because I believe there is some low-cost ability to go in and drill these prospects, but the company needs to accomplish a few things first. We've been without cash flow for a period of time; and Alberta and Saskatchewan provide the opportunity to get cash flow and secure the foundation of the company. That's key.”



Currie co-founded Hillcrest in 2010, partly because he had always liked the idea of starting something from the ground up, and partly because he thought he and some likeminded oil and gas industry veterans could do better.

“It was built with the idea that many junior company’s boards don’t have real skin in the game and are not always motivated or compensated by and through success. The idea was to create a company with proper oil and gas Management and Board members; who were financially invested and then go out and start acquiring some assets to build a cash-flowing company from the beginning.”



Hillcrest, which is officially headquartered in Houston; does have experienced and successful management members.

Executive Chairman and Director Michael Krzus was the founding CEO of NYSE-listed Emerald Oil, which started with a US\$100 million market cap and grew to over US\$500 million during his tenure. Krzus has extensive international experience having worked for Woodside Petroleum, Australia’s largest oil and gas company. His term at Woodside included a four-year secondment to Shell in the Netherlands, where he led oil and gas field development teams. Krzus has 32 years of experience in the oil and gas industry in Canada, the U.S., Australia and The Netherlands.

Chief Operating Officer Jason P. Oden was the Vice President Exploration of Gulfsands Petroleum; and formerly the Principal Geologist

with BHP Petroleum, as well as working for Suncor. Oden has more than 25 years of progressive technical and managerial experience in domestic and international oil and gas exploration appraisal and development projects.

Don Currie - the CEO and Company founder - has 30 years of experience building and financing private and public companies. From 1993 on, his primary focus has been the oil industry. Over the course of his career he has directly and indirectly raised over \$125,000,000. Currie was a director and Vice President of Enhanced Oil Resources from 1993 to 2014. Enhanced found the second largest CO2 field in the United States.

As for skin in the game, Currie puts it this way: “We are not being compensated by the company because there is no cash flow. We will start taking compensation when there are revenues that can support some sort of income; and so our motivation is purely through market appreciation, through successful acquisition and development. We hope to make any large gains through appreciation in the market, and we hope to be able to do that soon. Nobody in this company has received a free share, all have been bought. As a result, if this makes money I’ll make the most. If it loses money I’ll lose the most. I’m motivated to make the most.”

The company has spent some part of the recent past reorganizing its balance sheet and getting ready to grow. Due to onerous pending regulatory changes in the offshore industry; the company sold interests it had in the Gulf of Mexico. In order to retire debt, it sold a producing well in Texas. The company continues to hold highly prospective leases in the area and intends to develop early 2017.

Hillcrest's management has attracted private backing. "We've been able to buy assets in a very non-dilutive way in Alberta and Saskatchewan with private money which we will pay back, so we try to keep dilution to a minimum for obvious reasons. The top three people are the largest shareholders." Currie, Krzus, and Oden control over 22% of the company with Currie owning just over 9%. Board and Management hold a collective 34% of the issued shares.

Hillcrest is on the acquisition trail. "We are still continuing to look because we have private money behind us that's willing to let us go out under certain criteria and find opportunities." The Company also knows from experience that a certain kind of prudence pays big rewards. "We are not getting involved in any asset where success would be predicated on a rise in commodity prices. It has to be able to make money at this price, and we take that all the way down to \$30.00 a barrel. We do our numbers based on "could it make money at \$30.00?" because we have seen in the last year and a half that it can go down to \$30.00."

The future looks bright for Hillcrest. "Over the next three months we expect to be deemed as operators, and move forward and starting production in both Alberta and Saskatchewan. Parallel to that, we expect to be able to expand our presence in both areas. We expect to be able to use our positive bond values and cash to be able to work our way into the surrounding assets that have not been able to put up their bond or are financially restrained, ultimately owning a percentage of their production, by putting our bond value up and expending very little capital to get the wells open. It's a pretty aggressive six-month period. Last but not least, we still maintain a presence in the US and have at least three major projects under review. They are onshore and would have production and substantial future upside as would Alberta and Saskatchewan."

Hillcrest is traded under the symbols TSXV:HRH and OTC:HLRTF. The company has 74,590,512 shares issued.

As of September 1, 2017, it was trading at C\$0.07 and had a 52-week high of C\$ 0.10, a low of C\$0.035, and a market cap of C\$5.22 million.

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MOMENTUM PR | T: +1 450 332 6939 | E: INFO@MOMENTUMPR.COM | WWW.MOMENTUMPR.COM

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