



**ALTAI**  
R E S O U R C E S I N C .

## **Oil & Gas Annual Disclosure Filing Under National Instrument (NI) 51-101**

**Forms 51-101F1, 51-101F2 & 51-101F3 for the reporting  
period: January 1, 2017 to December 31, 2017**

**April 25, 2018**



**FORM 51-101F1**  
**STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**  
**ALTAI RESOURCES INC. (“Altai” or the “Company”)**

**1 DATE OF STATEMENT**

1.1 Preparation Date

This statement was prepared on April 25, 2018.

1.2 Effective Date

The statement covers the reporting period from January 1, 2017 to December 31, 2017, hence the effective date is December 31, 2017.

**2 DISCLOSURE OF RESERVES DATA**

As of December 31, 2017 and of the reporting date, Altai Resources Inc. had no oil or natural gas reserves\*. The Company did not engage an *independent reserves evaluator* to evaluate reserves and associated future net revenue or complete Form 51-101F2 as part of this statement.

\* Altai acquired 45% net working interest in four producing oil wells in the Cessford area, Alberta in December 2012. No reserves data were available to Altai. The 50% partner and operator of the property was ConocoPhillips Canada Energy Partnership (“ConocoPhillips”) of ConocoPhillips Canada Resources Corp. until November 2015 when ConocoPhillips assigned its interest and operatorship of the property to Canadian Natural Resources Limited.

**3 PRICING ASSUMPTIONS**

Not applicable

**4 RECONCILIATION OF CHANGES IN RESERVES**

Not applicable

**5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

Not applicable

**6 OTHER OIL AND GAS INFORMATION**

**6.1 Oil and Gas Properties and Wells**

Quebec

The Company has a number of Quebec Government issued oil and gas exploration and reservoir permits in the St. Lawrence Lowlands of Quebec, approximately 80 km Northeast of Montreal.



Prior to June 13, 2011 the Company held 7 oil and gas and reservoir permits totalling 114,344 hectares (282,544 acres) of land in the St. Lawrence Lowlands.

The enactment of Bill 18 (2011, Chapter 13) by the Quebec Government on June 13, 2011 expropriated without compensation 40.11% of Altai's land holding in its permits in the St. Lawrence Lowlands.

Subsequent to the land expropriation per Bill 18, and as of January 1, 2017 and December 31, 2017 the Company held a 100% interest in five contiguous exploration permits in the Province of Quebec's St. Lawrence Lowlands and a 15% gross royalty interest (GRI) in an adjacent permit operated by Repsol Canada Energy Partnership (formerly Talisman Energy Canada). This land position comprised 80,817 gross hectares (199,699 gross acres) or 70,333 net hectares (173,793 net acres), surrounding and underlying Lac St-Pierre between the municipalities of Sorel and Trois-Rivières (Figure 1).

Details of the various exploration permits that constitute Altai's land position in Quebec post enactment of Bill 18 and as at December 31, 2017 are presented in Table 1 and illustrated in Figure 1 below.

**Table 1: Altai Resources Inc. - Quebec Exploration Permits post enactment of Bill 18**

<b>Permit No</b>	<b>Issue Date</b>	<b>Gross Hectares</b>	<b>% Interest</b>	<b>Net Hectares</b>
2009RS275	09 July 2009	6,504	100	6,504
2009PG534	09 July 2009	7,193	100	7,193
2009PG537	09 July 2009	24,322	100	24,322
2009PG538	09 July 2009	24,454	100	24,454
2009PG535	09 July 2009	6,010	100	6,010
2002PG265	19 March 2002	12,334	15*	1,850
	<b>Total</b>	<b>80,817</b>		<b>70,333</b>

\*Gross royalty interest

In addition to revoking permits situated between the two shores of the St. Lawrence River from the westernmost tip of Anticosti Island and the Ontario border, and in view of exploration work in the Quebec Lowlands being halted pending the BAPE (the Quebec environmental evaluation agency) Report to be presented approximately in 2013, Bill 18 also exempted holders of exploration permits from performing the work required under the Mining Act (a "stop the clock" provision) until the date determined by the Minister, which date might not be later than 13 June 2014. The duration of the permits was also extended by the same period of time as the exemption.

Bill 5 (2014, chapter 6) of the Quebec provincial legislature (an Act to amend the Act to limit oil and gas activities (Bill 18 (2011, chapter 13) and other legislative provisions) was enacted on June 13, 2014. It allows the Quebec Government to extend beyond June 13, 2014, the exemption for holders of exploration permits from performing the exploration programs required



by law. It also extends the suspension of the term of those permits and defers the increase of the permit annual rent until the exemption is lifted.

In December 2014, the BAPE released its report of the 4 year study concerning shale gas exploration and development for Quebec and along the St. Lawrence River. The report concluded, among other things, that shale gas development did not have social acceptability and that further work should not continue in the Lowlands. As a result, any and all development programs have been suspended in the Quebec Lowlands “for the time being” according to the Premier of Quebec.

The Environmental Assessment Study prepared by and for the government presented its conclusions to date in late October 2015 and suggested various modifications to existing procedures. Some exploration work may continue, particularly regarding areas other than the Lowlands.

The document titled “Energy Policy to 2030” presented and adopted by the Quebec Government in April 2016 provides the general framework for guidance and objectives for the government on the overall policy regarding all energy sources, including oil and gas. As for hydrocarbon exploration and development, the Energy Policy states that it supports responsible development of oil and gas resources in Quebec, that a legal framework will be established and that an office will be created to oversee the Quebec energy sector including various energy projects.

Bill 106, “An Act to implement the Energy Policy to 2030 and amend various legislative provisions”, was passed in the Quebec National Assembly in December 2016. The Bill contains a series of modifications to existing legislation to cover the Energy Policy, including changes to the Mining Act and other Acts now in force and the creation of a new Petroleum Resources Act which governs the exploration and development of petroleum resources in Quebec. The Petroleum Resources Act outlines the various general conditions and norms (including social acceptability) regarding permitting, exploration, drilling and production.

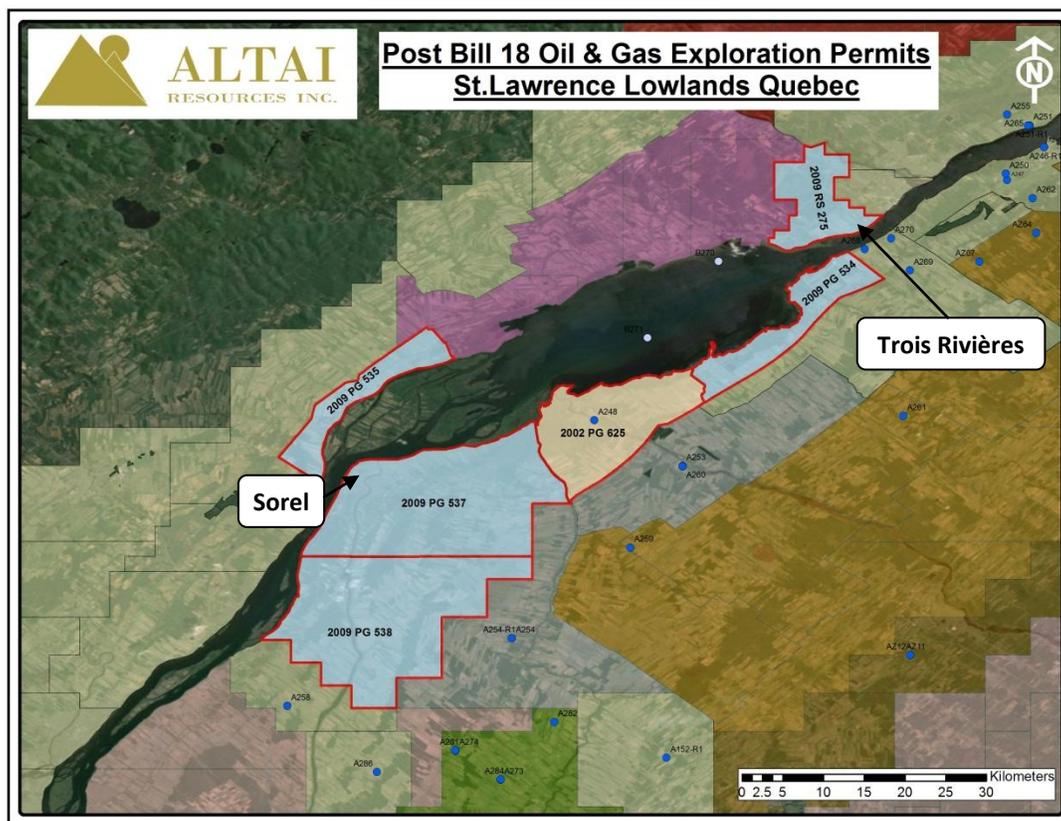
On September 20, 2017, the Quebec Ministry of Energy and Natural Resources published the draft regulations to govern oil and gas activities in the province and required for the implementation of the Petroleum Resources Act. The regulations cover four main categories – exploration, production, storage and pipeline construction. Originally there was a period of forty-five days of public consultation after which the draft regulations might be implemented with or without amendments. On October 18, 2017, the Ministry extended the consultation period by thirty-five days to December 9, 2017. The final regulations have not been released as at December 31, 2017 and March 31, 2018.

There has been no shale gas exploration or fracture stimulation for natural gas in the Quebec Lowlands since 2010 to date. Exploration work still cannot be carried out as at the date of this report due to various conditions, including “social acceptance” and political conditions.

The Company has no plants, facilities, installations or assets other than the aforementioned permits and all of the permits are classified as having **no attributed reserves**.



**Figure 1: Altai Resources Inc. - Quebec Exploration Permits  
Post enactment of Bill 18**



### Quebec Hydrocarbon and Underground Storage Permit Terms

According to current Quebec provincial regulations, hydrocarbon and brine resource exploration permits (PG) are issued for a period of five years with the subsequent possibility of annual renewal for a further five years. The regulations also provide for the issuance of an underground storage (RS) permit under the same terms. These permits accord the holder the exclusive right to explore for oil and gas or underground storage reservoirs on the land covered by the permit.

The financial obligations associated with both PG and RS permits comprise an annual rental and a work expenditure commitment.

Prior to December 10, 2013, the annual rent for the initial 5 year period was \$0.10 per hectare rising to \$0.50 per hectare for each subsequent year after the initial 5 year period. The minimum statutory exploration expenditure was \$0.50 per hectare for the first year, and increased by \$0.50 per hectare for each subsequent year, reaching \$2.50 per hectare in the fifth year. For each additional yearly renewal after the initial 5 year period, the work obligation was \$2.50 per hectare.

Effective December 10, 2013 with the enactment of Bill 70, the financial obligations have been amended. The annual rent became \$50 per km<sup>2</sup> (\$0.50 per hectare) for the first five years and \$150 per km<sup>2</sup> for the subsequent years. Effective January 1, 2015 the annual rent was \$10.10



per km<sup>2</sup> for the first 5 years and \$50.50 per km<sup>2</sup> for the subsequent years. Effective January 1, 2016 the annual rent was \$10.20 per km<sup>2</sup> for the first 5 years and \$51 per km<sup>2</sup> for the subsequent years. Effective January 1, 2017, the annual rent is \$10.30 per km<sup>2</sup> for the first 5 years and \$51.50 per km<sup>2</sup> for the subsequent years. Effective January 1, 2018, the annual rent would be increased by the cost of living index added to the 2017 rates, or to the rates specified in the final regulations to the Petroleum Resources Act if and when they are published in 2018.

Effective December 10, 2013 to date, the minimum statutory exploration expenditure is \$50 per km<sup>2</sup> or \$3,000 whichever is greater for the first year, rising to \$250 per km<sup>2</sup> or \$15,000 whichever is greater for the fifth year. For each yearly renewal after the first 5 years, the work obligation is \$250 per km<sup>2</sup> or \$20,000 whichever is greater. If the final regulations are published in 2018, then the minimum statutory exploration expenditures stipulated in those regulations will prevail.

As discussed in the previous section, Bill 5 allows the Quebec Government to exempt holders of exploration permits from performing the work required by law and defer the increase of the permit annual rent until the exemption is lifted, and to extend the validity of the permits by the period of time of the exemption. These provisions are still in force as at the date of this report.

#### Property Description and Exploration History

Hydrocarbon exploration on the Altai land position was initiated by Petro St-Pierre Inc. in the mid 1980s. The primary exploration model was to identify reservoirs analogous to the Pointe-du-lac shallow natural gas reservoir situated in quaternary sands and gravels, west of the city of Trois-Rivières. Subsequent to depletion, this reservoir was converted to a natural gas storage reservoir and is currently operated by Intragaz Inc. In 1985 the Longueuil, Quebec based Petro St-Pierre Inc. obtained the exploration permits both under Lac St-Pierre and on the south shore of the St. Lawrence River and by 1988, had shot approximately 735 km of seismic on Lac St-Pierre and identified numerous potential gas accumulations in the quaternary sediments.

In 1988 Black Cliff Mines Ltd. (the former name of Altai) farmed-in on the project and drilled two exploration wells in Lac St-Pierre (PSP1 and PSP2) into quaternary gravels at a depth of about 120 meters, with 100 meters of unconsolidated clay overburden. Gas shows were recorded in both exploration wells, with PSP1 flowing 1.3 MMCF/d of gas during a one day Drill Stem Test (DST). No DST was performed on the PSP2 well. Between 1988 and 2010 various seismic surveys were undertaken, exploring for targets in both the unconsolidated and hard-rock sedimentary geological sequences. These data indicate that possible hydrocarbon traps in the unconsolidated quaternary gravels may have potential for up to 29 BCF of natural gas in 22 discreet targets.

Commercial potential for hydrocarbon accumulations occurs in several of the Cambro-Ordovician sedimentary formations, including the Utica Shale and potential hydrothermal dolomite (HTD) reservoirs in the Trenton and Black River Groups (TBR) analogous to the Albion-Scipio field in Michigan and the Fingers Lakes, New York TBR reservoirs discovered by Fortuna Energy (now Talisman Energy-USA). Having made significant natural gas discoveries in TBR reservoirs in New York State, Talisman Energy Canada (“Talisman” and now Repsol Canada Energy Partnership) followed the geological trend north-eastwards into Quebec and in 2005, farmed into Altai’s 2002-RS-265 permit (13,290Ha) adjacent to St-François-du-lac and Pierreville on the south shore of Lac St-Pierre. In 2007, Talisman drilled a 2,700 meter exploration well into a collapsed graben / sag feature in the TBR, interpreted from 2-D seismic. Although no gas was present in the target formation, good gas shows were reported in the overlying Utica shale. The well was logged, cased and suspended pending further completion



operations. By drilling this well, Talisman earned operatorship of the 2002-RS-265 permit with Altai retaining a 15% Gross Royalty Interest (GRI).

The success of various operators in “unconventional” shale gas plays across North America in the early 2000’s cultivated renewed interest in exploration in the Province of Quebec. The target was the Ordovician Utica Shale and in 2007 several companies drilled vertical wells on the lands adjacent to Altai’s permits on lands held by other operators. The wells were fracture stimulated and flow rates reported at 0.8MMCF/d to 1MMCF/d in April 2008.

In 2008, Altai purchased 100% of its minority joint venture partner, Petro St-Pierre Inc. (PSP), by issuing 8.2 million Altai shares valued at \$21,319,995 and paying \$327,018 in cash to all PSP share vendors. Altai also assumed \$272,982 of PSP debt. Altai consequently holds a 100% interest in its current exploration permits.

The following items comprise the information that is required to be disclosed within Part 6 “Other Oil and Gas Information” as part of the Company’s NI-51-101F1 Statement for the reporting period ended December 31, 2016. For simplicity, these data are disclosed under the respective “Item Numbers” described in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

### Alberta

Altai acquired and owns a 45% net working interest in the Cessford property of 240 acres of Alberta Crown leases and light oil production from four long-life wells by paying \$800,000 cash consideration to the previous owner in December 2012. ConocoPhillips Canada Energy Partnership of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US was the 50% partner and property operator until it assigned both its working interest in and operatorship of the property to Canadian Natural Resources Limited in November 2015.

The Cessford property is in the Cessford area of Alberta, approximately 200 km east of Calgary.

There are four long-life (estimated reserve life of 13-15 years) wells producing approximately 12.5 barrels of light oil per day (11 bopd net to Altai).

### **6.2 Properties with No Attributed Reserves**

See Sections 2 and 6.1

### **6.3: Forward Contracts**

The Company had no forward contracts in place as of the reporting date.

### **6.4: Additional information Concerning Abandonment and Reclamation Costs**

Not applicable



## 6.5: Tax Horizon

The Company does not anticipate having taxes payable for the year ended December 31, 2017. The Company's projects are either in the preproduction stage of exploration and development or with capitalized costs to date available for deduction for income tax purposes.

Altai does not expect to be taxable in the foreseeable future.

## 6.6: Costs Incurred

The following summarises capital expenditures related to the Company's activities on its oil and gas properties for the year ended December 31, 2017:

Expenditures of Alberta property:	\$	0
Exploration costs of the Quebec property :	\$	16,496
Development costs:	\$	0
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Total:	\$	16,496

## 6.7: Exploration and Development Activities

### Quebec

Minimum statutory work expenditures were filed and accepted by the Quebec Government on July 9<sup>th</sup>, 2011 that hold the permits in good standing for 3 years subject to the payment of annual rentals of \$0.10/hectare. The permits are in good standing with respect to statutory exploration expenditures, nominally up to July 9<sup>th</sup>, 2014, which effectively becomes July 9<sup>th</sup>, 2020 under the provisions of the Quebec provincial legislatures Bill 5 (2014, chapter 6).

### Alberta

There were no exploration and development activities for the property for the year 2017.

## 6.8: Production Estimates

Not applicable

## 6.9: Production History

The Cessford property in Alberta was in production for the year ended December 31, 2017. For Altai's 45% net working interest, oil revenue for 2017 was \$155,658 and production costs were \$99,714. In 2017, \$6,363 royalties, excluding crown royalties, were paid to royalty holders.



**FORM 51-101F2**

**REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED  
RESERVES EVALUATOR OR AUDITOR  
ALTAI RESOURCES INC.**

*Terms to which a meaning is ascribed in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities have the same meaning in this form.*

This form was prepared on April 25, 2018 and covers the reporting period from January 1, 2017 to December 31, 2017. The effective date of this form is December 31, 2017.

Altai Resources Inc. has certain oil and gas exploration permits within the Province of Quebec. The Company had no proven or probable oil and gas reserves during the reporting period for the Quebec property.

Altai acquired the 45% net working interest in the Cessford oil property in Alberta in December 2012. The Company is not the operator of the property and has no specific data on the proven or probable oil and gas reserves.

As such the Company did not retain (nor was required to retain, under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities) the services of an independent reserves evaluator, to compile this form NI-51-101F2 with nil values.



**FORM 51-101F3**

**REPORT OF MANAGEMENT AND DIRECTORS ON  
OIL AND GAS DISCLOSURE**

*Terms to which a meaning is ascribed in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities have the same meaning in this form.*

The management of **Altai Resources Inc.** (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements.

Altai's management has reviewed the Company's assets excluding asset acquired in December 2012 for which Altai is not the property operator, data and land position and has determined that the Company had no proven or probable oil or natural gas reserves or future net revenue for the most recently completed financial year ending **December 31, 2017**. Having no proven or probable reserves for the property for which it is the operator during the reporting period, the Company did not retain the services of an independent qualified reserves evaluator.

Management has approved that:

- the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Company's oil and gas activities;
- the Company not filing form 51-101F2, which is the report of an independent qualified reserves evaluator on reserves data, the Company having no reserves; and
- the content and filing of this statement.

***"Niyazi Kacira"***

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Niyazi Kacira, Chairman of the Board, and President

***"Maria Au"***

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Maria Au, Secretary-Treasurer

Date: April 25, 2018