# Form 51-101 F1

# Arctic Hunter Energy Inc.

# Statement of Reserves Data

# And Other Oil and Gas Information

# As of June 30, 2017

Table of Contents


| | Page |
|---|---|
| Glossary of Terms | 3 |
| Form 51-101 F1, Part 1 Date of Statement | 4 |
| Part 2 Disclosure of Reserve Data | 5 |
| Part 3 Pricing Assumptions | 6 |
| Part 4 Reconciliations of Changes in Reserves | 7 |
| Part 5 Additional Information Relating to Reserves Data | 7 |
| Part 6 Other Oil and Gas Information | 8 |

**Glossary of Terms**

| | |
|---|---|
| Reserves | Estimated reserves of natural gas, natural gas liquids and crude oil. |
| Working interest | Those lands in which the Company receives its acreage share of net production revenues. |
| Gross reserves | Estimated reserves before royalties based on working interest. |
| Net reserves | Estimated reserves after royalties based on working interest. |
| Future net revenue | Working interest revenues after royalties, development costs, production costs and well abandonment costs, but before administrative, overhead and other such indirect costs. Future net revenue may be presented either before or after tax. |
| Proved reserves | Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. |
| Probable reserves | Reserves that are less certain than proved reserves at being recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. |
| Developed reserves | Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production. |
| Producing reserves | Reserves that are expected to be recovered from completion intervals open at the time of estimate. The category of reserve may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonably certainty. |
| Non-producing reserves | Reserves that either have not been on production, or have previously been on production, but is shut-in, and the date of resumption of production is unknown. |
| Stb/stock tank barrel | A 42-US gallon barrel of crude oil at standard conditions of 1 atmosphere and 60 $^{o}$F. |
| M | Thousand (1,000). |
| MM | Million (1,000,000) |
| Mbbl | 1,000 barrels of oil and/or natural gas liquids. |
| MMBtu | A unit of heat energy equal to one million British thermal units. |
| Mcf | 1,000 cubic feet of natural gas. |
| Bcf | One billion (1,000,000,000) cubic feet of natural gas |
| bbl or barrel | A 42-US gallon barrel of crude oil or natural gas liquids. |
| Undeveloped reserves | Reserves that are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserves must fully meet the requirements of the reserves classification to which they are assigned (proved or probable). |

**Form 51-101 F1**

**Statement of Reserves Data and Other Oil and Gas Information for Arctic Hunter Energy Inc.**

**Part 1 Date of Statement**

**Item 1.1 Relevant Dates**

1. Date of Statement: October 25, 2017
2. Effective Date: June 30, 2017
3. Preparation Date: October 23, 2017

Petrotech Engineering Ltd. ("Petrotech"), independent qualified evaluators of Burnaby, British Columbia estimated the reserves effective June 30, 2017. The Company used the reserves in the preparation of the Financial Statements for the fiscal year ended June 30, 2017.

All of the Company's oil and gas reserves are onshore in the country of Canada.

The reserves on the properties described herein are estimates only. Actual reserves on the properties may be greater or less than those calculated.

In certain instances, numbers may not total due to computer-generated rounding. In such cases, differences are not material and amounts presented are as shown in the Petrotech Report.

**Part 2 Disclosure of Reserves Data**

**Item 2.1 Reserves Data (Forecast Prices and Costs)**

**Item 2.1.1 Breakdown of Reserves**

Onshore Canada

| | Heavy Crude Oil | | L&M Crude Oil | | Natural Gas Liquids | | Conventional Natural Gas | |
|---|---|---|---|---|---|---|---|---|
| Reserve Category | Gross (Mbbl) | Net (Mbbl) | Gross (Mbbl) | Net (Mbbl) | Gross (Mbbl) | Net (Mbbl) | Gross (Bcf) | Net (Bcf) |
| Proved Producing | 4.6 | 4.6 | - | - | - | - | - | - |
| Proved Non-Prod. | - | - | - | - | - | - | - | - |
| Proved Undeveloped | - | - | - | - | - | - | - | - |
| **Total Proved** | **4.6** | **4.6** | **-** | **-** | **-** | **-** | **-** | **-** |
| Total Probable | 1.5 | 1.5 | - | - | - | - | - | - |
| **Proved + Probable** | **6.1** | **6.1** | **-** | **-** | **-** | **-** | **-** | **-** |

**Item 2.1.2 Net Present Value of Future Net Revenue**

Onshore Canada:

| | Before and After Tax NPV @ | | | | |
|---|---|---|---|---|---|
| Reserve Category | 0% (M$) | 5% (M$) | 10% (M$) | 15% (M$) | 20% (M$) |
| Proved Producing | 28.3 | 29.4 | 29.9 | 30.0 | 30.0 |
| **Total Proved** | **28.3** | **29.4** | **29.9** | **30.0** | **30.0** |
| Total Probable | 21.0 | 19.0 | 17.2 | 15.6 | 14.2 |
| **Proved + Probable** | **49.3** | **48.4** | **47.1** | **45.7** | **44.1** |

**Item 2.1.3 (a) (b) Additional Information Concerning Future Net Revenue**

| Reserve Category | Revenue (M$) | Royalties (M$) | Operating Costs (M$) | Development Costs (M$) | Abandonment & Reclamation Costs (M$) | Future Net Revenue Before Income Tax (M$) | Future Income Tax Expenses (M$) | Future Net Revenue After Income Tax (M$) |
|---|---|---|---|---|---|---|---|---|
| Total Proved | 167.3 | 18.3 | 107.3 | 0.0 | 13.4 | 28.3 | 0.0 | 28.3 |
| Total Proved + Probable | 222.8 | 24.3 | 135.5 | 0.0 | 13.7 | 49.3 | 0.0 | 49.3 |

**Item 2.1.3 (c) Unit Value of Net Present Value of Future Net Revenue based on Forecast Prices and Costs**

Unit Value of the NPV of Future Net Revenue based on Net Share, Forecast Prices and Costs before deduction of income tax and discount rate of 10%

| Reserve Category Block | Heavy Oil | | |
|---|---|---|---|
| | Net (Mbbl) | Unit Price ($/bbl) | NPV @ 10% (M$) |
| Proved Developed Producing | 4.6 | 6.51 | 29.9 |
| Proved Developed Non-Prod. | - | - | - |
| Proved Undeveloped | - | - | - |
| **Total Proved** | 4.6 | 6.51 | 29.9 |
| Total Probable | 1.5 | 11.77 | 17.2 |
| **Total Proved + Probable** | 6.1 | 7.78 | 47.1 |

**Item 2.2 Supplemental Disclosure of Reserves Data (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.

**Part 3 Pricing Assumptions**

**Item 3.1 Constant Prices Used in Supplemental Estimates -** Not applicable.

**Item 3.2 Forecast Prices Used in Estimates**

| | Heavy Crude at Hardisty 12° API | C12-06-025W3 Oil |
|---|---|---|
| Year | $Cdn/bbl | $Cdn/bbl |
| 2012 | 65.00 | |
| 2013 | 64.98 | |
| 2014 | 76.40 | |
| 2015 | 40.42 | |
| 2016 | 34.08 | |
| 2017 Q3 & Q4 | 46.53 | 34.90 |
| 2018 | 48.12 | 36.09 |
| 2019 | 49.09 | 36.81 |
| 2020 | 50.07 | 37.55 |
| 2021 | 51.07 | 38.30 |
| 2022 | 52.09 | 39.07 |

**Item 3.2.1(b) -** Not applicable.

**Item 3.2.2 -** Not applicable.

**Item 3.2.3 -** Not applicable.

## Part 4 Reconciliations of Changes in Reserves

### Item 4.1 Reserves Reconciliation

Onshore Canada:

| | Gross Heavy Crude Oil | | |
|---|---|---|---|
| | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) |
| **Total** | | | |
| Opening Balance (June 30, 2016) | 0.0 | 0.0 | 0.0 |
| Extension & Improved Recovery | 0.0 | 0.0 | 0.0 |
| Technical Revisions | 0.0 | 0.0 | 0.0 |
| Discoveries | 0.0 | 0.0 | 0.0 |
| Acquisitions | 0.0 | 0.0 | 0.0 |
| Dispositions | 0.0 | 0.0 | 0.0 |
| Economic Factors | 6.8 | 1.5 | 8.2 |
| Production | -2.2 | 0.0 | -2.2 |
| **Closing Balance (June 30, 2017)** | 4.6 | 1.5 | 6.1 |

Note: Figures may be rounded off.

## Part 5 Additional Information Relating to Reserves Data

**Item 5.1 Undeveloped Reserves -** Not applicable.

**Item 5.1.1**

### Item 5.2 Significant Factors or Uncertainties

**Item 5.2.1**

The process of evaluating reserves is inherently complex. It requires significant judgements and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices, and economic conditions. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performances, prices, economic conditions, and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance, and geologic conditions or production. These revisions can be either positive or negative.

**Item 5.3 Future Development Costs**

**Item 5.3.1 (a) (b)**

| Forecast Case | | |
|---|---|---|
| Onshore Canada | | |
| | Proved | Proved + Probable |
| Year | $M | $M |
| 2017 | - | - |
| 2018 | - | - |
| 2019 | - | - |
| 2020 | - | - |
| 2021 | - | - |
| **All Years** | - | - |
| Discount @ 10% | - | - |

**Item 5.3.2 (a) (b)**

The Company would typically utilize available funding to finance future capital expenditure programs from 3 potential sources: internally generated cash flow from operating activities, debt financing when appropriate and new equity issues, if available on favourable terms.

**Item 5.3.3**

Not applicable

**Part 6 Other Oil and Gas Information**

**Item 6.1 Oil and Gas Properties and Wells**

Onshore Canada

<u>Producing Lands</u>

**Saskatchewan**

*Landrose*

Undeveloped Lands

Oil Wells

**Item 6.1.2 Gross and net oil and gas wells:**

Onshore Canada

Oil Wells

| Onshore Canada | Forecast Case | |
|---|---|---|
| | Gross Wells | Net Wells |
| Property | | |
| Landrose, Saskatchewan | 1 | 0.5 |
| Lloydminster, Alberta | 1 | 0.3 |
| **Total** | 2 | 0.8 |

**Item 6.2 Properties with No Attributed Reserves -** Not applicable

**Item 6.3 Forward Contracts –** Not applicable.

**Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs**

Repealed.

**Item 6.5 Tax Horizon**

There is **$2,561,450** of tax pools accumulated to June 30, 2017, to shelter any tax payable in the future years.

**Item 6.6 Costs Incurred**

The following table summarizes the Company's property development costs incurred in Canada during the financial year ended June 30, 2017:

| Nature of Cost | Capital Expenditures |
|---|---|
| | $M |
| Development Costs | 8 |
| **Total** | **Total 8** |

**Item 6.7 Exploration and Development Activities**

No further work was carried out on the existing C-12-06-050-25W3M well for the year ended June 30, 2017 other than a work over of $7,966 for the Company's 50% interest.

In June 2014, $243,000 was advanced for the Company's 50% share of the cost to drill, complete and fully equip well 1-11-051-01-W4 to earn a 30 % net interest located near Lloydminster, Alberta. In July 2014, the Company successfully drilled and encountered oil in all zones of interest which included the General Petroleum and Sparky Formations. The well started production in September 2014 and produced a total of 2,694 barrels of heavy oil to the end of May 2015. Due to low oil prices, the well was shut-in. At year-end, no reserves were assigned to the Lloydminster well.

**Item 6.8 Production Estimates**

| Onshore Canada | Light & Medium Crude Oil | | Heavy Crude Oil | | Conventional Natural Gas | |
|---|---|---|---|---|---|---|
| | Proved | Proved + Probable | Proved | Proved + Probable | Proved | Proved + Probable |
| Landrose | bbl | bbl | bbl | bbl | Bcf | Bcf |
| 2017 | | | 3,603 | 3,789 | | |
| **Total** | - | - | 3,603 | 3,789 | - | - |

**Item 6.9 Production History**

The following table outlines the gross production from July 1, 2016 to June 30, 2017 for important fields for each product type.

Onshore Canada:

| Gross | Landrose |
|---|---|
| | **Oil Production (bbl)** |
| Q1 | 287.9 |
| Q2 | 556.0 |
| Q3 | 681.8 |
| Q4 | 654.8 |
| Total 2017 | 2,180.5 |

The following table (Item 6.9.1b) outlines as an average per unit volume (for example, $/bbl or $/Mcf), the Company's prices received, royalties paid, production costs, and resulting netback (need to be done by each quarter for each product type):

| | 2017 Heavy Crude Oil Unit Values |
|---|---|

| Onshore Canada | Q1 | | | | Q2 | | | |
|---|---|---|---|---|---|---|---|---|
| | Price Received | Royalties Paid | Opex | Net Back | Price Received | Royalties Paid | Opex | Net Back |
| Property | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl |
| Landrose | 32.63 | -0.87 | -41.28 | -9.53 | 41.00 | -2.51 | -13.24 | 25.25 |

| | 2017 Heavy Crude Oil Unit Values | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Onshore Canada | Q3 | | | | Q4 | | | |
| | Price Received | Royalties Paid | Opex | Net Back | Price Received | Royalties Paid | Opex | Net Back |
| Property | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl | $/bbl |
| Landrose | 40.13 | -4.60 | -12.79 | 22.74 | 42.16 | -7.83 | -28.88 | 5.46 |