

SALE OF PRODUCING ASSETS IN SOUTHWEST SASKATCHEWAN
FORTITUDE RESOURCES INC. &
FORTITUDE MANAGEMENT CORP.

JANUARY 2020

FORTITUDE GROUP OF COMPANIES (“FGOC”)

DESCRIPTION OF THE PROCESS

Fortitude Resources Inc. (“FRI”) and its related company, Fortitude Management Corp. (“FMC”) (collectively referred to as “Fortitude Group of Companies” or “FGOC”), have initiated a process to divest of certain producing assets located in Southwest Saskatchewan and have retained ARCO Capital Partners Inc. (“ARCO”) as their exclusive financial advisor to assist in this process (the “Process”). FRI and FMC may entertain the sale of one or more of the properties and the sale of their combined working interests in the listed properties, which include Java Lake, Covington, North Premier, Antelope Lake and other minor properties. FGOC will consider all proposals with a preference to sell the assets for cash.

It is the intention of FGOC to conduct the Process with minimal disruption to FGOC’s operations, and as such interested parties should make inquiries and requests for information directly to ARCO.

A Confidentiality Agreement (“CA”) will be made available to prospective parties by contacting ARCO directly. Parties who execute the CA will have access to confidential information via an online data room (the “Data Room”), which will be open on or around January 13, 2020.

ARCO will coordinate technical presentations with FGOC’s management team which will occur starting in early February 2020.

Parties that have executed the CA will be provided detailed bidding instructions, including the submission date for proposals.

McDaniel & Associates Consultants Ltd. (“McDaniel”) has completed an NI 51-101 compliant reserves report with an effective date of September 1, 2018, utilizing McDaniel’s July 1, 2018 forecast pricing which is posted on McDaniel’s website.

FRI and FMC reserve the right to alter the Process, close the Data Room, change the date for proposals and/or decline any or all offers.

The purchaser is responsible for its own due diligence. FRI, FMC and ARCO make no representation or warranty as to the accuracy or completeness of this document or the information contained herein.

PROCESS TIMELINE

December 2019

S	M	T	W	R	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February 2020


S	M	T	W	R	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

January 2020

S	M	T	W	R	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

March 2020

S	M	T	W	R	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

	Weekends		Virtual Data Room Opens
	Holidays		Management Presentations

CONTACT INFORMATION

Interested parties should contact the below with respect to signing a CA and / or accessing the virtual data room and for any other enquires related to the Process:

Dejan Kukic, CFA
President

Tel: 403.560.2398
Email: dkukic@arcocapital.ca



FORTITUDE GROUP OF COMPANIES (“FGOC”)

COMPANY & ASSET OVERVIEW

FRI is a private exploration and production company founded in 2012, focused on consolidation and development of low decline, medium oil assets in Southwest Saskatchewan. FRI has organically assembled an operated, high working interest asset base with core properties consisting of Java Lake, Antelope Lake, North Premier and Covington.

In August 2019, FRI sold a portion of its working interest in the Java Lake and Covington properties to FMC, a related company to FRI (the “Restructuring”). The Restructuring was effective July 1, 2019 and closed on August 30, 2019.

As part of the Restructuring, FMC acquired the following assets from FRI:

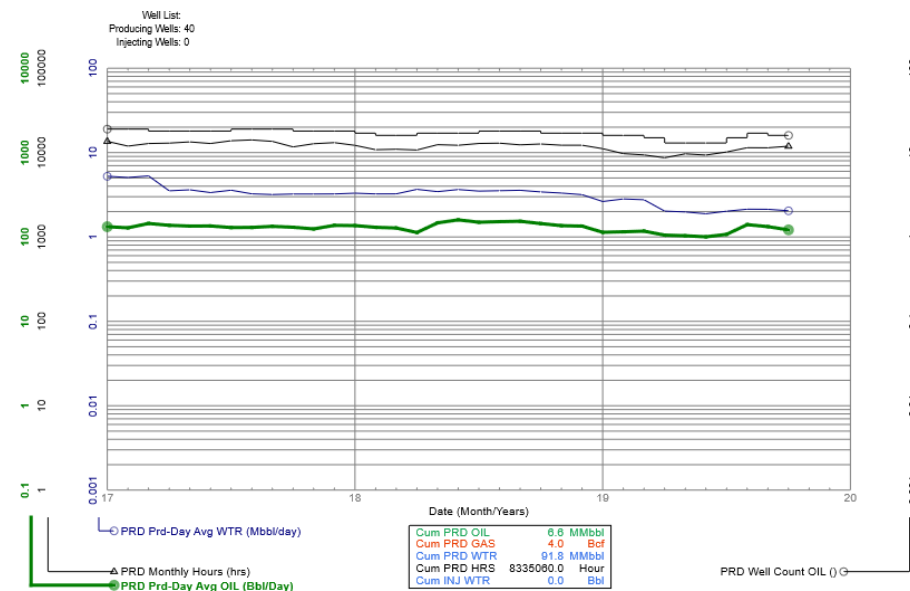
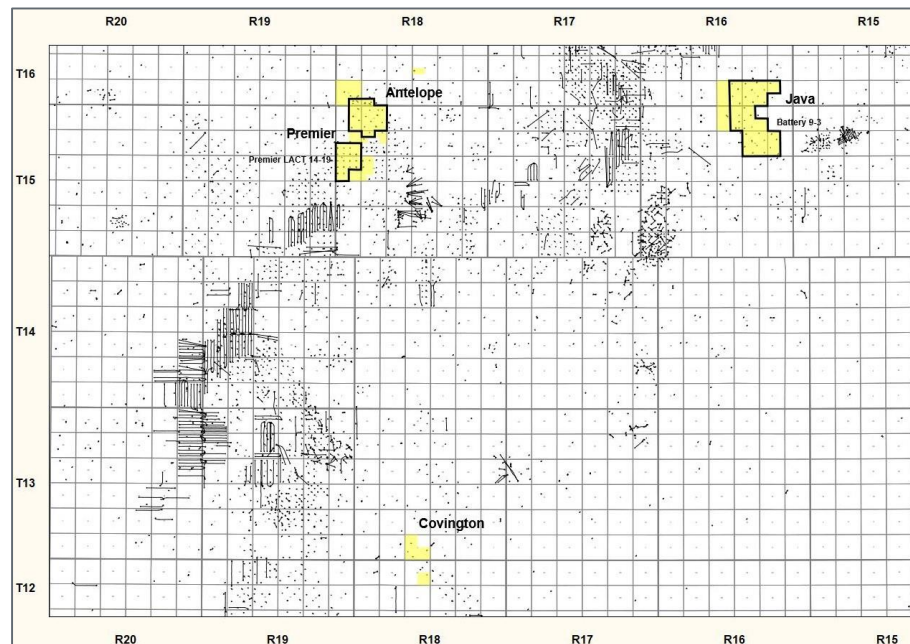
- 50% working interest in the Java Lake property;
- 90% of FRI’s interest in Covington’s producing wells and certain lands; and
- Four well farm-in in the Java Lake property, whereby FMC paid 100% of the costs to recomplete four vertical wells, retaining an 85% working interest after payout.

FGOC operates approximately 107 bbl/d (November 2019 average production) of medium oil weighted production from the Cantuar, Upper Shaunavon and Roseray Formations. During the first ten months of 2019 (to October), the combined properties generated revenue of \$1.7 million and net operating income of \$245,000 net to FGOC, or \$8.60 per bbl based on average production of 94 bbl/d.

FGOC has ownership of oil processing infrastructure at Java Lake and North Premier with spare capacity to accommodate additional production and third-party volumes. FGOC’s production is trucked to 14-19 North Premier battery which is tied to a Plains Midstream Canada sales line. FGOC’s realized crude oil price is based on Fosterton oil pricing at Regina.

FGOC has identified 4 low risk drilling candidates at Java Lake and Covington properties using offsetting well control, which could add in excess of 140 bbl/d. In addition, FGOC has identified eight wells in Java Lake and North Premier, that require workovers and recompletions, estimated to provide ~75 bbl/d of incremental production.

Field		Java Lake	Covington	Antelope / Premier	Total
Production (November Average)					
FGOC Working Interest	(BOE/d)	66	23	18	107
Oil Weight	(%)	100%	100%	100%	100%
Working Interest (Property Level)					
FGOC	(%)	100.0%	57.9%	N/A	
FRI	(%)	50.0%	14.0%	100% / 50%	
FMC	(%)	50.0%	43.9%	None	
Operator		FRI	FRI	FRI	
Reserves - P+P Case					
Volumes	(Mboe)	478	131	166	776
NPV10 (BT)	(\$M)	6,724	2,133	1,557	10,414
LLR (November 2019)					
Ratio	(x)	1.8	5.0	0.43 / 0.29	0.9



FORTITUDE GROUP OF COMPANIES (“FGOC”)

CORPORATE RESERVES, PRODUCTION, FINANCIAL OVERVIEW

The combined properties have continued to demonstrate a low decline rate given the vintage of the producing wells, supporting a predictable and stable production profile, which is estimated to have a -8% corporate decline. Based on McDaniel’s assessment of P+P reserves, FGOC has approximately ~775 Mbbl recoverable with an associated NPV10 (BT) of \$10.4 million.

FGOC - 2018 Actuals & McDaniel P+P Financial Forecast

Calendar Year Actual & Forecasts		2018A	2019F	2020F	2021F	2022F	2023F
Production Rates							
Java Lake	bbl/d	59	104	184	149	124	104
Covington	bbl/d	24	23	22	21	20	19
Antelope & Premier	bbl/d	40	43	47	44	42	39
Total WI Production	bbl/d	122	170	253	215	185	162
Operating Income							
Total Revenue	\$M	2,512	3,843	6,008	5,183	4,595	4,085
Less: Royalties	\$M	583	1,065	1,624	1,284	1,030	816
Less: Operating Costs	\$M	1,395	1,276	1,767	1,741	1,727	1,722
Less: Other Expenses	\$M	-	-	-	-	-	-
Total Expenses	\$M	1,978	2,341	3,391	3,024	2,757	2,538
Net Operating Income	\$M	534	1,502	2,617	2,159	1,838	1,548
Capital Expenditures	\$M	-	853	-	-	-	-
Per BOE Basis							
Average Sales Price	\$/boe	55.82	61.98	65.02	66.19	67.88	69.30
Revenue	\$/boe	56.47	61.98	65.02	66.19	67.88	69.30
Royalty Rate	%	23.5%	27.7%	27.0%	24.8%	22.4%	20.0%
Operating Costs	\$/boe	31.35	20.58	19.12	22.23	25.51	29.21
Field Level Netback	\$/boe	12.01	24.23	28.32	27.57	27.15	26.25

Net Operating Income by Property

Property	\$M	2018A	2019F	2020F	2021F	2022F	2023F
Java Lake	\$M	220	951	2,003	1,594	1,304	1,055
Covington	\$M	246	258	261	252	248	241
Antelope & Premier	\$M	88	293	353	312	285	252
Other Non-Core	\$M	-20	n/a	n/a	n/a	n/a	n/a
Total NOI	\$M	534	1,502	2,617	2,159	1,838	1,548

Disclosure: summary table above shows 2018 actual results and 2019 to 2023 based on McDaniel P+P reserve forecast with an effective date of September 1, 2018, utilizing McDaniel's July 1, 2018 price forecast. 2019 forecast is shown as first full year of the McDaniel report.

FGOC - Actual & Forecast Production & Netbacks



FGOC - Reserves Volumes and Values

Reserves Category	Company Working Interest Reserves				Discounted NPV (Before Tax)			
	Oil	Gas	Total	FDC	0%	5%	10%	15%
	Mbbl	Mcf	Mboe	\$M	\$M	\$M	\$M	\$M
Proved Producing	372	-	372	-	7,331	5,804	4,763	4,032
Proved Non-Producing	66	-	66	61	1,441	1,091	854	690
PUD	-	-	-	-	-	-	-	-
Total Proved	438	-	438	61	8,772	6,895	5,617	4,722
Prob Developed Producing	132	-	132	-	3,368	1,920	1,207	822
Prob Non-Producing	205	-	205	792	5,535	4,393	3,590	2,999
Total Probable	337	-	337	792	8,903	6,313	4,797	3,821
Proved Plus Probable	776	-	776	853	17,675	13,208	10,414	8,543

ASSET OVERVIEW

JAVA LAKE

Java Lake is located approximately 20 kilometers west of Swift Current, Saskatchewan. FRI and FMC each have a 50% working interest in the property with FRI being the operator. Production at Java Lake is supported by 11 vertical oil producers from the Cantuar and Roseray Formations. FGOC has identified number of optimization and drilling opportunities on the property which could add an incremental 100 bbl/d.

Java Lake property covers 5.5 sections (4.5 unitized sections and one section outside of the unit). November average production was compromised of 66 bbl/d of oil and ~1,900 bbl/d of water. Emulsion is treated on site and clean oil is trucked to FRI's North Premier property, 16 miles west. Processing infrastructure at Java Lake includes the 9-3 oil battery which has handling capacity of 3,150 bbl/d. Current throughput of the battery is ~2,200 bbl/d or 70% of capacity, providing opportunity to bring additional barrels or tie in third party volumes.

Producing zones in Java Lake include the Cantuar and Roseray, which sit approximately 1,000 meters deep and produce 21° API oil. In November 2019, the Java Lake property had 10 vertical Cantuar producers, which averaged 36 bbl/d and one vertical Roseray well (1-34-15-16W3) on submersible pump producing 29 bbl/d with ~98% water cut.

Java Lake property has a low and predictable base production from legacy vertical wells drilled around 1985. Production decline rate is estimated at 8% per annum. During the first ten months of 2019, the property generated \$266,000 of net operating income.

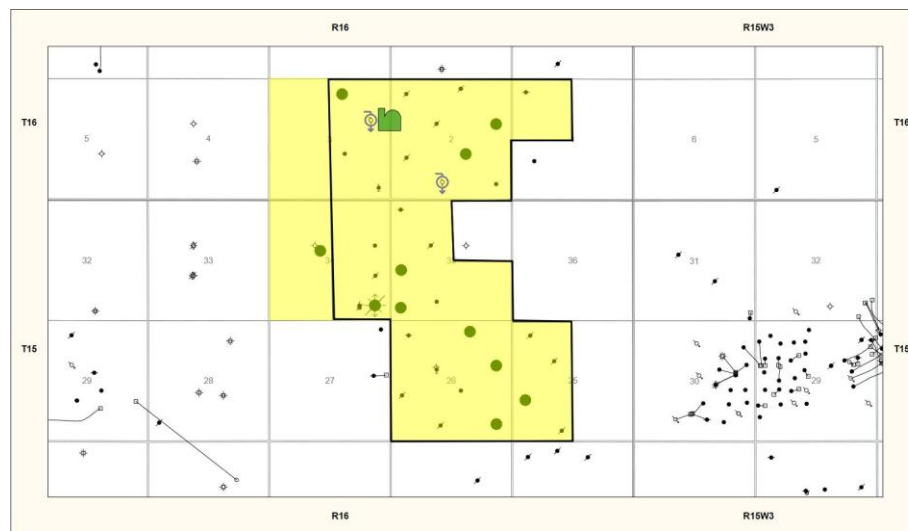
FGOC has identified three vertical candidates requiring pump changes and/or road repairs, with an estimated total cost of \$44,000, incrementally adding 19 bbl/d of production. In addition, FGOC has identified three vertical drilling locations in the Cantuar, estimated to add 28 bbl/d each at an estimated DCET cost of \$400,000 per well.

In 2015, FRI conducted a waterflood study which identified the Upper Cantuar as a prime waterflood candidate, estimated to contain 15.9 MMbbl OOIP with 1.38 MMbbl produced to Sep. 2018 (8.7% recovery). Total cost to implement the flood is estimated at \$2.9 million, which includes conversion of existing wells to injectors and required infrastructure, yielding 2.7 MMbbl of total recoverable or 17% ultimate recovery factor.

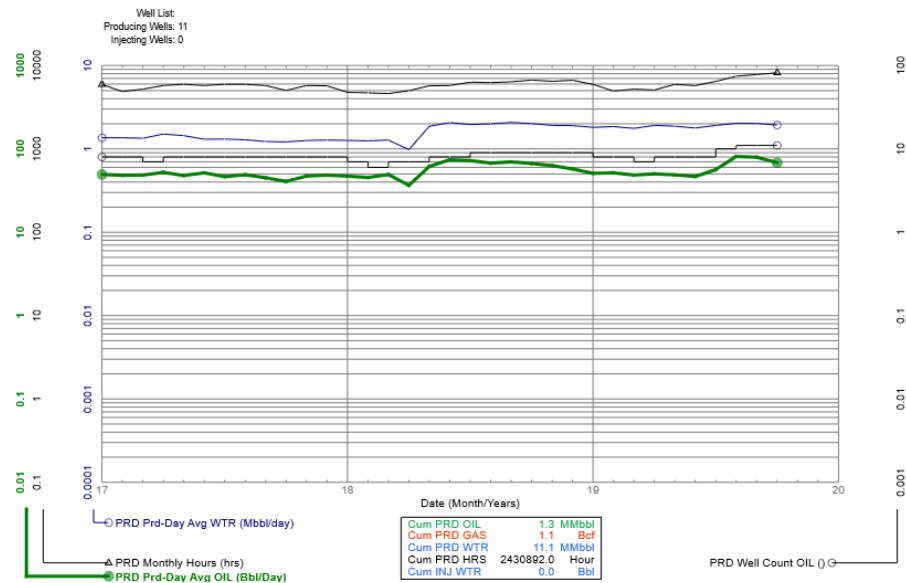
Property Overview

FGOC Working Interest	%	100%
FRI Working Interest	%	50% (Operator)
FMC Working Interest	%	50%
FGOC Average Production (November 2019)	bbl/d	66
Oil Production	%	100%
FGOC Net Operating Income (Jan to Oct 2019)	\$M	266
Royalties	\$M	243
Operating Costs	\$M	533
FGOC Reserves - McDaniel	Mboe	NPV10 (\$M)
Proved Developed Producing	187	2,170
Total Proved	224	2,659
Total Proved + Probable	478	6,724
Property LLR (November 2019)	x	1.8

Land Overview



Historical Field Production



ASSET OVERVIEW

COVINGTON

Covington property is located approximately 5 kilometers southeast of Gull Lake, Saskatchewan. The property encompasses one gross section, with ownership split across FMC, FRI and two independent operators.

In three quarters of Section 4-13-18W3, FMC and FRI's interests are 35.4% and 16.1% respectively. In the southeast quarter section of 33-12-18W3, FMC and FRI's interests are 69.3% and 7.7% respectively. FRI is the operator of the Covington property. The remaining working interests are held by Signalta Resources Limited and Crescent Point Energy Corp.

The Covington property has two vertical wells producing from the Upper Shaunavon, a reservoir characterized by large OOIP and strong deliverability. Vertical depth is approximately 1,300 meters and oil gravity is 25° API. The two producers were drilled in mid-1990s, resulting in the current low decline rate of ~7%. November production in Covington averaged 33 bbl/d gross, or 23 bbl/d net to FGOC's interest.

In Section 4, well 05-04-013-18W3 averaged 16 bbl/d gross in November, or 9 bbl/d net to FGOC (FMC and FRI's working interests in 05-04 are 53.1% and 5.9% respectively), with a 12% water cut. The 05-04 well has recovered approximately 200 Mbbl to date and has an estimated 13 year life based on McDaniel's 57 Mbbl of PPDP reserves.

Further upside has been identified in a step-out location in 6-4-13-18W3. The unbooked location is to the northeast of 05-04, on porosity trend and a structural high. Estimated cost to DCET is \$400,000 with an expected IP rate of 60 bbl/d.

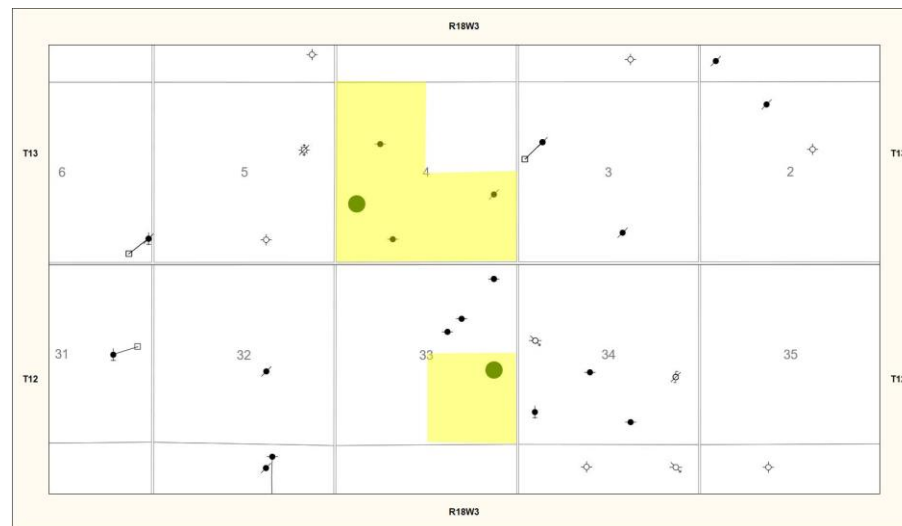
In Section 33, the 8-33-12-18W3 well averaged 17 bbl/d gross in November, or 13 bbl/d net to FGOC (FMC and FRI's working interests in 8-33 are 69.3% and 7.7% respectively), with ~62% water cut. The well has recovered 240 Mbbl to date and has an estimated 14-year life based on McDaniel's 74 Mbbl of PPDP reserves.

Production from the Covington field is tied to two single well batteries (electric and propane powered). Oil and emulsion from the Covington property are trucked to FRI's battery in the North Premier field.

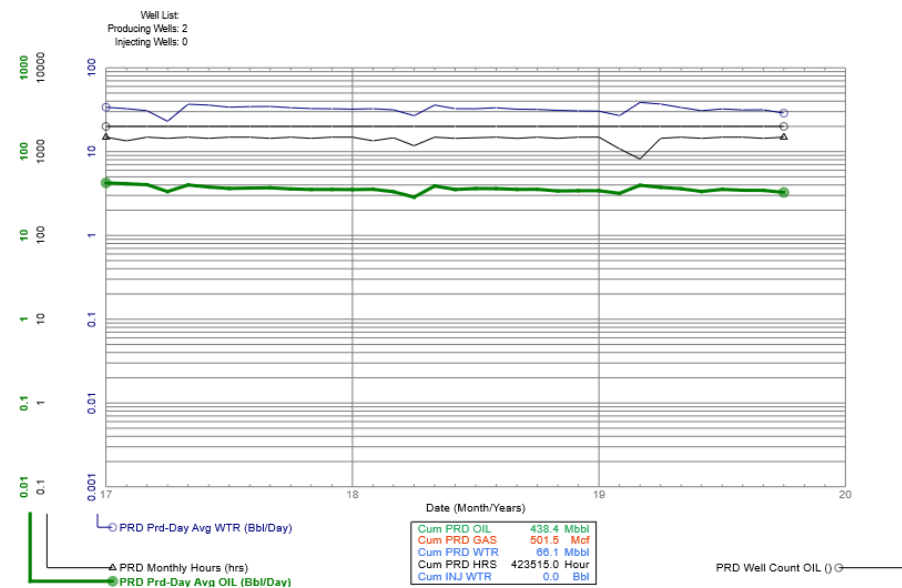
Property Overview

Section / Property		4-13-18W3 (0.75 Section)	33-12-18W3 (0.25 Section)	FGOC Interest Covington
Property Level Working Interests				
FRI Working Interest	%	16.1% (Operator)	7.7% (Operator)	
FMC Working Interest	%	35.4%	69.3%	
FGOC Average Production (November 2019)	bbl/d	9	13	23
Oil Production	%	100%	100%	100%
FGOC Net Operating Income (Jan to Oct 2019)	\$M			210
Royalties	\$M			112
Operating Costs	\$M			74
FGOC Reserves - McDaniel				Mboe / NPV10 (\$M)
Proved Developed Producing				99 / 1,835
Total Proved				99 / 1,835
Total Proved + Probable				131 / 2,133
Property LLR (November 2019)	x			5.0

Land Overview



Historical Field Production (Gross Working Interest)



ASSET OVERVIEW

ANTELOPE LAKE & NORTH PREMIER

The Antelope Lake and North Premier properties are located 45 kilometers west of the City of Swift Current, Saskatchewan. FRI is the operator of both properties and holds a 100% working interest in Antelope Lake and a 50% working interest in North Premier.

Combined production from the two properties was 18 bbl/d in November, net to FRI. Legacy vertical wells were drilled in 1950s with most recent drills in 2009/2010, resulting in a low production decline of -8%. Upper Shaunavon is the main producing target, located at 1,050 meter depth, producing 22° API over 1.5 to 2.0 meters of net pay.

In North Premier, FRI is partnered with TAQA North Ltd. in a 1.25 section unit. FRI holds a 50% working interest and is the operator of the unit. Single vertical producer from the North Premier unit currently contributes 8 bbl/d gross, or 4 bbl/d net to FRI.

FRI has identified a number of low risk recompletion opportunities in the North Premier property as follows:

- 3 vertical candidates requiring refracture stimulation with an estimated net cost of \$80,000 per well, expected to yield an incremental 10 bbl/d each net to FRI, resulting in \$8,000 per bbl/d capital efficiencies; and
- Two wells requiring a tubing replacement and a pump change, with combined cost estimate of \$56,000 net, yielding an incremental 25 bbl/d net to FRI.

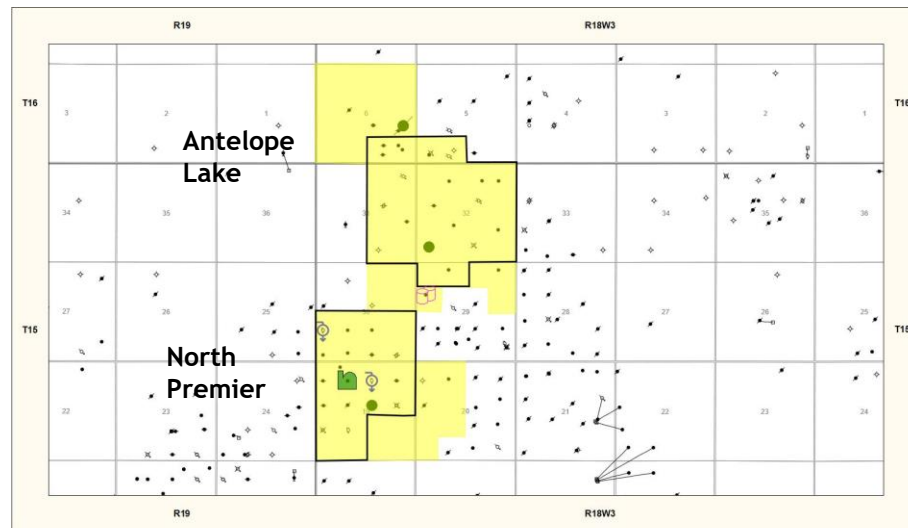
North Premier property hosts a Lease Automatic Custody Transfer (LACT) unit that is owed and operated by Plains Midstream Canada. FRI has a 6,300 bbl/d, under-utilized oil battery at 14-19 (98% available capacity), which is pipeline connected to the LACT unit. Clean oil from FRI's properties is transported by main line to a Federated Co-op terminal in Regina.

FRI holds a 100% working interest in the Antelope Lake property, which produces 14 bbl/d from two vertical wells. Oil from Antelope Lake is pipeline connected to the 14-19 battery in North Premier.

Property Overview

Field		Antelope Lake	North Premier
FRI Working Interest	%	100% (Operator)	50% (Operator)
FMC Working Interest	%	None	None
FRI Average Production (October 2019)	BOE/d	14	4
Oil Production	%	100%	100%
Net Operating Income (Jan to Oct 2019)	\$M	-183	-31
Royalties	\$M	25	15
Operating Costs	\$M	356	99
FRI Reserves - McDaniel	Mboe / NPV10 (\$M)	Mboe / NPV10 (\$M)	Mboe / NPV10 (\$M)
Proved Developed Producing		74 / \$543	13 / \$215
Total Proved		97 / \$843	19 / \$279
Total Proved + Probable		141 / \$1,191	25 / \$366
Property LLR (November 2019)	x	0.43	0.29

Land Overview



Historical Field Production (Gross Working Interest)

