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Property Valuation Estimate of the Altitude North Property

Prepared for:

**The Special Committee of the Board of Directors of
Altitude Resources Inc.**

December 14, 2018

Prepared by:

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1.0 SUMMARY

Altitude North Project

The Altitude North Coal Property is located west of Grande Cache, in the front ranges of the Rocky Mountains in Alberta, Canada (Figure 1-1). The property consists of 14 lease application holding, totaling 19,380Ha (Table 1.1) that extends south-southeast to north-northwest along the historically mapped Luscar Group geological formation (Figure 1.2). Available information used in this evaluation consisted of an Alberta Geological Survey publication which provided valuable historic coal seam data for this property and a preliminary field prospecting / sampling program conducted and reported on by Dahrouge Geological Consulting Ltd. at the request of Altitude Resources Inc. (Dahrouge , 2015). Dahrouge also reports no other historic exploration reports surrounding and/or overlapping this Property could be acquired, however, provincial data searches support that no drilling has taken place on or immediately adjacent to the Property and no current or historical “Resource Estimates” or “Exploration Target” were identified on the property.

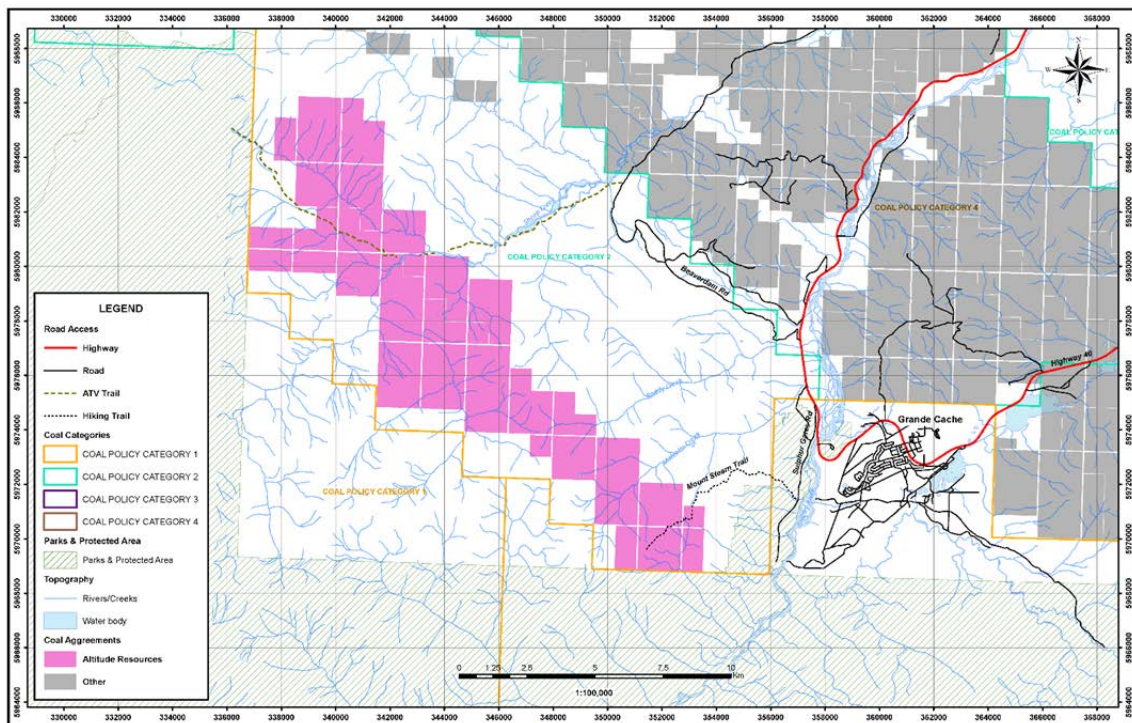


Figure 1: Altitude North Project Location Map (From Dahrouge, 2015)

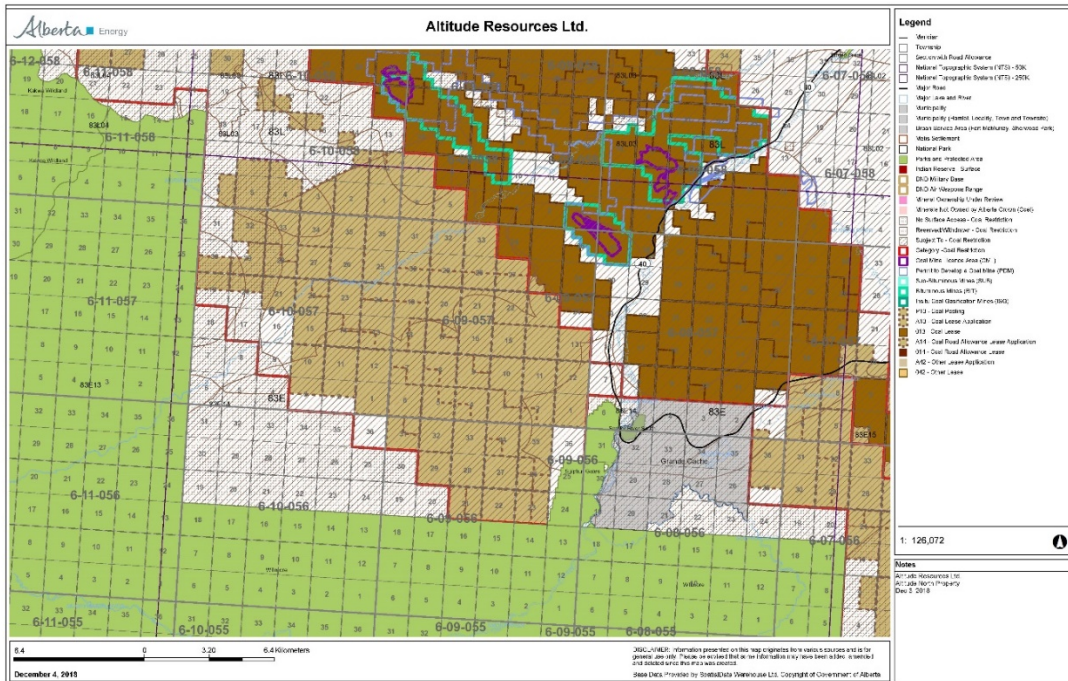


Figure 2: Altitude North Property Map, (Alberta Government website-Dec, 2018)

Valuation Approach and Method

The author chose the “Cost Approach”, specifically the “Appraised Value Method”, to value the Altitude North Project. Numerous authors have described the merits of using the “Cost Approach” for the valuation of exploration properties. However, the author has specifically utilized and referred to papers by Roscoe, 1999, Roscoe 2001 and van der Merwe, 2017, as a guideline to applying the “Cost Approach”. The author decided this was the best valuation approach and method that best suited an early stage exploration project, such as the Altitude North Property.

The “Appraised Value Method” is based on the premise that the exploration property lies in its potential for the existence and discovery of an economic mineral deposit and that the amount of exploration expenditure justified on a property is related to its value. The basic tenet of this method is that the exploration property is worth the meaningful past exploration expenditures plus warranted future costs (Roscoe, 1999). The Appraised Value may have to be adjusted to Fair Market Value based on various specific conditions that could increase or decrease the value as of the transaction date.

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Valuation

Based on the available information and applying the “Appraised Value Method” of the “Cost Approach” to valuating exploration properties the implied range of value for the Altitude North Property is CAN \$113,000 to CAN \$164 ,000.

Appraised Value (2018)

Land Application Cost	\$77,000
Retained value of past work	\$29,000
Warranted future Exploration (year)	\$120,000
Appraised value (cost base)	\$226,000
Fair market value adjustment (50% to 75%)	\$113,000 to \$170,000

About the Author

Altitude Resources Inc. contracted Kaybri Resource Management Ltd. to supply a written letter report, based on an independent review of the available information available on the Altitude North Property that outlines the estimated value of the Altitude North Coal Property.

Brad Van Den Bussche holds a B.Sc (Honors) in Geology from the University of Manitoba, and is registered as a Professional Geologist with A.P.E.G.A. in Alberta, Canada. A large part of his experience has involved coal exploration throughout Canada and worldwide. Consulting and project expertise includes coal, unconventional gas, industrial minerals, base and precious metals projects. He has a solid technical and practical background in all aspects of geology, has a very good understanding of environmental issues, logistics and community & government relationships. He has acted as a Qualified Person/Competent person for Technical Reports, Press Releases and Corporate documents.

Brad is well qualified to provide this property valuation on the Altitude North Coal Property as he has significant experience in similar properties and in the regional area, and understands clearly the exploration process, the cost, the logistics and the risk reward balance as exploration progresses.

2.0 INTRODUCTION

Altitude Resources Inc. (Altitude) is a publicly held coking coal exploration and development company based in Calgary, Alberta. The Altitude North Property is located in the foothills and front ranges of the Rocky Mountains of Alberta, between about 7 and 20 km west north-west of the Town of Grande Cache.

Located in the Municipal District of Greenview No. 16, the Community of Grande Cache serves as the primary population center. The community is accessible via Highways No. 16 and 40 north, as well as by air via the Grande Cache Municipal Airport (10km south). Basic amenities and infrastructure are provided within the community. The area is serviced by rail (Canadian National Railway & Alberta Resources Railway) and has the capacity to accommodate coal unit trains. Access is mainly via helicopter as well as gravel logging roads, ATV trails, seismic lines, and hiking trails which provide limited access to the perimeter of the Property.

The property lies adjacent and to the west of the Grande Cache / Smokey River Mine area. The mine has been operated by a number of groups historically, and has gone through cycles of production, closures and bankruptcies. Most recently the mines owners Grande Cache Coal (GCC) closed in 2015 and was forced into receivership in January 2107 when its Chinese owners defaulted on debt payments. Sonisfield Global Ltd., a Chinese resource investment company, was recently awarded the GCC assets through a court approved sale. Sonic field is in the process of restarting the mine.

Kaybri Resource Management Ltd. (Kaybri) has been contracted to produce a property valuation estimate report for Altitude North. This report is to be based on the available historical Alberta Government information and an Altitude exploration report completed by Dahrouge Geological Consulting. The "Cost Approach – Appraisal Method" will be used with consideration and adjustments significant factors such as the level of geological exploration completed, proximity to infrastructure, favourable geology, coal quality, proximity to existing or potential mining on surface or underground and status of mineral dispositions. This evaluation method is deemed reasonable to achieve a fair price for the assets, however, in reality, a coal property, or any asset, is only worth what someone is willing to pay at that time.

The Altitude North property information contained in the report has been obtained from:

- 2015 Project Evaluation Report Altitude North Coal Property, Alberta, Canada. Effective date: June 28, 2015. Prepared by: Dahrouge Geological Consulting, Edmonton, Alberta; and

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- Alberta Energy, Government of Alberta website, Coal Tenure Map and Database
- Richardson, R.J.H, et Al, 1990, Coal Compilation Project

The reports referenced above should be used in conjunction with this valuation estimate. They describe in more detail the following information on the Altitude North Coal Property:

2.1 Mineral Tenure

The Property consists of fourteen contiguous coal leases applications, which were acquired through open Public Tender of undisposed Coal Rights, covering an area of approximately 19,400 Ha. The land that comprises the Property is Crown Land. The fourteen coal lease applications are held by Altitude Resources Inc. and are summarized in Table 1.1.

Table 1: Altitude North Coal Lease Application Agreements.

Lease Type	Lease Number	Lease Status	Area (hectares)	Renewal Date
A13	120306001	APPL-COAL LEASE	1664	-
A13	120306002	APPL-COAL LEASE	1792	-
A13	120306003	APPL-COAL LEASE	1728	-
A13	150028001	APPL-COAL LEASE	832	-
A13	150028002	APPL-COAL LEASE	1536	-
A13	170092301	APPL-COAL LEASE	2112	
A13	170092302	APPL-COAL LEASE	1984	
A13	170162901	APPL-COAL LEASE	1028	
A13	170162902	APPL-COAL LEASE	2096	
A13	170162903	APPL-COAL LEASE	1408	
A13	170035201	APPL-COAL LEASE	704	
A13	170035202	APPL-COAL LEASE	960	
A13	160207101	APPL-COAL LEASE	896	
A13	150159801	APPL-COAL LEASE	640	
Total			19,380	

The coal lease applications are all within Category 2 zoning which has restrictions on the type of exploration and development permitted. Below is the definition of Category 2 lands as defined by the Alberta Government.

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“Category 2 Limited Exploration, Restricted Development Limited exploration, only, is desirable in Category 2 areas and may be permitted under strict control. But commercial development by surface mining will not normally be considered at present. This category contains land in the Rocky Mountains and foothills for which the preferred land or resource use remains to be determined; and areas where infrastructure is generally absent or considered inadequate to support major mining operations. Category 2 also contains small pockets of land of high environmental sensitivity, in which neither exploration nor development will be permitted. Underground mining or in situ operations may be allowed in areas within Category 2 where the surface effects of the operation are deemed environmentally acceptable.”

2.2 Geological Setting and Mineralization (Excerpts from Dahrouge, 1985)

2.2.1 Regional Geology

The Altitude North Coal Property is located on the eastern edge of the Foreland Belt Rocky Mountain thrust belt in west central Alberta. The rocks underlying the property occur within the predominantly continental Lower Cretaceous Luscar Group (Langenberg and McMechan, 1985) which is equivalent to the Blairmore Group in Southern Alberta and Fort St. John Group in northeast B.C.

Strata of the Luscar Group are divided into four Formations identified in ascending order as the Cadomin, Gladstone, Moosebar and Gates Formations. The Gates Formation contains the coal-bearing sequence in the Luscar Group, and consists primarily of sandstones, siltstones and coal cyclothem. The Grande Cache Member of the Gates Formation is the coal-bearing unit referred to as the Grande Cache Member. This Member consists of fine sandstones, siltstones and mudstones, and continuous coal seams. The Grande Cache Member is approximately a 150 m thick on the property, and within it, seven distinct coal seams have been identified.

Structural geology in the Foothills area of the Rocky Mountain Thrust Belt is characterized by west-dipping sub-parallel thrust faults of varying displacement, with generally northwest-southeast traces. These are accompanied by asymmetrical to overturned folds often with steep west to southwest-dipping axial planes which also trend northwest-southeast. Coal-bearing sediments of the Luscar Group are exposed in a northwest-trending belt bounded by over-thrust Paleozoic or pre-Jurassic Fernie Group sediments to the southwest, and younger mid to upper Cretaceous marine sediments of the Shaftsbury, Dunvegan and Kaskapau Formations to the northeast (Langenberg et al, 1987).

It generally takes a significant amount of drilling to upgrade the resource categories, depending on the extent of the structural deformity, and the classification of the severity of that deformation, as laid out in GSC paper 88-21 (Hughes, et al, 1989), which is generally used as the basis for NI 43-101 resource reports (CIM, 2010) for coal properties.

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2.2.2 Property Geology

Detailed geology mapping has not been completed for the project area, restricting mapping to the undivided Luscar Group and its basal Cadomin conglomerate marker unit.

Current mapped stratigraphy of the Property only shows the undivided Luscar Group and its basal Cadomin marker unit. The Formations and members of the Luscar Group have not been mapped in detail; however, the continuous coal seams and bedding measurements indicate that the Grande Cache Member of the Gates Formation can be traced laterally.

The Luscar sediments have been folded and thrust with a northwest to southeast trend. The thrust faults have been historically mapped along the northeast boundaries of the Luscar Group. Detailed folding has only been mapped in the south, which was done during the 2015 Evaluation of the Property.

There have been a total of seven main coal seams identified during the preliminary evaluation, across a section in the northern portion of the property. Five of these seams have been identified in the southern area of the property, with the limited mapping that has been completed. These coal seams are visually traceable over large distances and range in thickness from 0.3 to 5 m. Detailed mapping is required to properly define these seams and their stratigraphic relationship.

2.3 Historic Data Compilation (Excerpts from Dahrouge, 1985)

Historic data was compiled for the project area using work collected by the Alberta Geological Survey. A provincial data search supports that no drilling or large equipment work has been completed on the Property. A total of 19 coal seams had been identified on the property, with reflectance values reported for 10 of these seams. Detailed descriptions were not available for the identified seams and no other historic work reports could be acquired for the Property. Coal seam locations and reflectance values were georeferenced from Regional Coal Mapping – Grande Cache NTS 83E / 14 (1:50,000 scale map).

Dahrouge completed a desktop evaluation and the follow-up four day field evaluation in June 2015 focused on locating, describing, and sampling new and historic coal seam targets. Significant coal seam intersections were identified and traced south to north along the entire extent of the property. These seams were sampled and a total of 11 samples were sent for proximal and petrographic analysis. All samples were collected from near surface coal exposures, resulting in the collection of oxidized samples (Dahrouge et al, 2015).

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2.4 Access

Access to the Altitude North Coal Property boundary is limited to ATV, hiking trails and proximally located roads. Access via these trails can be further restricted do to seasonal wildlife closures and during the high water season, as trails have been constructed along creek beds. Alternatively, all areas of the property can be directly accessed via helicopter.

2.5 Resources

There are no current or historic “Resource Estimates” known for the Altitude North Property

2.6 Exploration Targets

There is no current or historic “Exploration Target” known for the Altitude North Property

3.0 VALUATION METHODOLOGY

3.1 Overview

When one considers value or valuation of mineral exploration properties, we are really referring to fair market value (the amount that would be paid in a deal between a willing buyer and a willing seller as of a given or effective date) of the mineral rights, which in this case are held as Coal Lease Applications in the province of Alberta.

One must also consider the type of mineral property that is being valued, a development property, a marginal development property or an exploration property. The Altitude North property is considered an early stage exploration property, as no economically viable deposit has been demonstrated to exist, and no resource or exploration target has been defined for the property. As an exploration stage property, it is assumed the property is acquired for its perceived potential to host economic mineral deposits (Roscoe, 2001).

The 3 standard approaches for valuation of mineral properties are:

- the “Income Approach” is typically used for the valuation of Development properties,
- the “Market Approach” is suitable for both development and exploration properties that typically have resources or exploration targets associated with them or advanced exploration,
- the “Cost Approach” is suitable for early stage and exploration properties, lacking suitable market comparables.

Any valuation methodology for an early stage exploration resource property is somewhat subjective and difficult to assess as most of the value is perceived and little is quantified. The “Cost Approach” is considered to be particularly useful when considering properties that are in the earlier stages of exploration (van der Merwe, 2017), such as the Altitude North Property.

3.2 Cost Approach

The “Cost Approach”, specifically the “Appraised Value Method”, was used to value the project. Numerous other authors have described the merits of using the “Cost Approach” for the valuation of exploration properties. However, the author has specifically utilized and referred to papers by Roscoe, 1999, Roscoe 2001 and van der Merwe, 2017, as a guideline to applying the “Cost Approach”.

The “Appraised Value Method” is based on the premise that the value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit

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and that the amount of exploration expenditure justified on a property is related to its value. The basic tenet of this method is that the exploration property is worth the meaningful past exploration expenditures plus warranted future costs (Roscoe, 1999) The appraised value may have to be adjusted to “Fair Market Value” based on various specific conditions that could increase or decrease the value as of the transaction date. Political factors, tenure status, environmental and socio factors, commodity prices, proximity to infrastructure and proximity to other operators, as of the effective date of the valuation, may need to be considered when making adjustments to market value.

When using the “Cost Method” of valuation it is important to first determine the Cost or Expenditure Base of the property, then make an adjustment to the cost base to reflect Fair Market Value as of the effective date of the report.

Factors to be considered in determining the cost base are (van der Merwe, 2017):

- Which expenditures should be included or excluded, ie what are reasonable and relevant expenditures?
- What if the actual costs for an historic exploration activity are not available?
- How far back should one consider exploration costs to still be relevant?
- Does one adjust historical costs to reflect the Valuation / Effective date?
- Does one include projected future expenditure costs?

3.3 Valuation Estimate

In the case of Altitude North, it was a rather straight forward exercise to evaluate the amount and relevance of those expenditures.

The \$77,000 cost of acquiring the Coal Lease Applications is considered to be valued at its full cost, as without it there is no value.

The limited exploration conducted on the Altitude North Project is also considered at its full value (\$29,000). The expenses are considered reasonable and relevant, incurred within the past 5 years and resulted in positive indications of favourable geology, the existence of significant coal seams and attractive coal quality, warranting additional exploration.

In the authors opinion, the past exploration costs incurred are recent enough that no material change in exploration costs occurred between 2015 and 2018, thus no adjustments have been made to the actual costs incurred.

As the past exploration work demonstrates that additional work on the property is warranted, the author considers it reasonable to add warranted future costs for the next stage of exploration amounting to \$120,000.

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Adding the Coal Lease Application cost, the reasonable retained past expenditures and warranted future costs for the next stage of exploration, the appraised value or cost base for the Altitude North property is \$226,000.

Potential market factors and whether they would have a positive or negative effect on the Fair Market Value include:

Discounting Factors:

- Mineral Disposition situation - Category 2 land status; coal lease application vs coal lease
- Proximity to parks and reserve lands
- Complex Geology
- Limited Ground Access

Premium Factors:

- Rail/Power infrastructure proximity
- Planned reopening of nearby Grande Cache mining operations
- Appreciation of coking coal prices

In consideration of the market factors above, the author recommends a “Fair Market Value” for the Altitude North project to be between 50% and 75% of the appraised value or cost base.

3 Altitude North Valuation

Based on the available information and applying the “Appraised Value Method” of the “Cost Approach” to valuating exploration properties the implied range of value for the Altitude North Property is CAN \$113,000 to CAN \$164 ,000.

Appraised Value (2018)

Land Application Cost	\$77,000
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Fair market value adjustment (50% to 75%)	\$113,000 to \$170,000

4.0 REFERENCES

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