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## Earth Horse Energy Advisors' Monthly Market Overview June 2021

During the month of June 2021, 43 of the 45 TSX-listed E&P companies with operations focused mainly in Canada experienced an increase in their share price. The increase of those that rose ranged from 0.23% to 96.30%, with an average of increase of 24.22%. Two companies experienced a decline in their share price, those being **Tamarack Valley Energy Ltd.** and **Imperial Oil Limited**, which fell 3.38% and 6.97% respectively. As a group, the average gain in the month was 22.91% while the median gain was 17.54%.

As outlined below, AECO continued to increase month-over-month, rising 11.72% to USD\$2.86/Mmbtu in June; AECO was up 8.02% in May and 11.79% in April. NYMEX charged forward in June, increasing 17.06% to USD\$3.27/Mmbtu. WTI crude oil increased 10.04% to USD\$72.98/bbl, while Edmonton Par and Western Canadian Select had more substantial increases, rising 13.70% and 15.58% respectively, ending the month at USD\$70.40/bbl (Cdn Light) and USD\$60.30/bbl (WCS). The Canadian dollar softened in June, falling 2.73% to 0.8060 from 0.8287 at the end of May.

Below we illustrate the changes in commodities and in the Canadian dollar during June 2021.

|  | WTI Oil<br>(\$USD/bbl) | WCS<br>(\$USD/bbl) | Cdn Light<br>(\$USD/bbl) | C5+<br>(\$USD/bbl) | NYMEX<br>(\$USD/Mmbtu) | AECO<br>(\$USD/Mmbtu) | CDN\$/USD\$ |
|--|------------------------|--------------------|--------------------------|--------------------|------------------------|-----------------------|-------------|
| <b>June 2021 Average</b>               | \$71.35                | \$57.52            | \$67.19                  |                    | \$3.27                 | \$2.73                | 0.8178      |
| <b>End of June 2021</b>                | \$72.98                | \$60.30            | \$70.40                  | \$72.05            | \$3.50                 | \$2.86                | 0.8060      |
| <b>End of May 2021</b>                 | \$66.32                | \$52.17            | \$61.92                  | \$64.22            | \$2.99                 | \$2.56                | 0.8287      |
| <b>Month-over-Month Change</b>         | 10.04%                 | 15.58%             | 13.70%                   | 12.19%             | 17.06%                 | 11.72%                | -2.73%      |
| Sources: Oil Sands Magazine<br>DFX.com |                        |                    |                          |                    |                        |                       |             |

### TSX-Listed E&P (Canadian Focused Operations) June 2021 Share Price Movements

As outlined below, the three biggest movers to the upside during June were **Obsidian Energy Ltd.**, **Crew Energy Inc.** and **Journey Energy Inc.** increasing 96.30%, 88.89% and 72.22% respectively.

Obsidian had a strong and steady rise in June as its share price rose from \$2.16/share to \$4.24/share. The company announced that it expected to commence its second half 2021 drilling program two weeks earlier than anticipated due to the company constructing padsites earlier in the year. Obsidian expects to drill 23 wells (20.6 net) through a two-rig continuous drilling program focusing predominantly in on its Willesden Green and Pembina Cardium assets. Combined with the nine (9.0 net) wells drilled in our first half 2021 program, Obsidian expects to bring 25 wells (22.8 net) on production in 2021 with the remaining seven wells (6.8 net) expected on production early in the first quarter of 2022.

Crew's share price increased from \$1.17/share to \$2.21/share during June while Journey increased from \$0.90/share to \$1.55/share.

As mentioned in my May 2021 Market Overview, Journey was in a consolidation pattern bouncing from \$0.70/share to \$0.96/share and early in June looked ready to retest the \$1.40/share price from early March. Journey was on its way to test the \$1.40/share on June 24<sup>th</sup> and released news that it had entered into a definitive agreement with Briko Energy Corp. to acquire the company for a net purchase price of \$6.27 million. Journey reached a high of \$1.74/share on June 29.

| Company                       | Ticker | June 2021<br>% Change | End of<br>June 2021 | End of<br>May 2021 |
|-------------------------------|--------|-----------------------|---------------------|--------------------|
| <b>Top Three % Performers</b> |        |                       |                     |                    |
| Obsidian Energy Ltd.          | OBE    | 96.30%                | \$4.24              | \$2.16             |
| Crew Energy Inc.              | CR     | 88.89%                | \$2.21              | \$1.17             |
| Journey Energy Inc.           | JOY    | 72.22%                | \$1.55              | \$0.90             |

Of the three largest gainers in May 2021, all continued to experience gains in June. **InPlay Oil Corp.** was up 64%, rising to \$1.23/share while **Prairie Provident Resources Ltd.** and **Gear Energy Ltd.** edged up 15.38% and 4.94% respectively.

## TSX-Listed E&P (Canadian Focused Operations) June 2021 Share Price Movements

Below is a list of all 45 TSX-listed E&P companies with operations focused mainly in Canada and their movements during the month. During June 2021, 43 companies saw their share price increase while two declined.

Of the 43 companies that increased during June 2021, the average gain was 24.22% ranging from 0.23% to 96.30%. Two companies declined in the month, falling 3.38% and 6.97%.

Overall, during June 2021, the average gain was 22.91% while the median gain was 17.54%.

| Company  | Ticker | June 2021<br>% Change | End of<br>June 2021 | End of May<br>2021 |
|--|--------|-----------------------|---------------------|--------------------|
| Obsidian Energy Ltd.                           | OBE    | 96.30%                | \$4.24              | \$2.16             |
| Crew Energy Inc.                               | CR     | 88.89%                | \$2.21              | \$1.17             |
| Journey Energy Inc.                            | JOY    | 72.22%                | \$1.55              | \$0.90             |
| i3 Energy plc                                  | ITE    | 68.97%                | \$0.25              | \$0.15             |
| InPlay Oil Corp.                               | IPO    | 64.00%                | \$1.23              | \$0.75             |
| Birchcliff Energy Ltd.                         | BIR    | 46.89%                | \$5.20              | \$3.54             |
| Peyto Exploration & Development Corp.          | PEY    | 45.22%                | \$8.35              | \$5.75             |
| Yangarra Resources Ltd.                        | YGR    | 38.66%                | \$1.65              | \$1.19             |
| Pipestone Energy Corp.                         | PIPE   | 31.98%                | \$2.27              | \$1.72             |
| NuVista Energy Ltd.                            | NVA    | 30.07%                | \$3.98              | \$3.06             |
| Athabasca Oil Corporation                      | ATH    | 27.27%                | \$0.98              | \$0.77             |
| Advantage Energy Ltd.                          | AAV    | 25.56%                | \$5.06              | \$4.03             |
| Pieridae Energy Limited                        | PEA    | 23.26%                | \$0.53              | \$0.43             |
| Petrus Resources Ltd.                          | PRQ    | 23.08%                | \$0.80              | \$0.65             |
| Ovintiv Inc.                                   | OVV    | 20.77%                | \$39.07             | \$32.35            |
| Pine Cliff Energy Ltd.                         | PNE    | 20.59%                | \$0.41              | \$0.34             |
| Tourmaline Oil Corp.                           | TOU    | 20.31%                | \$35.43             | \$29.45            |
| Baytex Energy Corp.                            | BTE    | 19.50%                | \$2.39              | \$2.00             |
| Topaz Energy Corp.                             | TPZ    | 18.74%                | \$17.30             | \$14.57            |
| Paramount Resources Ltd.                       | POU    | 18.26%                | \$17.16             | \$14.51            |
| Bonterra Energy Corp.                          | BNE    | 17.66%                | \$5.53              | \$4.70             |
| Surge Energy Inc.                              | SGY    | 17.54%                | \$0.67              | \$0.57             |
| Cenovus Energy Inc.                            | CVE    | 17.54%                | \$11.86             | \$10.09            |
| Vermilion Energy Inc.                          | VET    | 16.03%                | \$10.86             | \$9.36             |
| TransGlobe Energy Corporation                  | TGL    | 15.61%                | \$2.37              | \$2.05             |
| Prairie Provident Resources Inc.               | PPR    | 15.38%                | \$0.08              | \$0.07             |
| Storm Resources Ltd.                           | SRX    | 14.63%                | \$4.23              | \$3.69             |
| Perpetual Energy Inc.                          | PMT    | 14.29%                | \$0.24              | \$0.21             |
| ARC Resources Ltd.                             | ARX    | 13.56%                | \$10.55             | \$9.29             |
| PrairieSky Royalty Ltd.                        | PSK    | 13.03%                | \$15.01             | \$13.28            |
| International Petroleum Corporation            | IPCO   | 11.00%                | \$5.75              | \$5.18             |
| Crescent Point Energy Corp.                    | CPG    | 10.87%                | \$5.61              | \$5.06             |
| Enerplus Corporation                           | ERF    | 9.33%                 | \$8.91              | \$8.15             |
| Kelt Exploration Ltd.                          | KEL    | 8.62%                 | \$3.53              | \$3.25             |
| Freehold Royalties Ltd.                        | FRU    | 8.19%                 | \$9.77              | \$9.03             |
| MEG Energy Corp.                               | MEG    | 6.91%                 | \$8.97              | \$8.39             |
| Cardinal Energy Ltd.                           | CJ     | 6.73%                 | \$3.49              | \$3.27             |
| Canadian Natural Resources Limited             | CNQ    | 6.23%                 | \$45.00             | \$42.36            |
| Questerre Energy Corporation                   | QEC    | 5.88%                 | \$0.18              | \$0.17             |
| Suncor Energy Inc.                             | SU     | 5.81%                 | \$29.69             | \$28.06            |
| Gear Energy Ltd.                               | GXE    | 4.94%                 | \$0.85              | \$0.81             |
| Whitecap Resources Inc.                        | WCP    | 0.82%                 | \$6.16              | \$6.11             |
| Headwater Exploration Inc.                     | HWX    | 0.23%                 | \$4.36              | \$4.35             |
| Tamarack Valley Energy Ltd.                    | TVE    | -3.38%                | \$2.57              | \$2.66             |
| Imperial Oil Limited                           | IMO    | -6.97%                | \$37.78             | \$40.61            |
| Average Gain                                   |        | 22.91%                |                     |                    |
| Median Gain                                    |        | 17.54%                |                     |                    |
| Number of Companies with Share Price Increases |        | 43                    |                     |                    |
| Number of Companies Flat Month Over Month      |        | 0                     |                     |                    |
| Number of Companies with Share Price Declines  |        | 2                     |                     |                    |
| Max  |        | 96.30%                |                     |                    |
| Min  |        | -6.97%                |                     |                    |

## TSX-Venture Listed E&P (Canadian Focused Operations) June 2021 Share Price Movements

As outlined below, during June 2021 of the 27 TSX-Venture listed E&P companies with operations focused mainly in Canada, 13 saw their share prices increase, eight stayed flat month-over-month and six companies' share prices declined. One, company, **International Frontier Resources Corp.** was removed as it is no longer listed. Next month, **Highwood Oil Company Ltd.** will be removed as it no longer fits the criteria of an E&P company. We mentioned it in this months report mainly because of its share appreciation.

Of the companies that had their share prices rise, increases ranged from 1.52% to 100% with an average increase of 34.05%. **Highwood Oil Company Ltd.** had the largest increase, followed by **Hemisphere Energy Corporation** at a 56.14% increase, **Pulse Oil Corp.** with a 56.14% increase (it increased 60% in May) and **ROK Resources Inc.** increased 44.44% from \$0.18/share to \$0.26/share.

Of the companies with declining share prices, the drops ranged from 3.13% to 30% with an average decline of 15.54%. **Saturn Oil & Gas Inc.** had the largest decline in June falling 30%. Recall that in May, Saturn's share price increased 66.67% on the back of the announcement that it was acquiring assets in SE Saskatchewan from **Crescent Point Energy Corp.** for \$93.0 million. **Softrock Minerals Ltd.** fell 25% from \$0.04/share to \$0.03/share while **Cuda Oil & Gas Inc.** fell 14.29% to \$0.06/share in June; in May Cuba fell 12.50%.

On a combined basis, the group had an average increase in June 2021 of 12.94% while the median increase was 0.00%.

Of the top % gainers in May 2021, Huntington Exploration Inc. fell 3.13% in June, Cobra Ventures Corporation was up an additional 42.86% increasing to \$0.20/share while Hemisphere was up 56.14%.

| Company                        | Ticker | June 2021 % Change | End of June 2021 | End of May 2021 |
|--------------------------------|--------|--------------------|------------------|-----------------|
| Highwood Oil Company Ltd.      | HOCL   | 100.00%            | \$18.50          | \$9.25          |
| Hemisphere Energy Corporation  | HME    | 56.14%             | \$0.89           | \$0.57          |
| Pulse Oil Corp.                | PUL    | 50.00%             | \$0.06           | \$0.04          |
| ROK Resources Inc.             | ROK    | 44.44%             | \$0.26           | \$0.18          |
| Cobra Venture Corporation      | CBV    | 42.86%             | \$0.20           | \$0.14          |
| Vital Energy Inc.              | VUX    | 33.33%             | \$0.08           | \$0.06          |
| Spartan Delta Corp.            | SDE    | 22.81%             | \$6.03           | \$4.91          |
| Leucrotta Exploration Inc.     | LXE    | 22.06%             | \$0.83           | \$0.68          |
| Pan Orient Energy Corp.        | POE    | 20.00%             | \$1.08           | \$0.90          |
| Samoth Oilfield Inc.           | SCD    | 20.00%             | \$0.06           | \$0.05          |
| Altura Resources Ltd.          | ATU    | 18.42%             | \$0.23           | \$0.19          |
| PetroFrontier Corp.            | PFC    | 11.11%             | \$0.10           | \$0.09          |
| Razor Energy Corp.             | RZE    | 1.52%              | \$0.67           | \$0.66          |
| Altima Resources Ltd.          | ARH    | 0.00%              | \$0.05           | \$0.05          |
| Bayshore Petroleum Corp.       | BSH    | 0.00%              | \$0.03           | \$0.03          |
| Canadian Spirit Resources Inc. | SPI    | 0.00%              | \$0.08           | \$0.08          |
| Petrolympic Ltd.               | PCQ    | 0.00%              | \$0.09           | \$0.09          |
| Petrox Resources Corp.         | PTC    | 0.00%              | \$0.03           | \$0.03          |
| Prairie Storm Resources Corp.  | PSEC   | 0.00%              | \$0.32           | \$0.32          |
| Prospera Energy Inc.           | PEI    | 0.00%              | \$0.07           | \$0.07          |
| Wescan Energy Corp.            | WCE    | 0.00%              | \$0.06           | \$0.06          |
| Huntington Exploration Inc.    | HEI    | -3.13%             | \$0.31           | \$0.32          |
| Tenth Avenue Petroleum Corp.   | TPC    | -8.33%             | \$0.06           | \$0.06          |
| Perisson Petroleum Corporation | POG    | -12.50%            | \$0.04           | \$0.04          |
| Cuda Oil & Gas Inc.            | CUDA   | -14.29%            | \$0.06           | \$0.07          |
| Softrock Minerals Ltd.         | SFT    | -25.00%            | \$0.03           | \$0.04          |
| Saturn Oil & Gas Inc.          | SOIL   | -30.00%            | \$0.14           | \$0.20          |
| Average                        |        | 12.94%             |                  |                 |
| Median                         |        | 0.00%              |                  |                 |
| Max                            |        | 100.00%            |                  |                 |
| Min                            |        | -30.00%            |                  |                 |

Highwood's share price increased 100% in June, raising from \$9.25/share to \$18.50/share. While the share price was steadily increasing from June 11<sup>th</sup> to the end of the month, there were only 13,327 shares traded during that time period and averaged less than 1,000 shares traded over the last 14 trading days. On June 16<sup>th</sup>, Highwood announced the resignation of Mr. Arif Shivji from its board of directors and welcomed Mr. Ryan Mooney of Echelon Capital Markets.

Hemisphere continued its move forward that commenced in May. The company's share price increased 56.14% during June, ending at \$0.89. Hemisphere announced that it had commenced injection of polymer into its Atlee Buffalo Upper Mannville G pool. Hemisphere owns and operates two oil pools in the Atlee Buffalo area, and has worked toward polymer conversion at the first of these two pools over the past 9 months. Hemisphere announced the following, "*Since obtaining 100% of the rights to the G pool, Hemisphere has already doubled the cumulative oil production from it by using horizontal wells and waterflood techniques. Going forward under polymer flood, McDaniel & Associates Consultants Ltd. has recognized over 10 MMboe (100% heavy crude oil) of additional reserves to be produced from this pool within the Proved plus Probable category, to be recovered at Finding and Development Costs of under \$2.00/boe (as booked in Hemisphere's year-end reserve report effective Dec 31, 2020).*"

Pulse's share price increased 50% in June, rising to \$0.06/share. During the month, Pulse released construction updates to its Bigoray facilities and current production which averaged approximately 330 boe/d during the week prior to the June 22, 2021 announcement.

| <b>Company</b>   | <b>Ticker</b> | <b>June 2021<br/>% Change</b> | <b>End of<br/>June 2021</b> | <b>End of<br/>May 2021</b> |
|--|---------------|-------------------------------|-----------------------------|----------------------------|
| <b><u>Top Three % Gainers</u></b>  |               |                               |                             |                            |
| Highwood Oil Company Ltd.  | HOCL          | 100.00%                       | \$18.50                     | \$9.25                     |
| Hemisphere Energy Corporation  | HME           | 56.14%                        | \$0.89                      | \$0.57                     |
| Pulse Oil Corp.  | PUL           | 50.00%                        | \$0.06                      | \$0.04                     |
| <b><u>Top Three % Decliners</u></b>  |               |                               |                             |                            |
| Saturn Oil & Gas Inc.  | SOIL          | -30.00%                       | \$0.14                      | \$0.20                     |
| Softrock Minerals Ltd.   | SFT           | -25.00%                       | \$0.03                      | \$0.04                     |
| Cuda Oil & Gas Inc.  | CUDA          | -14.29%                       | \$0.06                      | \$0.07                     |
| <b><u>June 2021 Overview</u></b>   |               |                               |                             |                            |
| Average  |               | 12.94%                        |                             |                            |
| Median   |               | 0.00%                         |                             |                            |
| Max  |               | 100.00%                       |                             |                            |
| Min  |               | -30.00%                       |                             |                            |
| <b><u>Previous Months (May 2021) Top % Gainers (June 2021 Performance)</u></b> |               |                               |                             |                            |
| Huntington Exploration Inc.  | HEI           | -3.13%                        | 0.31                        | 0.32                       |
| Cobra Venture Corporation  | CBV.V         | 42.86%                        | 0.20                        | 0.14                       |
| Hemisphere Energy Corporation  | HME.V         | 56.14%                        | 0.89                        | 0.57                       |

## Canadian E&P M&A Activity

In June 2021, there were a total of nine E&P deals announced in the Canadian oil & natural gas sector with total enterprise value of approximately \$1.4 billion; a value for the business combination between **Kiwetinochk Resources Corp.** and **Distinction Energy Corp.** was not included as the consideration was not disclosed. A joint information circular, which will include details of the arrangement, is expected to be mailed to Distinction and Kiwetinochk shareholders in late July or early August 2021; Earth Horse will update its database at that time. There was a total of 65,477 boe/d (17% liquids) of production announced that changed hands. The average price paid per flowing barrel was \$18,542/boe/d while the median was \$19,535/boe/d, the average price paid for P+P reserves was \$3.86/boe and the median price paid was \$2.23/boe. Only two transactions announced the net operating income, of which the prices paid were 2.8 times for each of the deals.

The largest transaction in June 2021, which accounted for 81% of the months total was **Tourmaline Oil Corp.**'s acquisition of **Black Swan Energy Ltd.** for \$1.14 billion, consisting of 26.0 million shares of Tourmaline and the assumption of \$350.0 million in net debt. The Black Swan acquisition complements Tourmaline's core Gundy development and, along with the more recent Polar Star, Chinook, and Saguaro transactions, will establish Tourmaline as the largest current North Montney producer with the most extensive future drilling and project inventory. Tourmaline now expects its production to average approximately 500,000 boe/d by mid-2022. Black Swan is expected to have production of 50,000 boe/d at closing of the transaction, expected in the second half of July 2021. Through the transaction, Tourmaline will acquire 2P reserves of 491.9 million boe, 1,600 Montney horizontal internally estimated drilling locations (237 booked in GLJ 2P Reserve category), 230,000 net acres of Montney rights and significant natural gas processing and transportation infrastructure. The acquisition purchase metrics were \$22,886/boe/d and \$2.33/boe for 2P reserves.

The second-largest transaction in June was the \$160.0 million acquisition of SE Saskatchewan producer, **Astra Oil Corp.** by **Surge Energy Inc.** Astra has production of 4,100 boe/d (90% liquids), approximately 16.6 MMboe (85% liquids) of 2P reserves, \$58.1 million in annual net operating income and a LMR of 5.4. The Astra Assets will also contribute significantly to Surge's ongoing ESG initiatives of reducing the impact of its operations on the environment. Astra is in the process of constructing a 45-kilometer gas gathering infrastructure system to conserve natural gas at critical facilities in SE Saskatchewan, reducing emissions from several operating fields. The project is estimated to cost approximately \$12 million and will be partially funded by Natural Resources Canada's Emissions Reduction Fund. Based on the \$160.0 million acquisition price, the acquisition prices paid were \$39,024/boe/d, \$9.64/boe on a 2P basis and 2.75 times estimated net operating income.

As previously mentioned, Kiwetinochk and Distinction announced a business combination whereby Kiwetinochk will acquire all shares of Distinction that it does not already own (approximately 50%) by way of an exchange of 20 Kiwetinochk shares for each Distinction share. Recall that in February 2021, the companies jointly acquired assets in the Simonette area of Alberta from **Ovintiv Inc.** for \$335.0 million.

**Cardinal Energy Ltd.** announced that it had entered into a definitive agreement with **Venturion Oil Limited** for a \$48.5 million, consisting of 6.3 million shares of Cardinal and \$28.0 million in cash (\$10.9 million will go to pay off Venturion's net debt). Venturion's assets consist of approximately 2,400 boe/d of production (~83% oil) focused in central Alberta and other minor properties. The majority of the acquired assets fall into Cardinal's Wainwright operating area. Concurrent with the announcement of the transaction, Cardinal announced that it will issue up to \$12.5 million principal amount of subordinated second lien secured notes which will bear interest at 10% per annum and have a three-year term. As part of the Note financing, Cardinal has also agreed to issue one common share purchase warrant ("Warrant") for each \$5.00 principal amount of Notes. Each Warrant will entitle the holder to acquire one Common Share at an exercise price equal to the deemed price of the Common Shares being issued pursuant to the Acquisition (\$3.16) for a period of 36 months commencing six months from the issue date. The Note Financing is expected to be fully funded by insiders of the Company. Based on the \$48.5 million acquisition price, the acquisition prices paid were \$20,209/boe/d and \$6.47/boe for Venturion's 7.5 MMboe of PDP reserves (as evaluated by Cardinal).

**Petro Viking Energy Inc.** announced a transaction with **Avila Energy** to acquire its assets in west-central Alberta for \$50.66 million, consisting of 40.44 million Class A common shares at \$0.60/share and 30.0 million convertible preferred shares convertible at \$0.80/share dependent on certain criteria. In our analysis, we used the share price of Petro Viking the day before the announcement of the transaction of \$0.28/share; since the announcement of the transaction, Petro Viking's share price has reached a high of \$0.42/share but far from \$0.60/share. Based on a share price for the Class A shares, the transaction is valued at \$37.7 million. It is stated that Avila has current production of 2,000 boe/d and TP reserves of 15.3 million boe and 28.0 million boe on a 2P basis. Based on a transaction value of \$37.7 million, the metrics are \$18,862/boe/d and \$1.35/boe on a 2P basis. Prior to closing the transaction, Petro Viking will seek approval of a formal name change to Avila Energy and appoint Mr. Leonard B. Van Betuw as a Director and as the President & CEO of the company.

**Spartan Delta Corp.** announced strategic asset acquisitions in the Gold Creek and Simonette areas for total consideration of \$10.1 million in cash. The acquired assets include 33,500 net acres of Montney rights, 100 net Montney locations, 300 boe/d (56% liquids) of production behind pipe and associated 100% owned and operated facilities.

As previously mentioned, **Journey** announced that it had entered into a definitive agreement to purchase **Briko** for \$6.27 million, consisting of 3.5 million shares of Journey and \$2.9 million in cash; Briko will have a working capital surplus of \$0.8 million at closing. Briko has production of approximately 610 boe/d (76% natural gas) primarily in the Nordegg and Grande Cache areas of Alberta, 195,028 net acres of undeveloped land, a forecasted 2021 net operating income of \$2.23 million and 1.78 MMboe, 2.25 MMboe and 2.92 MMboe of PDP, TP and 2P reserves respectively. Based on the \$6.27 million acquisition price, the acquisition prices paid were \$10,270/boe/d, 2.8X net operating income and \$3.52/boe on a PDP basis, \$2.78/boe on a TP basis and \$2.14/boe on a 2P basis. These were not adjusted for land value.

Other deals announced in June, included **Altura Energy Inc.** and **Perisson Petroleum Corp.** Altura announced the closing of its fourth and final stage of the disposition of a 1.375% working interest in all of the company's assets for \$875,000; Altura sold a total of 12.5% of the company's assets from December 2019 to June 15, 2021 for total proceeds of \$7.0 million. Perisson announced that it had increased its working interest in its Twining property through the exercise of several right of first refusal options. The interests acquired through the ROFR exercise are estimated to increase Perisson's production by approximately 19%. In addition, the company is planning to reactivate several wells shut-in due to low oil prices during 2020.

## **Canadian E&P M&A Total & Metrics for Q2 2021**

During the second quarter of 2021, there were a total of 26 transactions announced with a total transaction value of \$3.07 billion. A total of 104,172 boe/d of production changed hands (some transactions did not disclose the production that transacted).

The average acquisition metrics were \$34,810/boe/d, \$18.32/boe for PDP reserves, \$3.33/boe for TP reserves and \$3.64/boe on a 2P basis while it was 3.4 times net operating income.

The median acquisition metrics were \$22,886/boe/d, \$6.47/boe for PDP reserves, \$2.79/boe for TP reserves and \$2.11/boe on a 2P basis while it was 3.3 times net operating income.

## **Canadian E&P M&A Total & Metrics for H1 2021**

During the first half of 2021, there were a total of 42 transactions announced with a total transaction value of \$10.2 billion. A total of 357,202 boe/d of production changed hands (some transactions did not disclose the production that transacted).

The average acquisition metrics were \$36,518/boe/d, \$19.02/boe for PDP reserves, \$3.58/boe for TP reserves and \$4.21/boe on a 2P basis while it was 3.5 times net operating income.

The median acquisition metrics were \$30,769/boe/d, \$14.17/boe for PDP reserves, \$2.80/boe for TP reserves and \$2.18/boe on a 2P basis while it was 3.7 times net operating income.

## Board of Director & Executive Changes

**Kelt Exploration Ltd.** announced the appointment of Ms. Janet E. Vellutini as a director of the Company effective July 1, 2021. Ms. Vellutini is a professional engineer and has extensive experience in gas marketing and most recently was a Marketing Consultant at a Calgary-based private energy company. She has over 30 years of experience in gas marketing and a total of 36 years in the oil and gas industry. Ms. Vellutini is expected to be appointed as a member of the Compensation Committee, the Audit Committee and the Reserves Committee of the Board. Kelt also announces the retirement of Mr. Robert J. Dales, as a director, effective July 1, 2021. Mr. Dales has served as a director of the Company since its inception and was Lead Director and a member of the Compensation, Audit and Reserves Committees of the Board.

**Ovintiv Inc.** announced that Mr. George L. Pita has been named as an independent member of its board of directors, effective July 1, 2021. Mr. Pita, currently serves as the executive vice president and chief financial officer of MasTec, Inc., a leading North American infrastructure construction company. Before joining MasTec in 2013, he served in various leadership positions across multiple industries including CFO and executive vice president for Stuart Weitzman Holdings, LLC and CFO and principal accounting officer of Perry Ellis International, Inc. Mr. Pita graduated from the University of Miami, was a CPA for over 30 years, and is a member of the National Association of Corporate Directors, and the Latino Corporate Directors Association.

**Petrus Resources Ltd.** announced that Mr. Peter Verburg has joined the Petrus Board as an independent director. Mr. Verburg previously served on the company's board from 2010 to 2017. Mr. Verburg is a Calgary businessman with extensive experience in the Canadian Energy sector, and has a diverse business background, with experience as a journalist, investment banker and entrepreneur. Most recently, Mr. Verburg is the founder and CEO of a Calgary-based digital health company.

As previously mentioned, the board of directors of **Highwood Oil Company Ltd.** announced the appointment of Mr. Ryan Mooney to the company's Board of Directors as an Independent Director. Mr. Mooney is currently the Managing Director, Investment Banking for Echelon Capital Markets in Calgary with a focus on origination and execution of capital markets transactions within energy and diversified industries across Western Canada. Highwood also announced the resignation of Mr. Arif Shivji from the Company's Board of Directors as he pursues other opportunities.

**Obsidian Energy Ltd.** announced the resignation of Ms. Maureen Cormier Jackson and Mr. William (Bill) Friley from the Board of Directors effective immediately. Mr. Friley joined the Board in 2015 and Ms. Cormier Jackson joined in 2016. The Board of Obsidian determined it would reduce the number of directors to be elected from eight to six.

The board of directors of **PrairieSky Royalty Ltd.** announced the appointment of Ms. Leanne Bellegarde QC to PrairieSky's board of directors. Ms. Bellegarde's appointment is effective June 9, 2021. Ms. Bellegarde is an executive, lawyer and business advisor based in Saskatoon, Saskatchewan with 30 years of leadership experience across a number of industries. Ms. Bellegarde is currently the President of Akawe Technologies, a technology company focused on supporting Canadian entrepreneurs and Indigenous groups, and has extensive business and executive experience in senior roles with Potash Corp., Nutrien Ltd. and the Saskatchewan Indian Gaming Authority. Ms. Bellegarde is also the former General Counsel to the Federation of Saskatchewan Indian Nations, and a former director of SaskEnergy, Sustainable Development Technologies Canada as well as several other private businesses, not for profit and community organizations.

**Prairie Provident Resources Inc.** announced the appointment of Mr. Tony Berthelet as President and CEO. Mr. Berthelet has more than 23 years of subsurface evaluation, field development, production operations and asset management experience in the oil and gas industry. He has a deep technical background and extensive executive qualifications, having most recently served as Chief Operating Officer of **Gran Tierra Energy Ltd.**, Chief Executive Officer of **Strategic Oil and Gas Ltd.**, and Vice President, Development and Operations of **Obsidian Energy Ltd.** Mr. Berthelet is a professional engineer with a degree in geological engineering and has significant exposure to Prairie Provident's operating areas.

**Saturn Oil & Gas Ltd.** announced that Mr. Scott Sanborn will be assuming the role of CFO on a full-time, permanent basis effective June 1, 2021. Mr. Sanborn brings over 14 years of oil and gas focused finance, capital markets and accounting experience. He most recently served as Corporate Controller of Calgary-based **Jupiter Resources** from November 2016 until its sale to Tourmaline in December 2020. Prior thereto, Mr. Sanborn held various leadership roles with energy companies including Marquee Energy and Verano Energy, and earlier, worked with KPMG LLP. Mr. Sanborn holds his Chartered Professional Accountant Designation and earned a Bachelor of Commerce degree in Accounting from the University of Calgary.

**Ovintiv Inc.** announced that Mr. Doug Suttles will retire on August 1, 2021 after eight years as CEO. He will be replaced by Mr. Brendan McCracken, who began his career with the company nearly 25 years ago. Mr. McCracken served most recently as President.

**Entropy Inc.**, a subsidiary of **Advantage Energy Ltd.** announced that Mr. Brent Allardyce and Ms. Jill Angevine will join the Entropy board as directors, and Mr. Rick Bower has been appointed to the Entropy executive team as Chief Technology Officer.

## Miscellaneous News

**Bellatrix Exploration Ltd.** announces a transaction pursuant to which **1184262 B.C. Ltd.** (the “Purchaser”), an affiliate of **Hillcore Group Ltd.**, will acquire 33,433,255 new common shares issued by Bellatrix (the “Transaction”), which would represent approximately 45% of the aggregate issued and outstanding common shares of Bellatrix upon implementation of the Transaction. The Transaction was approved today by the Court of Queen’s Bench of Alberta (the “Court”) pursuant to an Approval and Vesting Order (the “Court Order”) in the Company’s proceedings under the Companies’ Creditors Arrangement Act (the “CCAA”), and remains subject to certain remaining conditions. In connection with the Transaction, Bellatrix has entered into a subscription agreement dated as of June 8, 2021 (the “Subscription Agreement”) with the Purchaser and **2350810 Alberta Ltd.** (“Newco”), a wholly-owned subsidiary of Bellatrix. Pursuant to the Transaction: (i) the Purchaser will loan \$2,499,000 to Bellatrix (the “Loan”), and Bellatrix will issue a promissory note to the Purchaser in respect thereof (the “Promissory Note”); (ii) certain assets (including, without limitation, all existing cash, the proceeds of the Loan and the subscription proceeds in respect of the Purchased Shares), and all existing liabilities of Bellatrix (other than the obligations under the Promissory Note) will be transferred and novated to Newco, (iii) the Purchaser will subscribe for the Purchased Shares for \$1,000, (iv) all equity interests existing immediately prior to the closing time of the Transaction, other than the issued and outstanding common shares of Bellatrix, will be cancelled for no consideration or claims therefor, and (v) any directors of Bellatrix immediately prior to the closing time of the Transaction will be deemed to resign, and two new directors will be, and will be deemed to be, appointed as directors of Bellatrix.

**The Government of Canada** announced the approval of the **NOVA Gas Transmission Ltd.** (NGTL) Edson Mainline Expansion Project with 25 conditions. It has been stated that this \$509-million project will create up to 1,470 jobs during construction and contribute approximately \$285 million to Alberta’s GDP. The Edson Mainline Expansion Project provides natural gas producers diversified access to markets for their products and contributes toward the phase-out of coal-fired electricity in Canada by 2030.

**Paramount Resources Ltd.** announced the implementation of an inaugural monthly dividend of \$0.02 per common share. The dividend will be designated as an “eligible dividend” for Canadian income tax purposes. Paramount also announced that it received a cash payment of \$67 million from **Strathcona Resources Ltd.** (“Strathcona”) in settlement of its previously disclosed dissent proceedings respecting **Strath Resources Ltd.** and for the sale of its remaining securities in Strathcona. Lastly, The Toronto Stock Exchange accepted Paramount’s notice to implement a normal course issuer bid (“NCIB”) for its common shares. Paramount may purchase up to 7,308,743 Common Shares under the NCIB, representing 10% of the public float of 73,087,431 Common Shares as of June 16, 2021. The NCIB will commence on June 30, 2021 and will expire on June 29, 2022.

**Suncor Energy Inc.** announced that the co-owners of the Terra Nova Floating, Production, Storage and Offloading (FPSO) facility and associated Terra Nova Field (“Terra Nova” or “the project”) have reached an agreement in principle to restructure the project ownership and provide short-term funding towards continuing the development of the Asset Life Extension Project, with the intent to move to a sanction decision in the Fall. A subset of owners will increase their ownership of the project for consideration payable from the other owners. Suncor’s ownership will increase to 48% from approximately 38%.

A federal judge in Louisiana froze the Biden administration’s pause on new oil and gas leasing on federal lands and waters. The order granted a preliminary injunction to Louisiana and 12 other states that sued President Joe Biden and the Department of Interior over the pause. In January, Biden signed an executive order putting a hold on new oil and gas leasing auctions pending a review of the program.

On June 14, 2021, the Minnesota Court of Appeals confirmed a state regulator’s decision that there is sufficient oil demand for **Enbridge Inc.** to justify the replacement of its Line 3 pipeline. The decision marks another hurdle cleared for Enbridge. Replacing the pipeline would allow Enbridge to roughly double its capacity to 760,000 barrels per day.

The **International Energy Agency** expects spare capacity in the OPEC+ alliance to rise by 180,000 barrels per day (bpd) next year to 50.55 million bpd, driven by hikes from Mideast Gulf producers.

**Waterous Energy Fund** announced the closing of the amalgamation of its two portfolio companies, Strathcona and **Osum Oil Sands Corp.** The amalgamated entity will continue in business under the name **Strathcona Resources Ltd.** and will remain 100% owned by WEF, WEF co-investors and Strathcona employees. Strathcona will have ~80,000 boe/d (75% liquids) of production, 1.7 billion boe of 2P reserves, and a ~60-year RLI.

**TC Energy Corporation** confirmed that after a comprehensive review of its options, and in consultation with its partner, the Government of Alberta, it has terminated the Keystone XL pipeline project. Construction activities to advance the project were suspended following the revocation of its Presidential Permit on January 20, 2021.

**Canadian Natural Resources Limited, Cenovus Energy Inc., Imperial Oil Limited, MEG Energy Corp.** and Suncor formally announced an “Oil Sands Pathways to Net Zero” initiative. The five companies operate approximately 90% of Canada’s oil sands production. The goal of this unique alliance, working collectively with the federal and Alberta governments, is to achieve net zero greenhouse gas (GHG) emissions from oil sands operations by 2050 to help Canada meet its climate goals, including its Paris Agreement commitments and 2050 net zero aspirations.

Early in June, The Canada Energy Regulator issued an order stopping tree cutting and grass mowing across the entire \$12.6-billion Trans Mountain pipeline expansion project. The order was lifted later in the month. Further news relating to the Trans Mountain pipeline included an insurance provider for the Trans Mountain pipeline, **Argo Group International Holdings Ltd.**, stating that it will not renew its policy with the company when it expires in August as the project no longer fits the company’s risk appetite.

**Entropy Inc.**, a subsidiary of **Advantage Energy Ltd.** announced the Memoranda of Understanding (“MOUs”) with four separate emitting corporations to develop Carbon Capture and Storage (“CCS”) projects totaling approximately 1 million tonnes per annum (“TPA”). As stated by Entropy, these MOUs represent an important step in commercial deployment of Entropy technology, demonstrate versatility across a broad range of applications and jurisdictions, and provide visibility to a significant pipeline of growth opportunities.

## Announced Financings

**Leucrotta Exploration Inc.** announced that it closed a non-brokered private placement offering of 1,870,000 units of the Company at a price of C\$0.73 per Unit for gross proceeds of C\$1,365,100. Each Unit consisted of one common share issued on a flow-through basis in respect of Canadian development expenses (CDE) and one flow-through CDE Common Share purchase warrant. Each Warrant entitles the holder thereof to acquire one CDE Common Share at a price of C\$1.00 for a period of 36 months from the closing date of the private placement.

## Questions?

If you have any questions or would like to use Earth Horse Energy Advisors to assist with the marketing of oil & gas assets and/or companies, with buy-side mandates, investor relations support, valuations, fairness opinions or other customized solutions, please don't hesitate to contact us at (587) 432-0584, [Ryan.FY@ehenergyadvisors.com](mailto:Ryan.FY@ehenergyadvisors.com) or [www.ehenergyadvisors.com](http://www.ehenergyadvisors.com).

Also, if you haven't already done so, please sign up for our distribution list at: [www.ehenergyadvisors.com/subscribe/](http://www.ehenergyadvisors.com/subscribe/) to ensure you receive our offerings and ongoing market commentary.

Thank you,

Ryan Ferguson Young  
President & Founder  
Earth Horse Energy Advisors