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Earth Horse Energy Advisors' Market Overview 2022 Year in Review

During 2022, the vast majority of the publicly traded TSX E&P companies (with assets predominately in Canada) experienced an increase in their share price year over year. Of the 47 E&P companies listed on the TSX that we track, 43 saw gains while there were four companies that lost value for their shareholders.

The best performer in 2022 was **Pieradae Energy Limited** which had an impressive 303% share price gain during the year, rising from \$0.31/share and ended the year at \$1.25/share. Pieradae reached a high of \$1.98/share on June 7th. The market capitalization of Pieradae increased from \$48.9 million to \$198.4 million year over year. Early in January 2022, Pieradae s reached an agreement with its senior secured lender to extend payment of its \$50 million term loan deferred fee and to amend certain other terms and covenants of its credit agreement followed by the announcement that it completed its strategic alternatives process. The share price of Pieradae continue to run in the first week of June and then took a breather. Pieradae was able to capitalize on the rise in natural gas prices and talks about the prospects of an LNG facility to assist Europe in decreasing its dependence on Russian natural gas. Unfortunately, Prime Minister Trudeau did not support LNG when he spoke with the Chancellor of Germany stating that there was no “business case for LNG” but instead touted hydrogen as a solution. As many are aware, Germany built its own LNG Terminal in record time in 2022 taking product from the US. Pieradae’s financial results improved in 2022 which enabled the company to decrease its debt; the company’s priority for 2023 is to refinance its senior term debt and continued to reduce its total debt outstanding to lower interest costs and improve financial flexibility.



The second-best performer in 2022 was **Petrus Resources Ltd.** which increased 180%, rising from \$0.88/share to \$2.46/share; Petrus hit a high of \$3.42/share on June 8th. Petrus built on the developments it undertook in August 2021, when it announced transformative transactions to reduce debt and position company for renewed growth; this involved additional investments by Mr. Don Gray, Mr. Glen Gray and Mr. Stuart Gray followed by Mr. Ken Gray becoming Petrus’ CEO. In 2022, Petrus acquired **Hell’s Half Acre Petroleum Corporation** for \$14.4 million, completed a \$20.0 million rights offering and refinanced its credit facilities providing the company with liquidity and cash to capitalize on its drilling upside. Petrus recently announced that it has been named to the 2023 OTCQX Best 50, a ranking of top performing companies traded on the OTCQX Best Market last year. This the second consecutive year that Petrus has been named to the OTCQX Best 50.



Rounding out the top three best performers was **Spartan Delta Corp.** which surged from \$5.99/share to \$14.95/share, a 150% jump. Spartan Delta reached a high of \$15.65/share on December 5th and closed the year not far off its record high. In a time where non-capital losses are starting to become more valuable to oil & natural gas companies due to record cash flows, Spartan Delta acquired **Bellatrix Exploration Ltd.** for only \$6.0 million to obtain its \$600.0 million in non-capital losses; recall that Spartan Delta acquired substantially all of the assets of Bellatrix in June 2020 for \$109.0 million as its transformational transaction following its recapitalization of **Return Energy Inc.** Late in the year, the company announced it entered into a strategic repositioning process after being one of the most active consolidators in the Canadian oil and natural gas industry since April of 2020 and announced a \$0.50/share special dividend.



As for the companies listed on the TSX Venture exchange, 13 companies had an increase in their share price, one was flat and six declined; the increases ranged from 8.9% (**Lycos Energy Inc.**, formerly **Samoth Oilfield Inc.**) to **Wescan Energy Corp.**'s 240% spike. The worst performer was **Saturn Oil & Gas Inc.** which dropped 35.4% to \$2.35/share after having a return of 65.45% in 2021.

Wescan Energy Corp. rose from \$0.05/share to \$0.17/share by the end of the year. The company reached a high of \$0.48/share on June 10th. Wescan announced a loan transaction, various planned well repairs and a drilling program for its Provost core area. The stock has done poorly in 2023 thus far.



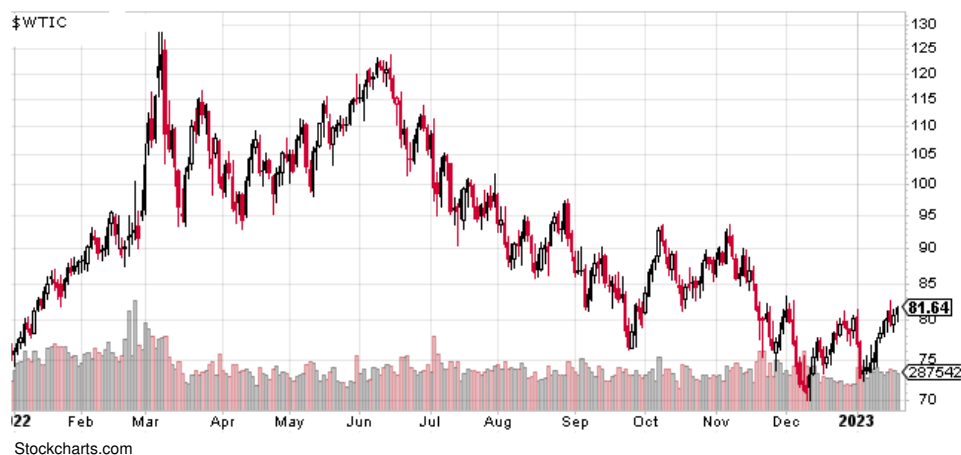
The second best TSX-V oil & natural gas performer was **Prospera Energy Inc.** which increased 150%, rising from \$0.04/share to \$0.10/share. Prospera had a transformational year of production, revenue and profitability. The company raised capital, reduced debt and ARO and purchased an oil-weighted property in 2022. It recently announced that it believed 2023 will be a year of growth for the company.



The third best performer in 2022 was **ROK Resources Ltd.** which increased from \$0.20/share to \$0.48/share or 140%. ROK announced record production and cash flow which stemmed from its transformational acquisition of the assets from **Federated Co-operatives Limited** and its wholly owned subsidiary **2214896 Alberta Ltd.** for \$72.0 million. ROK also raised \$17.3 million in equity and financed the deal with a \$65.0 million facility. Late in the year, ROK acquired additional SE Saskatchewan assets from **Whitecap Resources Inc.** and replaced a high interest facility with a more traditional \$75.0 million credit facility.



During 2022, oil and natural gas prices were volatile. WTI oil increased on the invasion of the Ukraine by Russia, spiking to USD \$130.50/bbl. Natural gas in North America rose, with NYMEX hitting over USD \$10.00/Mcf mainly on demand for LNG across the pond; NYMEX logged a gain of 20.6% year-over-year. AECO did not reach the same levels increases as NYMEX as there were egress issues but they were still strong compared to recent years; AECO increased 5.0% in 2022. As the year progressed, liquids became more volatile due to increasing inflation, rising interest rates, worries of demand from a global slowdown, a stronger US dollar and the flip flopping of COVID measures in China. In addition, the US sold 180 million barrels of oil from its Strategic Reserves throughout 2022 and a price cap was implemented on Russian oil in December, this resulted in the differentials on WCS to blowout to over USD \$30.00/bbl.



The Trudeau government continued to be a thorn in the side of the oil & natural gas industry, failing to champion the industry especially when Germany was trying to secure a reliable natural gas supply from Canada; Trudeau declared there was not a strong business case for LNG. The government continues to favour its green agenda that has shown to be detrimental in other jurisdictions, especially in Germany. While being more environmentally responsible is important, the Western provinces are leaders in innovation to reduce emissions and being accountable producers. The year 2025 can't come fast enough to vote this provide our citizens the opportunity to vote the Liberals out of power; it could happen quicker if NDP's Singh pulled support for the Liberals.

Below we illustrate the changes in commodities and in the Canadian dollar during 2022.

	WTI Oil (\$USD/bbl)	WCS (\$USD/bbl)	Cdn Light (\$USD/bbl)	C5+ (\$USD/bbl)	NYMEX (\$USD/MMBtu)	AECO (\$USD/MMBtu)	CDN\$/USD\$
December 2022 Average	\$76.52	\$48.20	\$72.99		\$5.77	\$4.36	0.7357
End of December 2022	\$80.26	\$51.18	\$76.27	\$82.47	\$4.50	\$3.55	0.7392
End of December 2021	\$75.21	\$61.61	\$72.31	\$77.26	\$3.73	\$3.38	0.7901
Month-over-Month Change	6.71%	-16.93%	5.48%	6.74%	20.64%	5.03%	-6.44%

Sources: GLJ, TradingView

TSX-Listed E&P (Canadian Focused Operations) 2022 Share Price Movements

Company	TSX Ticker	2022 % Change	End of December 2022	End of December 2021
Pieridae Energy Limited	PEA	303.23%	\$1.25	\$0.31
Petrus Resources Ltd.	PRQ	179.55%	\$2.46	\$0.88
Spartan Delta Corp.	SDE	149.58%	\$14.95	\$5.99
Pine Cliff Energy Ltd.	PNE	148.53%	\$1.69	\$0.68
International Petroleum Corporation	IPCO	120.31%	\$15.40	\$6.99
Journey Energy Inc.	JOY	114.12%	\$5.46	\$2.55
Surge Energy Inc.	SGY	111.37%	\$9.11	\$4.31
Athabasca Oil Corporation	ATH	100.83%	\$2.41	\$1.20
Crew Energy Inc.	CR	97.54%	\$5.63	\$2.85
Enerplus Corporation	ERF	81.06%	\$23.90	\$13.20
Obsidian Energy Ltd.	OBE	80.68%	\$8.98	\$4.97
Yangarra Resources Ltd.	YGR	78.98%	\$2.81	\$1.57
NuVista Energy Ltd.	NVA	78.80%	\$12.48	\$6.98
Cardinal Energy Ltd.	CJ	76.39%	\$7.62	\$4.32
i3 Energy plc	ITE	73.91%	\$0.40	\$0.23
Cenovus Energy Inc.	CVE	69.27%	\$26.27	\$15.52
Tourmaline Oil Corp.	TOU	68.23%	\$68.32	\$40.61
MEG Energy Corp.	MEG	61.94%	\$18.85	\$11.64
Ovintiv Inc.	OVV	61.36%	\$68.56	\$42.49
ARC Resources Ltd.	ARX	60.51%	\$18.25	\$11.37
PrairieSky Royalty Ltd.	PSK	60.15%	\$21.70	\$13.55
Baytex Energy Corp.	BTE	57.11%	\$6.08	\$3.87
Vermilion Energy Inc.	VET	49.53%	\$23.97	\$16.03
Birchcliff Energy Ltd.	BIR	47.57%	\$9.43	\$6.39
Imperial Oil Limited	IMO	47.24%	\$65.95	\$44.79
Peyto Exploration & Development Corp.	PEY	47.08%	\$13.87	\$9.43
Crescent Point Energy Corp.	CPG	45.26%	\$9.66	\$6.65
Whitecap Resources Inc.	WCP	44.94%	\$10.74	\$7.41
InPlay Oil Corp.	IPO	43.60%	\$3.03	\$2.11
Canadian Natural Resources Limited	CNQ	40.96%	\$75.19	\$53.34
Advantage Energy Ltd.	AAV	36.85%	\$9.47	\$6.92
Freehold Royalties Ltd.	FRU	36.82%	\$15.83	\$11.57
Suncor Energy Inc.	SU	36.39%	\$42.95	\$31.49
Bonterra Energy Corp.	BNE	22.02%	\$6.76	\$5.54
Gear Energy Ltd.	GXE	21.51%	\$1.13	\$0.93
Topaz Energy Corp.	TPZ	19.11%	\$21.13	\$17.74
Kiwetinohk Energy Corp.	KEC	18.46%	\$14.57	\$12.30
Paramount Resources Ltd.	POU	17.96%	\$28.64	\$24.28
Tamarack Valley Energy Ltd.	TVE	16.75%	\$4.46	\$3.82
Headwater Exploration Inc.	HWX	15.18%	\$5.92	\$5.14
Perpetual Energy Inc.	PMT	10.94%	\$0.71	\$0.64
Kelt Exploration Ltd.	KEL	5.03%	\$5.01	\$4.77
Prairie Provident Resources Inc.	PPR	4.17%	\$0.13	\$0.12
Rubellite Energy Inc.	RBV	-15.91%	\$1.85	\$2.20
Questerre Energy Corporation	QEC	-16.67%	\$0.20	\$0.24
Pipestone Energy Corp.	PIPE	-22.08%	\$3.00	\$3.85
Tenaz Energy Corp.	TNZ	-33.23%	\$2.15	\$3.22
Average Increase/Decrease		59.00%		
Median Increase/Decrease		47.57%		
Number of Companies with Share Price Increases		43		
Number of Companies Flat Month Over Month		0		
Number of Companies with Share Price Declines		4		
Largest Share Price Increase		303.23%		
Largest Share Price Decline		-33.23%		

TSX-Venture Listed E&P (Canadian Focused Operations) 2022 Share Price Movements

Company	TSX-V Ticker	December 2022 % Change	End of December 2022	End of November 2022
Highwood Oil Company Ltd.	HAM	125.00%	\$11.25	\$5.00
Pulse Oil Corp.	PUL	36.36%	\$0.08	\$0.06
Altima Resources Ltd.	ARH	25.00%	\$0.05	\$0.04
Prospera Energy Inc.	PEI	11.11%	\$0.10	\$0.09
Source Rock Royalties Ltd.	SRR	7.04%	\$0.76	\$0.71
Cobra Venture Corporation	CBV	5.56%	\$0.19	\$0.18
Canadian Spirit Resources Inc.	SPI	0.00%	\$0.11	\$0.11
Perisson Petroleum Corporation	POG	0.00%	\$0.04	\$0.04
PetroFrontier Corp.	PFC	0.00%	\$0.08	\$0.08
ROK Resources Inc.	ROK	0.00%	\$0.48	\$0.48
Tenth Avenue Petroleum Corp.	TPC	0.00%	\$0.25	\$0.25
Hemisphere Energy Corporation	HME	-6.43%	\$1.31	\$1.40
Coelacanth Energy Inc.	CEI	-8.05%	\$0.80	\$0.87
Saturn Oil & Gas Inc.	SOIL	-8.56%	\$2.35	\$2.57
Vital Energy Inc.	VUX	-15.79%	\$0.32	\$0.38
Razor Energy Corp.	RZE	-19.39%	\$1.33	\$1.65
Criterion Energy Ltd.	CEQ	-20.00%	\$0.04	\$0.05
Petrolympic Ltd.	PCQ	-22.22%	\$0.07	\$0.09
Lycos Energy Inc.	LCX	-23.75%	\$0.61	\$0.80
Wescan Energy Corp.	WCE	-43.33%	\$0.17	\$0.30
Average Increase/Decrease		2.13%		
Median Increase/Decrease		0.00%		
Number of Companies with Share Price Increases		6		
Number of Companies Flat Month Over Month		5		
Number of Companies with Share Price Declines		9		
Max Share Price Increase		125.00%		
Greatest Share Price Decline		-43.33%		

Canadian E&P M&A Activity 2022 Year in Review

During 2022, there were 61 transactions announced in the Canadian oil & natural gas sector with total transaction value of approximately \$14.6 billion.

There were six transactions over \$1.0 billion in value and which accounted for 46% or \$6.8 billion in total value. The largest transaction in 2022 was the acquisition of thermal heavy oil producer **Serafina Energy Ltd.** by **Strathcona Resources Ltd.** for \$2.3 billion. The second largest transaction was **Whitecap Resources Inc.**'s acquisition of **XTO Canada Energy Ltd.** for \$1.7 billion; XTO was a Duvernay and Montney producer with 30,000 boe/d of production. Rounding out the top three largest transactions was the \$1.425 million acquisition of Clearwater producer **Deltastream Energy Corporation** by **Tamarack Valley Energy Ltd.** Two of the transactions involved companies that entered into transaction with special purpose vehicles to go public in the US. These transactions included oilsands producer **Greenfire Energy Ltd.** and Montney producer **Hammerhead Resources Ltd.** The last \$1.0 billion transaction was **Suncor Energy Inc.**'s acquisition of **Teck Resources Limited** interest in the Fort Hills project.

As oil prices increased, there was increased interest and deals involving **oilsands assets**; there were three oilsands deal with total transaction value of \$2.9 billion. The additional oilsands deal not previously mentioned was **Cenovus Energy Inc.**'s acquisition of **BP**'s Sunrise project for \$600.0 million.

There were five transactions announced in 2022 that involved the **Duvernay formation** with total value of approximately \$2.3 billion. The average price paid for Duvernay production was \$55,000/boe/d. The largest deal involving the Duvernay was the previously mentioned acquisition of XTO Canada by Whitecap for \$1.7 billion; this transaction also included assets with Montney production and upside. The other deals were completed by **Crescent Point Energy Corp.** (total of \$462.0 million) and Paramount, which closed two Duvernay transactions for aggregate value of \$108.5 million.

Another prominent resource play that saw activity was the **Montney**, which had total transaction value of \$3.8 billion. Again, Whitecap's acquisition of XTO Canada is included in this figure along with the transaction involving Hammerhead going public. Another sizeable Montney deal was **Vermilion Energy Inc.**'s acquisition of **Leucrotta Exploration Ltd.** for approximately \$500.0 million. The average paid for Montney production was \$62,000/boe/d.

There were five deals involving the **Clearwater** announced in 2022. Tamarack Valley closed the bulk of the \$1.5 billion value with its acquisitions of Deltastream and **Rolling Hills Energy Ltd.** The additional Clearwater deals were transactions which involved undeveloped land, while one was a farm in.

There were four Viking deals for aggregate values of approximately \$546 million. **Saturn Oil & Gas Limited** was the largest Viking purchaser, spending \$268.3 million, mainly acquiring assets from **Crescent Point Energy Corp.** The other purchasers were **Astara Energy Corp.** which acquired Rolling Hills's Viking assets prior to its sale to Tamarack Valley. **Griffon Partners Capital Management** purchased Tamarack Valley's non-core Viking assets in 2022. The average price paid for Viking production in 2022 was \$60,413/boe/d.

There was nearly \$1.0 billion in transactions involving assets in southeastern Saskatchewan. **Surge Energy Inc.** was the largest buyer of assets in the area. Surge acquired **Enerplus Corp.**'s assets in SE and SW Saskatchewan for \$245.0 million; this transaction closed a chapter for Enerplus as it sold all of its assets in Canada in two transactions. The average purchase price for assets in the area was approximately \$39,000/boe/d.

Topaz Energy Corp. completed the vast majority of the \$433.6 million in royalty transactions, completing deals with **Deltastream** and **Tourmaline Oil Corp.**; Topaz also acquired **Keystone Royalty Corp.** for \$87.2 million.

During the year, the majority of the deals were completed at multiples of net operating income in the 1.5X-3.0X range; the average multiple was 3.3X while the range was 1.5X to 7.4X. Usually, there is limited data on the NOI, when a deal is announced.

Contact Us!

Earth Horse has an extensive database of recent M&A transactions and uses this data for its valuations, fairness opinions and in assisting its clients in better understanding the metrics in the current marketplace. This assists our clients on both the buy and sell side to transact and have realistic expectations of the market.

If you have any questions, please don't hesitate to ask or better yet, become one of our valued clients.

Contact us Today! We can be reached at Ryan.FY@ehenergyadvisors.com or www.ehenergyadvisors.com.

Kind. Honest. Work Horse.

Thank you,

Ryan Ferguson Young
President & Founder
Earth Horse Energy Advisors & WCSB Divestitures
Email: Ryan.FY@ehenergyadvisors.com and Ryan.FY@wcsbdivestitures.com
Direct Phone: 403-615-2975

www.ehenergyadvisors.com



www.wcsbdivestitures.com

