CAPITAL MARKETS
HAYWOOD

E&P Sector Update

January 7, 2021

2021 Oil & Gas Outlook: Finding Value Amid Records

Vaccines (and vaccinations) mark a turnaround for oil prices and Canadian E&P stocks. Hope remains high that putting 2020 behind us can only mean better days are ahead for the oil market, but there is still a long way to go to get back to a resemblance of 'normalcy'. This hard reality did not stop crude from rising by US$14/bbl, or 37% since the beginning of November when trial data from Pfizer's and BioNTech showed strong efficacy rates against the virus. Despite the late year surge, Canadian oil and gas stocks (XEG) closed the year down 37% and WTI was one of the worst performing commodities over 2020. Rubbing salt in the wound, almost every other sector in the S&P/TSX, save for Health Care, outperformed the energy sector over this period, pushing the broader index to less than 3% of record levels. Meanwhile, the steady prescription of unfettered monetary and fiscal stimulus from the Federal Reserve and Congress has rapidly propelled the S&P 500 and DJIA to record new highs following the US election and positive vaccine data.

We think the proposition for E&Ps in 2021 will be the pivot (partial or full) from growth towards value and cyclical sectors – including energy, as vaccines have the potential to drive global economic growth expectations higher. In our view, a key determinant of how the energy sector performs in 2021 has very much to do with equity funds flow, perhaps even more so than commodity prices, and given the underrepresentation of the sector in broader indexes, any move in sentiment and funds flow could cause share prices to have meaningful torque.

Winter 20/21 natural gas trade not written off just yet. Despite strengthening natural gas fundamentals, milder temperatures through winter 2020/21 has disappointed a market that has grown impatient for winter weather. It appears we are heading for a warmer-than-normal start to 2021 and despite a continuation of tighter supply/demand imbalances, winter weather (or lack thereof) will remain the largest component of overall market sentiment and the clock is ticking on the winter heating season. On the other hand, winter does not end until April, so there is plenty of opportunity for gas futures to mount a comeback, but only if Mother Nature throws the gas market a bone over the course of the next few months.

Key themes for 2021

- **We hold a constructive view on oil.** We remain encouraged that fundamentals will improve in 2021 under the assumption of vaccines availability and OPEC+ unity and have increased our 2021 WTI pricing estimate to US$55 (previously US$50). Oil has seen some speculative interest, but there is room for more buying in the energy space in 2021. Canadian differentials should remain tight based on the outlook for heavy oil supply and refining demand, while a lifting of mandated production curtailments in Alberta should help improve sentiment while improvements in egress out of western Canada should help remove a perceived risk for the space.
- **20%+ FCF yields at 2021 strip prices of ~US$50/bbl.** 2021 outlooks are expected to remain fairly conservative as programs continue to prioritize debt repayment and a returns-based capital allocation framework. We remain confident that industry discipline will be relentless at US$50/bbl WTI, and while strength beyond this level may improve discretionary options on capital towards growth, dividends, and buybacks, we are skeptical that it would yield any sizeable wedge in production growth. The current strip is approaching US$50/bbl, and at this oil price, the mid-cap group shows a FCF yield of 20% and 2021 EV/DACF multiple of 4.5x.
- **Narrative around consolidation continues in 2021.** We expect the consolidation theme to continue in 2021 as operators with strong financial and operational footings are well positioned to consolidate opportunistically. M&A that improves size, scale and resiliency will continue to be rewarded by the market. The big moves by Whitecap (WCP, Buy, $7.00 Tgt) and Tourmaline (TOU, not-covered) in 2020 may not be their last, while royalty companies PrairieSky (PSK, not-covered), Freehold (FRU, not-covered), and emerging Topaz (TPZ, not-covered) are also expected to remain active in asset-focused deals.
- **ESG.** Canadian E&P's have taken a very pragmatic approach to addressing investor calls for improving environmental stewardship by electing to continually focus on actions and investments to bring emissions intensity lower. We expect operators to continue to increase reporting on expected plans and timelines with respect to environmental performance, particularly around meeting the Government of Canada's methane reduction target of 45% by 2025. Capital investments in technology to become 'greener' will be maintained within core competences and in general we do not expect Canadian E&P's pivoting away from hydrocarbons anytime soon.
- **Relative positioning – focusing on strong liquidity, FCF generators, and catalyst-rich stocks**. Our top picks are SDE, WCP and unique situational stock RECO. Despite improving fundamentals for natural gas, we favour a tactical tilt towards oil-weighted producers in 2021.

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com

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Executive Summary

Hope remains high that putting 2020 behind us can only mean better days ahead for the oil market, but there is still a long way to go to get back to a resemblance of 'normalcy'. This hard reality did not stop crude from rising by US$14/bbl, or 37% since the beginning of November when trial data from Pfizer's and BioNTech which was promptly followed by Moderna and AstraZeneca, showed strong efficacy rates against the virus. This was quickly followed by the rapid roll-out of doses in the UK and the US. The enthusiasm felt by the market is understandable! As the virus spread, it had a destructive impact on the lives and livelihoods of everyone, and the only tool governments had to slow down the spread of the virus was to shut down economies, resulting in an unprecedented slump in oil demand. So, clearly there is a sense of optimism that has not been felt since the world woke up to a strange new virus in China.

In the meantime, new case numbers are surging in many corners of the world, while vaccines are only narrowly being distributed. Measures in an effort to slow down transmission are widely expected to spill over into H1/21, and while the base for a sustained recovery has been established for the second half of next year, the expectation is that the pandemic will continue to weigh on the oil market fundamentals for at least another quarter.

After beginning the year on solid footing, the virus-pandemic upended all expectations for the space in 2020. Business models were tested and while some weaker companies were dealt with a lethal blow, majority of operators were successful in taking decisive actions at the onset of the pandemic to lower capital, reduce distributions, and implement cost-cutting initiatives that led to many operators living to fight another day, others were forced to meaningfully alter the configuration of their asset offerings to mend balance sheets, while others decided consolidation with larger peers was the best option to add capital market relevance.

The pandemic came as oil fundamentals were already struggling because of longer-term shifts away from traditional hydrocarbons as social and political pressures drive a structural long-term transition towards cleaner burning energy sources, which has created uncertainties around the value of fossil fuels and related companies. The pandemic has accelerated the momentum behind views of peak oil demand and towards greener technologies. While getting to net-zero is seductive, a permanent changeover of the global energy mix away from hydrocarbons is no simple task, and oil and natural gas will remain the fuels with the largest share of the global energy mix for the next several decades.

With vaccine distribution we see a return of consumer confidence/behaviour and increased mobility which should accelerate market drawdowns of OECD inventories over 2021, while earlier availability of vaccines on a wider scale will allow for faster-than-anticipated move towards tighter market conditions and higher, less volatile prices. On the supply side, we are mindful of the ~7 MMbbls/d of OPEC spare capacity currently sitting within members, but expectations are these barrels will be returned to the market in a disciplined manner. What is more, any budding cracks within the group appears to have been papered over with Saudi Arabia shouldering a unilateral cut of 1.0 MMbbl/d in February and March, and reflects that desire for Saudi Arabia to keep output steady in order to protect prices from downside risks. Meanwhile, we see US oil production growth as now being contained due to high decline rates in the Permian, financial hardship from the pandemic, and continued shareholder pressure to rein in spending.

Despite strengthening natural gas fundamentals, milder temperatures through winter 2020/21 has disappointed a market that has grown impatient for winter weather. It appears we are heading for a warmer-than-normal start to 2021 and despite a continuation of a tighter supply/demand imbalance, winter weather (or lack thereof) will remain the largest component of overall market sentiment and the clock is ticking on the winter heating season. On the other hand, winter does not end until April, so there is plenty of opportunity for gas futures to mount a comeback, but only if Mother Nature throws the gas market a bone over the course of the next few months.

We think the proposition for E&Ps in 2021 will be the pivot (partial or full) from growth towards value – including energy, as vaccines have the potential to drive global economic growth expectations higher. In our view, a key determinant of how the energy sector performs in 2021 has very much to do with equity funds flow, perhaps even more so than commodity prices, and given the underrepresentation of the sector in broader indexes, any move in sentiment and funds flow could cause share prices to have meaningful torque. However, for investor engagement to return to the space, it is essential producers focus on capital discipline and free cash flow generation. Capital flows will likely remain biased towards E&P's with scale, balance sheet strength, FCF generation, the ability to drive above-average return of capital, as well as stories with high-impact catalysts. We generally want to avoid producers with above-average debt, but there is an argument to be made that a balanced approach is fitting as an improving commodity price environment have historically benefited high beta (over-levered) equities.

With this is mind, our best ideas for 2021 include **WCP, SDE,** and **RECO. WCP** remains in the category of producers with good balance sheets that are in a position to return large amounts of capital to shareholders through high levels of FCF, while positioned to remain a consolidator of quality assets that will continue to shake out in 2021. **SDE** is positioned to benefit from further consolidation and a key beneficiary of an improved natural gas outlook over the next few years. We expect an active market in the shares of **RECO** as updates around the current exploration program provide high-impact news flow through Q1/21.

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Key Themes for 2021

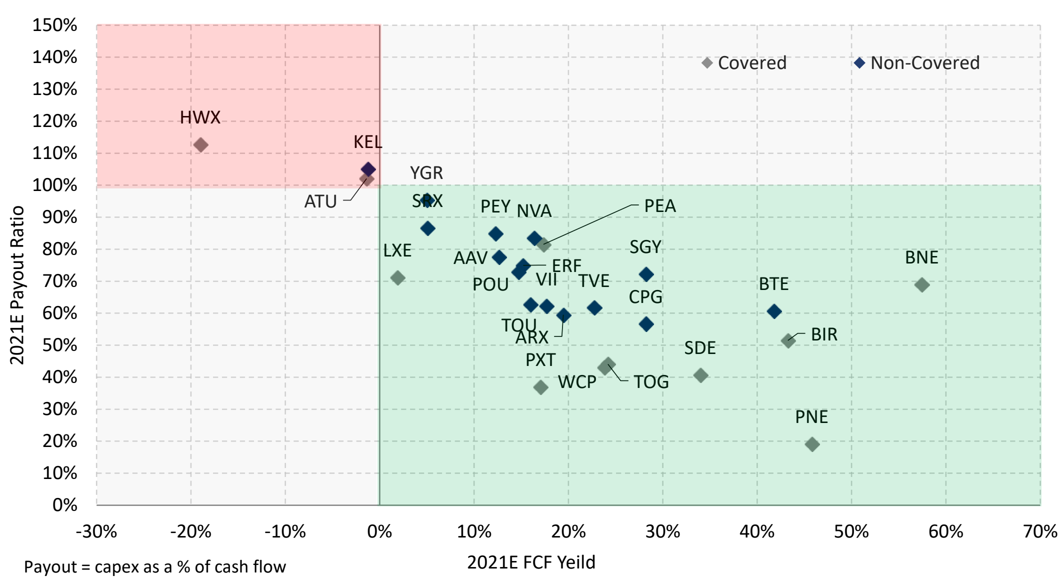
The E&P Reboot Focuses on Size/Scale, Boosting Returns and Shedding Debt

From our viewpoint, there will be a number of key sector themes to emerge in 2021, while the focus on balance sheet strength and investor pressure towards energy transition will continue to dominate the energy sector. However, the radical actions undertaken at the beginning of 2020 has helped producers deliver free cash flow, repay debt, which should position the group to deliver above-average shareholder returns in 2021, which we believe is required to help compensate investors for the greater risk of investing in the sector. Finally, tomorrow's E&P will be larger, with lower debt, and greater trading liquidity and more-concentrated asset base via M&A.

Balance sheet strength will be first call on free cash flow. While outlooks for 2021 continue to roll in, majority of producers are expected to focus on maintaining financial flexibility with an emphasis on moderated growth which coupled with conservative capital programs will drive meaningful free cash flow alongside rising oil prices. While oil price levels above US$50/bbl will improve discretionary spending options (growth capital, dividends, and buybacks), we are skeptical that it would yield any sizeable wedge in production growth unless prices can hold meaningfully above US$60/bbl. Mending balance sheets will remain firm with price points between US$50-US$60/bbl, although oil prices at the midpoint of this range will likely mean more flexibility to rethink attitudes towards normalizing dividends and the resumption of minor share buyback programs.

The scatter plot below illustrates key metrics for 2021, which feature most producers striving to spend below cash flow. We forecast FCF yields of 20% at our price deck.

Figure 1: FCF yield and Payouts



Source: Bloomberg, Company Reports and Haywood Securities Inc.

Narrative around consolidation continues in 2021. We saw a several high-profile examples of corporate/asset M&A transactions in 2020, and we expect this trend to continue in 2021, driven by the markets focus on scale/size and operational efficiencies. The big moves by Whitecap (WCP, Buy, $7.00 Tgt) and Tourmaline (TOU, not covered) in 2020 may not be their last, and we believe both could still make a big splash in 2021. Meanwhile, royalty companies PrairieSky (PSK, not-covered), Freehold (FRU, not-covered), and emerging Topaz (TPZ, not-covered) are also expected to remain active in asset-focused deals. The biggest obstacles to further consolidation are wide bid-ask spreads and management entrenchment as higher oil prices make going forward as a standalone more alluring, particularly if more capital returns to the fold.

The basin is moving towards egress equilibrium. Western Canada's oil market takeaway problems appear to be reaching an inflection point as the ~370,000 bbl/d Line 3 Replacement Project (L3R) and the ~590,000 bbl/d Trans Mountain expansion (TMX) come into service over the next 18 months, while additional optimization and expansion opportunities on existing networks could provide more egress for the basin if required. Meanwhile, the Alberta government in December 2020 ended its oil production curtailment program after nearly two years, reflecting a better balance between regional production and pipeline takeaway. While this should also help to improve sentiment, one must also monitor US refinery utilization which has yet to fully recover since the arrival of the pandemic.

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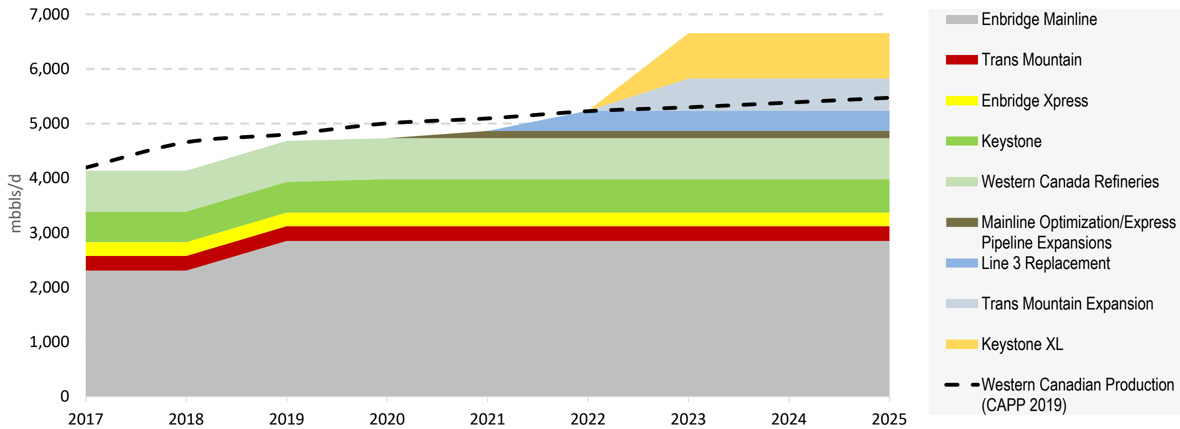
Should both of these projects move forward as expected, based on the latest crude oil production forecasts from CAPP, we predict near egress equilibrium through Q4/21 before transitioning to excess takeaway through 2025 and beyond. The net impact would be beneficial for the majority of Canadian E&Ps through narrower oil price differentials by way of increased market access to US Gulf Coast refiners and global markets and should help remove a perceived risk for the space. While this should also help to improve sentiment, one must also monitor US refinery utilization which has yet to fully recover since the arrival of the pandemic.

Figure 2: WSCB Crude Takeaway Capacity and Production

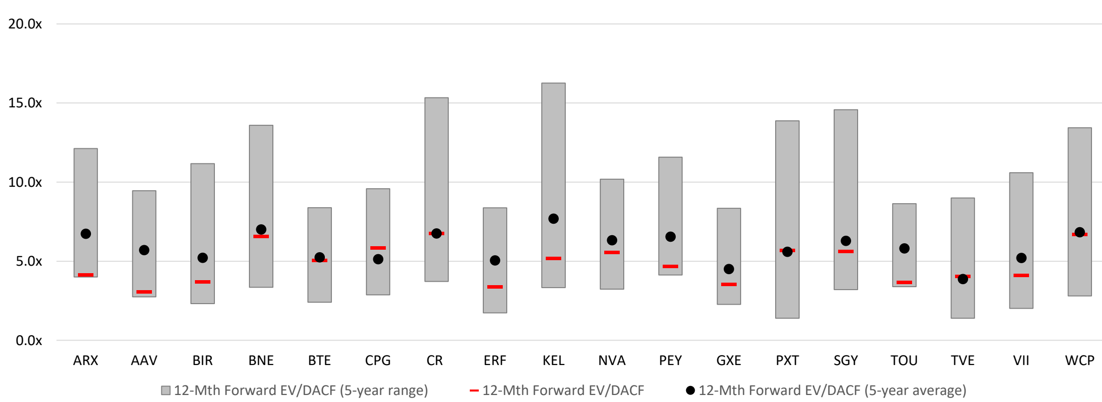


Source: CAPP, and Haywood Securities Inc.

Our View on Valuation

It is no secret that valuations have contracted significantly over the past several years due to a combination of commodity price weakness, regulatory scrutiny, inadequate market access, and most recently from a focus on energy transition (ESG). Based on consensus estimates, the Intermediate group is trading at an average EV/DACF (12-month forward) multiple of 4.5x, near the bottom of the 5-year average. Although we expect this level is biased upward as it does not reflect the recent strength in the 2021 future strip towards US$50/bbl. At current levels, we believe the sector is pricing in crude oil and natural gas prices of US$45-US$50/bbl, and US$2.50-US$2.75/Mcf, and represent compelling value for investors with a time horizon of at least a year.

Figure 3: Current Consensus Forward 12 Month Valuation



Source: Bloomberg, and Haywood Securities Inc.

For context, the energy sector has underperformed the broader equity market for another year, with Canadian oil and gas stocks (XEG) down 37%, versus the broader Canadian index (SPTSX) up 2.2%. Beyond our border, the US oil and gas equities (XOP) posted a decline of 39% (-40% in CAD terms), against a gain of 16% (14% in CAD terms) for the S&P 500. We also highlight that apart from **WCP, TOU, PNE, SRX, OBE**, and a couple of unique situational stocks **HWX, RECO,** and the majority of Canadian oil and gas equities again underperformed their relevant benchmark in 2020.

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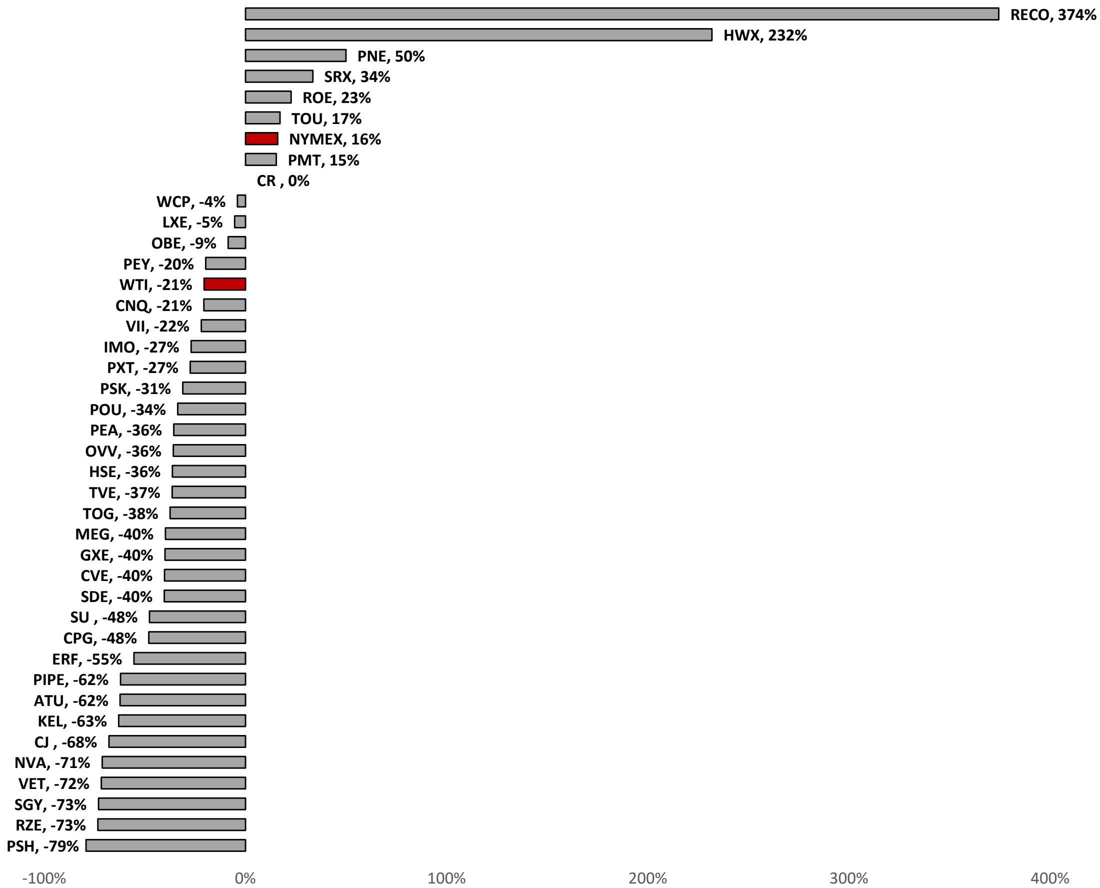
Figure 4: 2020 Canadian E&P and Commodity Performance



Source: Bloomberg, and Haywood Securities Inc.

Investor Sentiment and Sector Positioning

Is there room for the reflation trade to run? We think the proposition for E&Ps in 2021 will be the pivot (partial or full) from growth towards value – including energy, which has outperformed gold and the US dollar following the US election and positive vaccine data – two big uncertainties holding the value trade down. In our view, a key determinant of how the energy sector performs in 2021 has very much to do with equity funds flow, perhaps even more so than commodity prices, and given the underrepresentation of the sector in broader indexes, any move in sentiment and funds flow could cause share prices to have meaningful torque.

Capital flows will likely remain biased towards E&P's with scale, balance sheet strength, and FCF generation. However, a balanced approach might be fitting as an improving commodity price environment have historically benefited high beta (over-levered) equities**.** In view of this, we remain partial towards companies with strong fundamentals including balance sheet strength, above average FCF generation, as well as stocks with high-impact catalysts. With this is mind, our best ideas for 2021 include **WCP, SDE,** and **RECO. WCP** remain in the category of producers with good balance sheets that are in a position to return large amounts of capital to shareholders through high levels of FCF, while positioned to remain a consolidator of quality assets that will continue to shake out in 2021. **SDE** is positioned to benefit from further consolidation and a key beneficiary of an improved natural gas outlook over the next few years. We expect an active market in the shares of **RECO** as updates around the current exploration program provide high-impact news flow through Q1/21.

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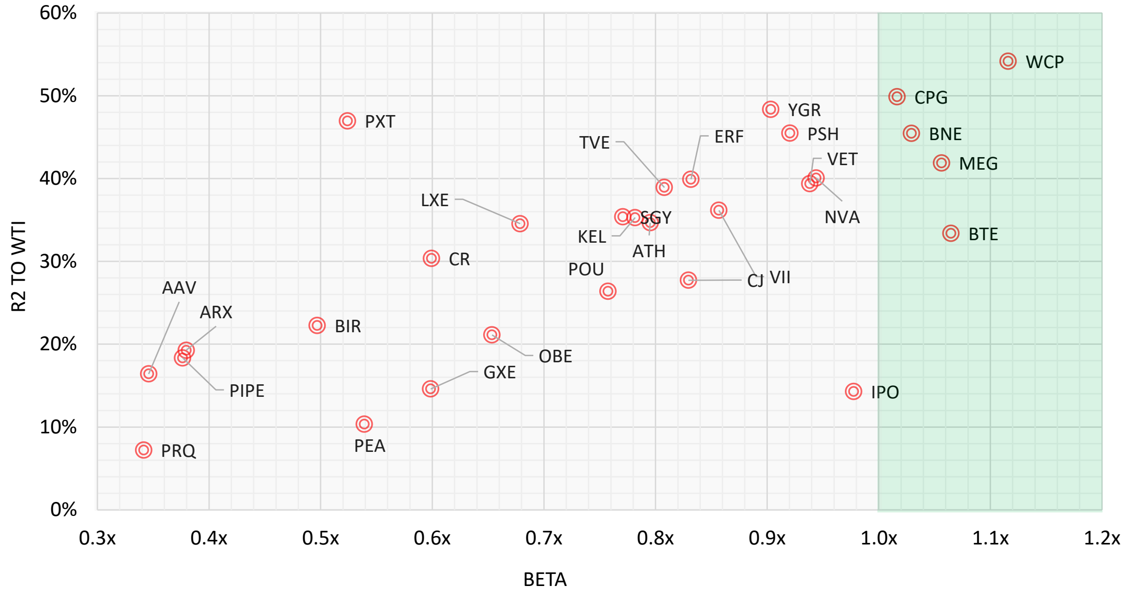
Figure 5: Last 12 Months Beta and R-Squared to WTI



Source: Bloomberg, and Haywood Securities Inc.

Top Picks

Whitecap Resources Inc. (WCP-T, $7.00 Target, $5.24 Close)

- We believe WCP should be able to continue its strong share price performance through 2021 due to its strong FCF yield (19%), and above-average ability to return cash to shareholders or use excess cash for further debt reduction. Following the recent corporate acquisition of NAL Resources and TORC, WCP has positioned itself to be a beneficiary of continued consolidation in the basin. As oil prices rise, WCP should be an early recipient of funds flows, given its established position within the Intermediate E&P group.

ReconAfrica Ltd. (RECO-V, $4.00 Target, $2.19 Close)

- We see RECO as a special situational stock that is positioned to deliver on a high impact exploration campaign over the first quarter of 2021. The Company recently announced an important milestone with confirmation the first well has been spudded on its Petroleum License 73 (PEL) in Namibia. The well is the first of three planned exploration wells to evaluate the presence of an active conventional system in the Kavango Basin. While geochemical work and other studies have estimated that the basin could hold significant in place oil volumes, exploration drilling is required to fully determine if this is the case, and RECO is now one step closer to de-risking a massive potential resource.

Spartan Delta Corp. (SDE-T, $6.00 Target, $3.60 Close)

- With a clean balance sheet and acquisitive business model, SDE is well positioned to benefit from further consolidation, and with 70% natural gas weighting, the stock should be a key beneficiary of an improved natural gas price outlook over the next few years. The stock remains significantly undervalued, trading at just 2.7x 2021E EV/DACF (at strip), versus peers at ~4.2x, despite posting a FCF yield of 25% at current strip prices.

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Notable Target/Rating Changes

With this update, we have made several changes to target prices and recommendations based on the movement in both the oil and gas strips. Of note, we have moved to Buy from Hold on BNE, and on average have taken up our target prices on the majority of our oil-weighted stocks by 40%. See Figure 14 for a more fulsome summary of our changes to estimates.

Bonterra Energy (BNE-T), Buy, $4.00 *(from Hold/$2.25)*

- With this update, we are upgrading BNE to Buy and increasing our 12-month price target to $4.00 which is based on a 2021E EV/DACF multiple of 3.5x on our price deck of US$55/bbl WTI. While carrying higher-than-average debt on the balance sheet, improving commodity price expectations in 202, should place BNE as a top-quartile stock given the share price has historically been a high-beta play on a recovery in oil prices.

Headwater Exploration (HWX-T), Buy, $3.50 *(from $3.00)*

- Our new 12-month target price of $3.50 is based on an exit 2021 EV/DACF multiple of 8.0x (unchanged) on our US$55/bbl WTI price deck. The stock was an outperformer in 2020 following the team's transformative acquisition into Alberta's Clearwater oil play and we see further outperformance as the team executes its growth strategy. 2021 guidance sees production growing from 2,800 bbl/d currently to an avg of 6,000-6,500 bbl/d on a capital spend of $60-70 MM, translating into $80 MM in funds flow and exiting the year at 7,500-8,000 bbl/d with positive working capital of $73MM. Looking forward, management believes they can grow 20-30% (CAGR) with its existing inventory of drilling locations, while exploration success will be additive to our current estimates.

TORC Oil & Gas (TOG-T), Tender, $4.00 *(from $3.30)*

- Our revised target on TOG of $4.00 aligns with our expectations of WCP, and the share exchange 0.57 WCP common shares for each TOG held and our target price of WCP of $7.00.

Whitecap Resources (WCP-T), Buy, $7.00 *(from $5.75)*

- Our new 12-month target of $7.00 is based on a 2021E EV/DACF multiple of 5.5x (unchanged). We believe WCP should be able to continue its strong share price performance through 2021 due to its strong FCF yield (19%), and above-average ability to return cash to shareholders or use excess cash for further debt reduction. Following the recent corporate acquisition of NAL Resources and TORC, WCP has positioned itself to be a beneficiary of continued consolidation in the basin. As oil prices rise, WCP should be an early recipient of funds flows, given its established position within the Intermediate E&P group.

Renaissance Oil Corp. (ROE-V), Hold, $0.20 *(from $0.10)*

- Our revised target of $0.20 reflects the Company's option agreement to purchase a 50% working interest in a large petroleum license, comprising ~2.45 MM acres in the Kavango Basin in Botswana, with ReconAfrica (RECO, Buy, $4.00 target) holding the remaining 50%. Our target is based on our current valuation methodology of RECO, which is NAV based, and includes nominal value for ROE's conventional producing assets in Mexico.

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
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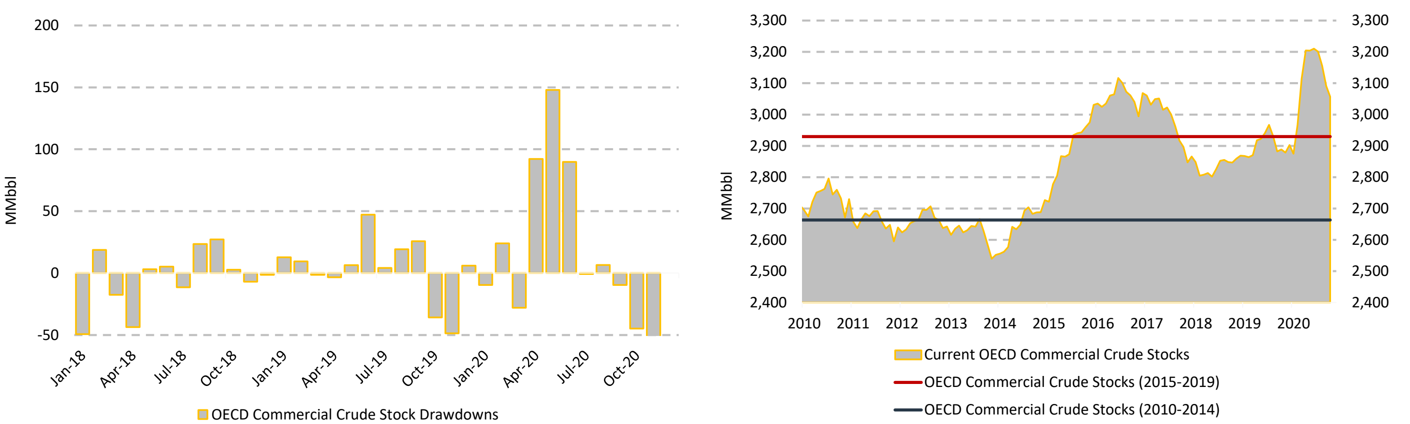
Oil and Gas Price Update

Crude Oil

Tighter times ahead for the oil market. We remain constructive on the oil market in 2021 from a confluence of factors including limited non-OPEC supply growth, and OPEC+ supply management, which should mean that market draws down inventories over 2021. The actual pace of global stock drawdowns will very much depend on uncertainties related to COVID-19 developments including the curve of new cases and the availability of vaccinations programs which we assume to be globally available by H2/21.

Figure 6: OECD Commercial Crude Inventory levels (MMbbls)



Source: EIA, Bloomberg, and Haywood Securities Inc.

While global oil storage levels remain above historical norms (either 5-year average or long-term ranges of 2010-2014), and just below the peak reached during the 2016 surge that preceded the formation of OPEC+, OECD commercial crude stocks have steady fallen since July 2020, primarily supported by OPEC and non-OPEC countries acting swiftly and decisively to adjust production to avoid a severe market imbalance. While producers have largely brought back shut-in production in response to a fairly quick recovery in oil prices in Q2/20, capital investment plans of global energy producers are expected to be largely anemic in 2021. Therefore, it is difficult to see non-OPEC (non-US) supply growth anytime soon. In the US, while we have seen a recent uptick in rig activity, rig counts are still down 621 units (~70%) since hitting a recent peak in late 2018, and down 416 units (~60%) since mid-March. And so, we would need to see a significant uptick in oil prices to send a signal to producers to increase spending, and as a result an increase in drilling activity. Producers will likely exhaust their inventory of drilled and uncompleted wells (DUCs) that have been declining at a fairly rapid pace in recent months in order to try and keep production levels flat. Coupled with a sharper focus on discipline, and favouring the harvesting of cash and returns, volume growth should remain checked until much greater commodity price stability.

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
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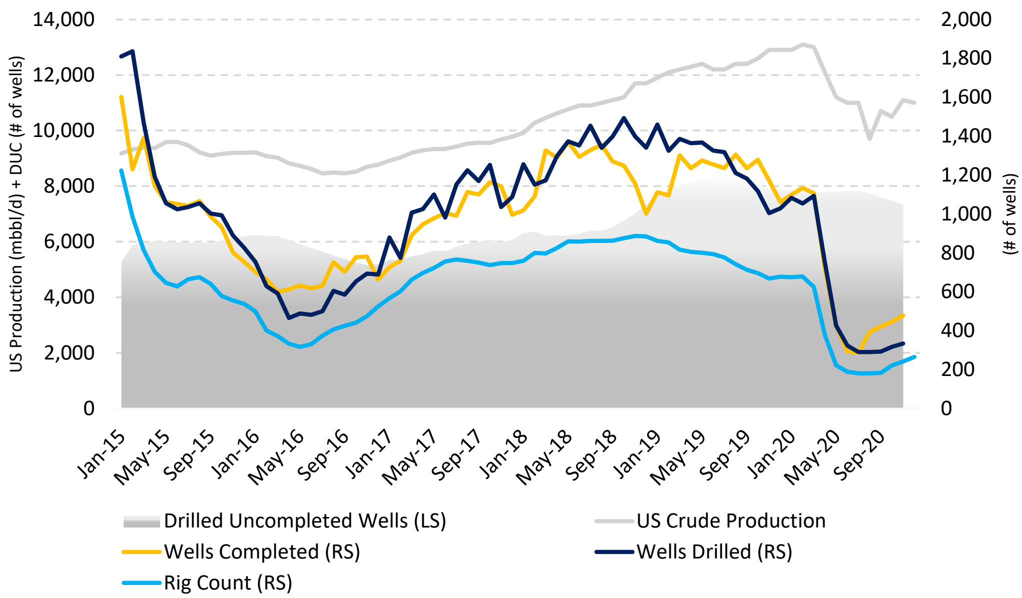
Figure 7: US Oil Production Off a Peak



Source: EIA, Bloomberg, and Haywood Securities Inc.

OPEC+ December compromise deal reflects determination to avoid a repeat of the oil price war in March, but several question marks remain ahead for the group in 2021. After a difficult week of meetings in early December, given the high stakes, OPEC+ finally agreed to ease output cuts by 500 Mbbl/d starting in January instead of the ~1.7 MMbbl/d as originally planned, and leaves production cuts at ~7.2 MMbb/d. From here, the group will hold monthly meetings to decide on subsequent moves. The agreement was a positive development for the oil market as it ensured 1) the continued drawdown of global stocks; 2) reflected determination from the group to avoid a repeat of the oil price war in March and April that led to a production free-for-all.

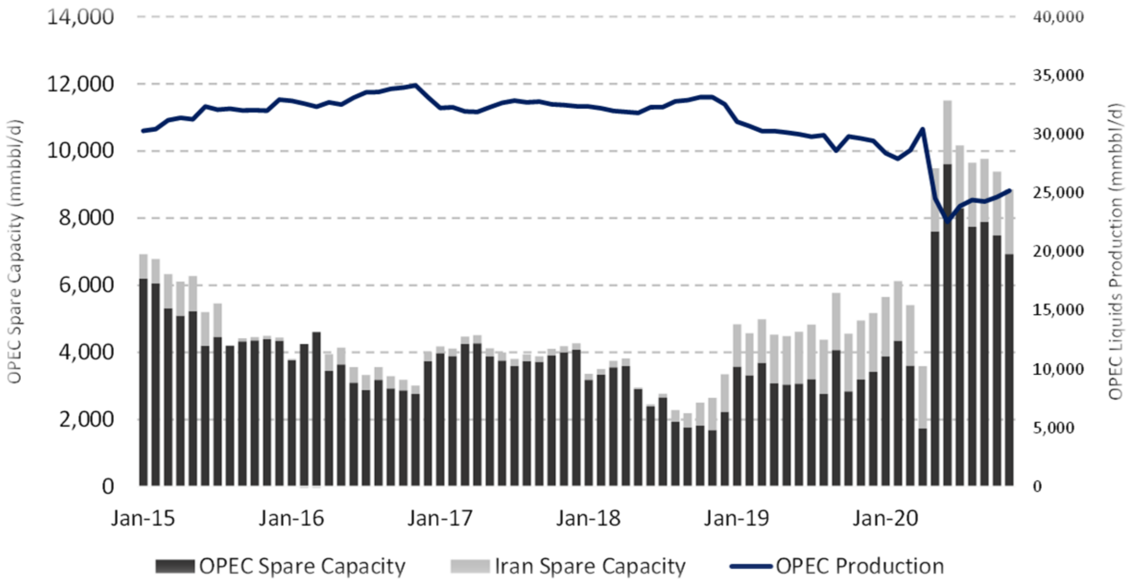
While we must salute OPEC+ reaching a compromise deal, the week of meetings did unearth growing tension surrounding output policy between long time cordial confidants Saudi Arabia and the UAE, with the latter demanding adjustments to its output quota, which it regarded as stricter than those imposed on fellow members, and at one point, UAE even questioned the benefit of maintaining its membership. At this point it appears much of this was political wrangling and likely designed to force a negotiation over output levels, rather than a direct threat to exit the group, which could potentially lead to an unraveling of OPEC+.

While finding middle ground showed a degree of unity, OPEC+ now face the tricky task of reconsidering production levels each month during Q1/2021, and this does create more uncertainty around what the group will decide to do every month, while avoiding similar disagreements over compliance and output quotas. As such, we do see this as adding another springboard of potential volatility over the first few months of Q1/21. We are also mindful of the ~7 MMbbls/d of OPEC+ spare capacity, which does not include the ~2.0 MMbbl/d currently sitting in Iran. What is more, any budding cracks within the group appears to have been papered over with Saudi Arabia shouldering a unilateral cut of 1.0 MMbbl/d in February and March.

Further complicating OPEC+ efforts is the potential of returning Iranian barrels. While demand remains the most important factor in a potential recovery for the oil market, another key downside risk is the potential return of Iranian supply. Joe Biden has publicly criticized the Trump administration's withdrawal from the Joint Comprehensive Plan of Action (JCPOA), so it is logical to assume that following the US Presidential Election, there is heightened potential that the US will return to the Iranian nuclear deal. Such action, if accompanied by the rollback of sanctions, could bring anywhere between 1.5-2.0 MMbbl/d of oil production back onto the market. Timing of such a foreign policy reversal is a big unknown, and it is unclear how far up the list Iran sits on the President elect's priority list.

Meanwhile, elect Biden's formal plan for dealing with Iran by rejoining the accord is looking more complicated with the recent announcement that Iran plans to enrich uranium to up to 20% purity, a level it achieved before the 2015 deal. The step is seen as a response to the killing of the country's top nuclear scientist, which was blamed on the US and Israel and could complicate the efforts to rejoin the deal. In addition, ahead of a June's 2021 election, where incumbent President Hassan Rouhani faces strong opposition, Iran is insisting the US return to the deal unconditionally, and is demanding a high price to return to the deal, including the immediate lifting of sanctions and billions of dollars in compensation from them, demands that elect Biden is unlikely to be able to meet, especially with congressional opposition.

Figure 8: OPEC Spare Capacity and OPEC Liquids Production



Source: EIA, Bloomberg, and Haywood Securities Inc.

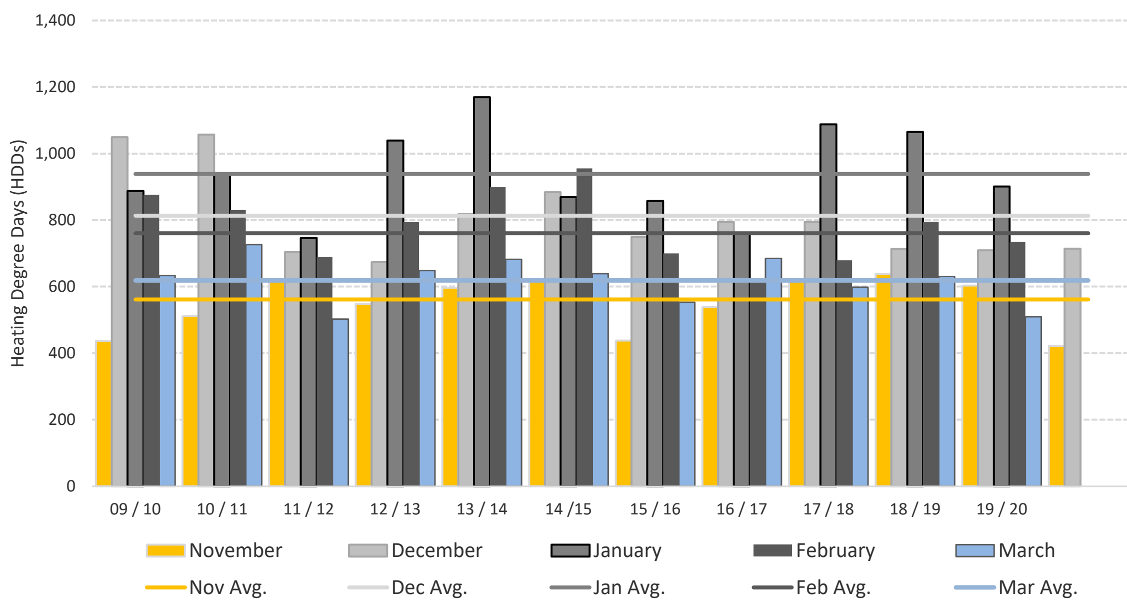
The biggest vaccination campaign in history has now begun with millions of shots administered across at least 29 countries. Delivering billions more will be a great logistical challenge and will take us well into H1/21. **Therefore, we expect oil prices to drift sideways in the short term near current price levels until a greater percentage of the world population is inoculated against the virus at which point we forecast that WTI will average US$53/bbl over H1/21, before making a bigger move to US$55/bbl in Q3 and towards US$60/bbl in Q4/21. This view is highly dependent on the availability of vaccines allowing demand to continue to recovery, along with continued OPEC+ unity to help create the supply deficit needed to draw down stockpiles.**

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com

Natural Gas

Near-term weather concerns about mild weather are juxtaposed against better consumptions trends. Our prior bullish case for natural gas hinged on lower supply, growing LNG demand, and normal winter weather. While US production is rebounding faster than previously expected (volumes should still be down sharply winter to winter), LNG feed gas demand for exports has rebounded substantially. However, winter 2020/21 is off to a very warm start as season-to-date heating degree days (HDDs) are ~17% lower than the 10-year normal. According to the NOAA, November 2020 was the fourth warmest November in the Lower 48 in the last 126 years. As a result, winter heating demand has been slow to materialize. This sluggish start to winter demand has stubbornly kept Lower 48 natural gas inventories above 5-year averages. As is often the case with this commodity, weather remains the primary factor for the trajectory of prices, and despite showing promise through October, prices ended 2020 on a down note.

Figure 8: Heating Degree Days (HDDs) for November-March



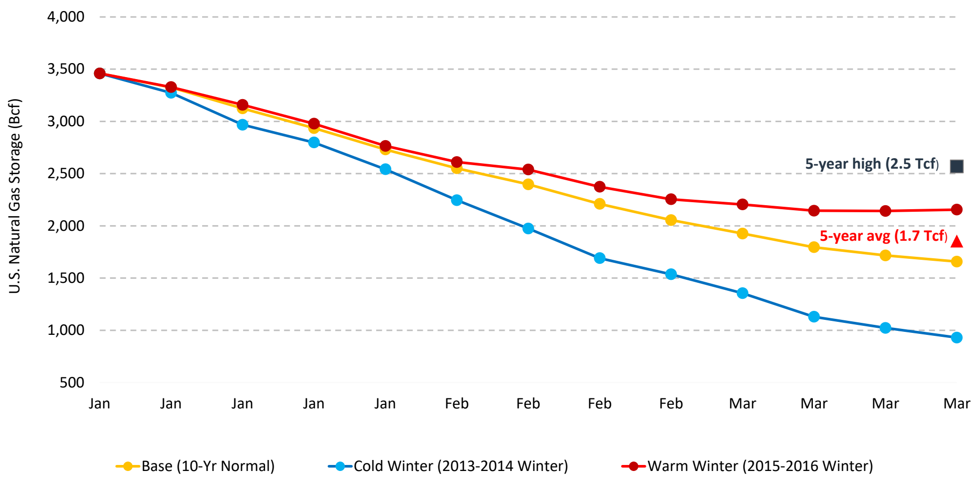
Source: American Gas Association, and Haywood Securities Inc.

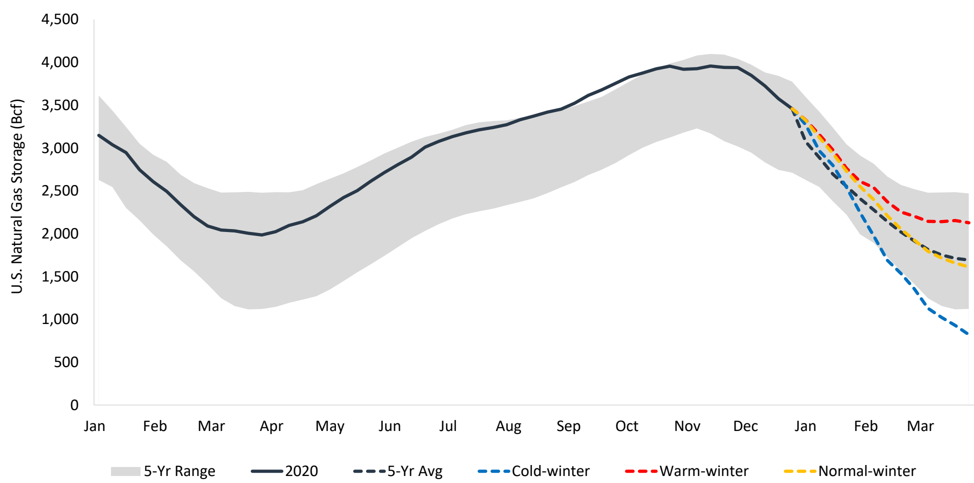
How the rest of winter ultimately plays out is an open question and will critically influence 2021 natural gas prices. For context, the last storage date for the week ending December 25 represents approximately 35% of the winter heating season based on the 10-year average of the roughly 3,600 HDDs typically recorded between November and March. January is a critical period for gas consumption and winter strip prices, accounting for about 25% of HDDs over the traditional winter season, with HDDs typically peaking in mid-to-late January. So, while a late season upward movement in prices is still possible in late January or February should a widespread Artic chill appear, with each passing week with above normal temperatures, this becomes increasingly unlikely. On the other hand, winter does not come to an end until April 1. There is still plenty of opportunity for front-month gas futures to test US$3.00/Mmbtu region (or perhaps higher) but a few of these factors will have to turn around over the course of the next several weeks.

With this outlook, we have raised our US production assumption for this winter by nearly 2 Bcf/d to 90 Bcf/d because stronger volumes from associated gas, and dry gas juggernauts Appalachia and Haynesville. We expect storage levels to remain above the prior 5-year average through January but drop below this level in February as storage withdrawals are expected to average roughly 3 Bcf/d higher than the 5-year average. However, the recent production upturn should somewhat reduce the call on storage withdrawals this winter, resulting in a slightly higher end-of-March inventory levels and a lower refill requirement for the summer of 2021 than previously projected. As a result, we know forecast US storage to enter injection season near 1.6 Tcf under 10-year normal weather conditions through the end of March, or 0.2 Tcf below the 5-year average. **With gas prices largely influenced by end-of-March storage levels, this scenario underpins our 2021 NYMEX price forecast of US$3.00/Mmbtu, which assumes an uptick in associated gas production which would be supported by our WTI price forecast of $US55-US$60/bbl in H2/21.**

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com

Figure 10: U.S. Weekly Natural Gas Storage Scenarios



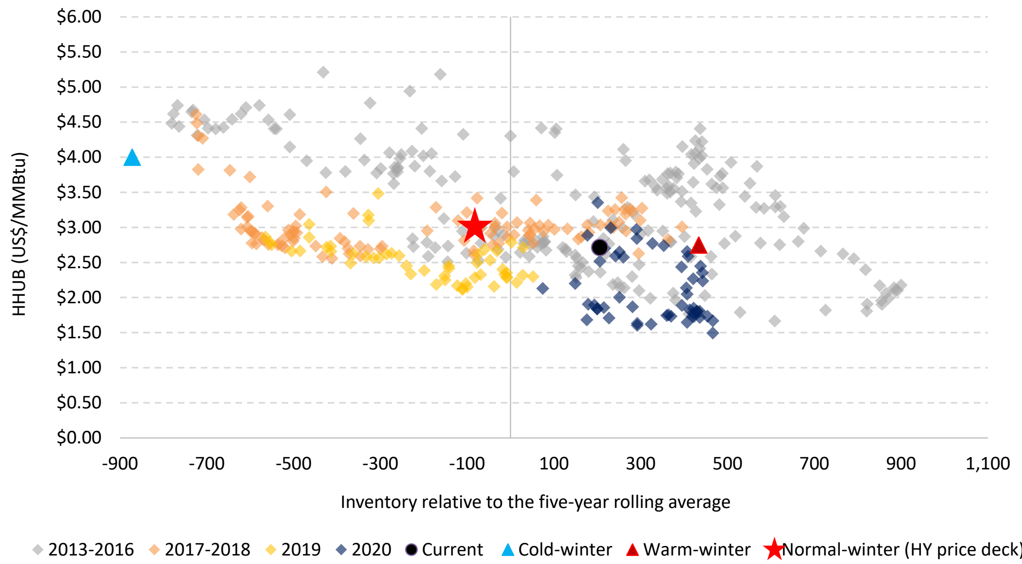


Source: EIA, PointLogic and Haywood Securities Inc.

While our cold-winter case scenario for end-of-March storage is less bullish than our late-October outlook after the mild start to winter, we know forecast storage levels of ~800 Bcf next spring, or almost a 900 Bcf deficit to the 5-year average. This is on par with end-of-winter 2013/14 levels and an average NYMEX winter price of US$6/Mmbtu. In the current market, NYMEX prices could hit $4.00/Mmbtu. Our warm-winter case expectation has inventories next spring close to 2.1 Tcf, or ~400 Tcf above the prior 5-year average, on par with last year's end-of-winter levels and an average NYMEX winter price of US$2.75/Mmbtu. For context, the current NYMEX winter strip is US$2.47/mmbtu, while CAL21 NYMEX prices are US$2.62/Mmbtu.

Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com

Figure 11: **Henry Hub and Storage Relationship (Yield Curve)**

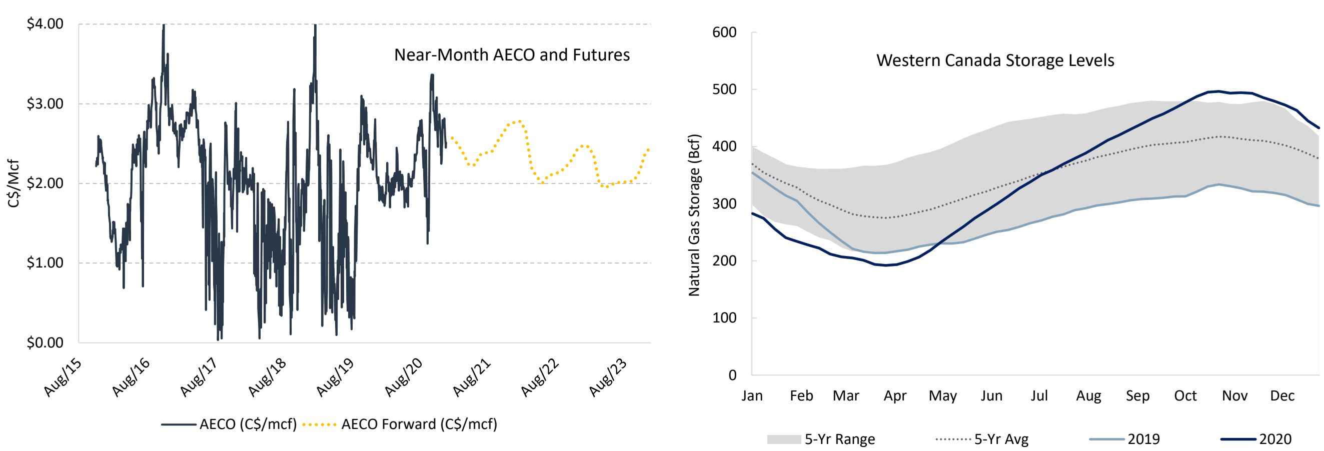


Source: EIA, and Haywood Securities Inc.

Western Canadian natural gas price spreads expected to remain narrow though 2021. After reaching a low point in 2019, the AECO-NYMEX price spreads have normalized after a tumultuous ride from mid-2017 to fall 2019. Fast forward to today and the AECO market is now reflecting the effect of that damage to the industry with strained balance sheets, and anemic drilling programs. Another key factor contributing to the "normal" gas price realizations is the implementation of the Temporary Service Protocol (TSP) which has helped to better manage the flows of gas into and out of storage during periods of maintenance, thereby dampening price volatility. This can be seen in Western Canadian storage levels, where in a typical injection season, gas inventories average about a 30% increase through injection season, rising say from 300 Bcf to 400 Bcf. However, this injection season saw storage levels in Western Canada more than doubling from 210 Bcf to just under 500 Bcf. Although, the implication here is that Western Canada is well stocked for the winter, we expect basis differentials to remain at healthy levels through 2021 supported by storage access, and NGTL and Westcoast system expansions which has helped AECO molecules reach export markets. Meanwhile, intra-basin demand is still expected to grow from the oil sands, while coal-to-gas switching represents a structural shift in Alberta gas demand that is expected to add ~0.5 Bcf/d of gas demand per year, depending on the price level.

We now forecast an AECO basis of US$0.80/MMBtu in 2021, reflecting roughly the transportation costs between AECO and NYMEX.

Figure 12: **Near-Month AECO and Futures; Western Canada Storage Levels**



Source: EIA, and Haywood Securities Inc.

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Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com

Commodity Price Forecasts

In Figure 13, we provide a review of our commodity price deck, which we have adopted in all our E&P outlooks.

Key changes to our 2021 price forecasts include:

- **WTI –** up 10% to US$55/bbl (US$50/bbl previously)
- **WCS –** up 16% to C$54.68/bbl (C$47.33/bbl previously)
- **NYMEX –** down 8% to US$3.00/mmbtu (US$3.25/mmbtu previously)
- **AECO –** down 10% to C$2.93/Mcf (C$3.25/Mcf previously)

Figure 13: Price Deck Change Summary

	2021E New	2021E Prior	Change %	2021E Strip	Var (%) from HY
Crude Oil					
WTI (US$/bbl)	$55.00	$50.00	10%	$49.57	11%
Brent (US$/bbl)	$58.00	$54.00	7%	$52.92	10%
WTI - Brent Differetial (US$/bbl)	-$3.00	-$4.00	-25%	-$2.40	25%
Canadian Light Sweet Crude (C$/bbl)	$68.00	$60.80	12%	$58.50	16%
Light - Ed. Par Differential (US$/bbl)	$4.00	$5.00	-20%	$5.42	-26%
Western Canadian Select (C$/bbl)	$54.68	$47.33	16%	$44.32	23%
WCS - WTI Differential (US$/bbl)	$14.00	$15.00	-7%	$15.00	-7%
Natural Gas					
Henry Hub (US$/mmBtu)	$3.00	$3.25	-8%	$2.66	13%
AECO Basis Differential (US$/mmBtu)	$0.80	$0.84	-5%	$0.72	11%
AECO(C$/mcf)	$2.93	$3.25	-10%	$2.57	14%
Foreign Exchange					
(US$/C$)	$0.75	$0.74	1%	$0.78	-4%

Source: Bloomberg, Haywood Securities Inc.

Model Estimate Revisions

Figure 14: Estimate Revisions

							Production (boe/d)				Capex (mm)				CFPS ($/sh)				Net Debt (mm)			
		Rating		Price Target			2020E		2021E		2020E		2021E		2020E		2021E		2020E		2021E	
Company	Ticker	Prior	Current	Prior	Current	% Chg.	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current
Oil-weighted																						
Altura Energy	ATU	Hold	Hold	$0.30	$0.30	0%	900	900	1,350	1,350	$8.0	$8.0	$10.0	$10.0	$0.02	$0.02	$0.08	$0.09	$4.1	$4.2	$3.8	$2.4
Bonterra Energy	BNE	Hold	Buy	$2.25	$4.00	78%	10,900	10,900	13,000	13,000	$53.7	$53.7	$70.0	$70.0	$1.02	$1.05	$2.63	$3.09	$314.1	$313.1	$296.2	$280.0
Headwater Exploration Inc.	HWX	Buy	Buy	$3.00	$3.50	17%	688	688	6,750	6,750	$0.6	$0.6	$87.5	$87.5	$0.03	$0.03	$0.36	$0.41	-$80.5	-$80.5	-$62.5	-$73.1
Parex Resources	PXT	Buy	Buy	$25.50	$27.50	8%	46,500	46,500	50,000	50,000	$135.0	$135.0	$175.0	$175.0	$1.99	$2.00	$3.25	$3.54	-$375.1	-$376.9	-$653.2	-$696.2
PetroShale Inc.	PSH	Buy	Buy	$0.30	$0.30	0%	12,700	12,700	12,000	12,000	$35.8	$35.8	$50.0	$50.0	$0.30	$0.30	$0.38	$0.39	$340.3	$341.4	$326.4	$325.8
TORC Oil & Gas	TOG	Tender	Tender	$3.30	$4.00	21%	26,000	26,000	25,500	25,500	$80.0	$80.0	$110.0	$110.0	$0.55	$0.57	$0.97	$1.16	$328.9	$325.7	$222.3	$176.7
Whitecap Resources	WCP	Buy	Buy	$5.75	$7.00	22%	68,500	68,500	99,000	99,000	$194.0	$194.0	$280.0	$280.0	$1.02	$1.04	$1.28	$1.52	$1,097.1	$1,087.1	$1,040.7	$886.5
Renaissance Oil	ROE	Hold	Hold	$0.10	$0.20	100%	1,250	1,250	1,200	1,200	$1.5	$1.5	$1.5	$1.5	$0.00	$0.00	$0.00	$0.00	$8.0	$8.0	$9.7	$9.7
ReconAfrica	RECO	Buy	Buy	$4.00	$4.00	0%	0	0	0	0	$8.0	$8.0	$15.0	$15.0	-$0.03	-$0.03	$0.00	$0.00	-$15.3	-$15.3	-$0.4	-$0.4
Average																						
Gas-weighted																						
Birchcliff Energy	BIR	Buy	Buy	$3.50	$3.50	0%	76,500	76,500	80,000	80,000	$285.0	$285.0	$210.0	$210.0	$0.75	$0.77	$1.67	$1.60	$742.3	$736.9	$531.4	$543.1
Leucrotta Exploration	LXE	Buy	Buy	$1.25	$1.25	0%	3,200	3,200	3,000	3,000	$7.5	$7.5	$7.0	$7.0	$0.01	$0.01	$0.04	$0.04	$2.5	$2.3	$0.8	$0.6
Pieridae Energy	PEA	Buy	Buy	$1.10	$1.10	0%	41,500	41,500	42,500	42,500	$11.0	$11.0	$50.0	$50.0	-$0.05	-$0.05	$0.45	$0.40	$229.6	$229.3	$223.0	$231.1
Pine Cliff Energy	PNE	Buy	Buy	$0.50	$0.50	0%	18,750	18,750	17,250	17,250	$9.0	$9.0	$10.0	$10.0	$0.02	$0.02	$0.15	$0.12	$66.4	$65.6	$25.4	$34.4
Spartan Delta Corp.	SDE	Buy	Buy	$6.00	$6.00	0%	15,450	15,450	30,000	30,000	$19.0	$19.0	$43.0	$43.0	$0.32	$0.33	$1.40	$1.44	$19.5	$18.6	-$62.3	-$66.3
Average																						

Source: Haywood Securities Inc.

Comparative Tables – Haywood Pricing

Figure 15: Select Metrics – Haywood Coverage

Company	Ticker	Analyst	Rating	Risk Rating	Price 06-Jan	Price New Tgt	Yield %	Total Return %	Mkt Cap mm	Net debt [1] mm	EV mm	P/CF (x) 2020E	P/CF (x) 2021E	EV/DACF (x) 2020E	EV/DACF (x) 2021E	Net Debt to Cash Flow (x) 2020E	Net Debt to Cash Flow (x) 2021E	EV/boe/d ($/boe/d) 2020E	EV/boe/d ($/boe/d) 2021E
Oil-weighted																			
Altura Energy	ATU	CJ	Hold	Very High	$0.14	$0.30	0%	122%	$15	$5	$19	6.2x	1.5x	6.6x	1.5x	1.8x	0.2x	$18,736	$11,147
Bonterra Energy	BNE	CJ	Buy	High	$2.70	$4.00	0%	48%	$90	$295	$385	2.6x	0.9x	8.1x	3.2x	9.0x	2.7x	$45,827	$28,390
Headwater Exploration Inc	HWX	CJ	Buy	Very High	$2.60	$3.50	0%	35%	$507	-$81	$427	74.7x	6.3x	78.5x	6.3x	nm	nm	$705,393	$75,111
Parex Resources	PXT	DB	Buy	Med High	$19.14	$27.50	0%	44%	$2,623	-$467	$2,156	7.1x	4.0x	5.5x	2.5x	nm	nm	$50,649	$43,302
PetroShale Inc.	PSH	DB	Buy	Very High	$0.15	$0.30	0%	107%	$27	$350	$377	0.5x	0.4x	5.3x	3.7x	5.9x	4.3x	$29,032	$29,377
TORC Oil & Gas	TOG	CJ	Tender	High	$2.97	$4.00	0%	35%	$661	$360	$1,021	5.2x	2.6x	7.6x	3.2x	2.6x	0.7x	$37,955	$32,857
Whitecap Resources	WCP	CJ	Buy	High	$5.24	$7.00	3%	37%	$3,126	$887	$4,013	5.0x	3.5x	6.8x	4.2x	2.5x	1.0x	$47,102	$40,532
Renaissance Oil	ROE	CJ	Hold	Very High	$0.14	$0.20	0%	48%	$48	$4	$52	nm	nm	nm	nm	nm	nm	$59,347	$63,221
ReconAfrica	RECO	CJ	Buy	Very High	$2.19	$4.00	0%	83%	$234	-$17	$217	nm	nm	nm	nm	5.0x	nm	nm	nm
Average							**0%**	**62%**						***16.9x***	***3.5x***	***4.3x***	***1.8x***		
Gas-weighted																			
Birchcliff Energy	BIR	DB	Buy	Very High	$1.90	$3.50	1%	85%	$505	$784	$1,290	2.5x	1.2x	5.2x	2.2x	3.6x	1.3x	$15,660	$12,553
Leucrotta Exploration	LXE	DB	Buy	Very High	$0.74	$1.25	0%	69%	$148	$4	$153	75.0x	17.0x	67.0x	15.9x	1.2x	0.1x	$53,977	$54,088
Pieridae Energy	PEA	DB	Buy	Very High	$0.44	$1.10	0%	150%	$69	$218	$287	nm	nm	12.8x	2.9x	4.0x	1.9x	$6,842	$6,721
Pine Cliff Energy	PNE	DB	Buy	Very High	$0.24	$0.50	0%	113%	$83	$69	$152	13.3x	2.0x	12.8x	2.5x	10.6x	0.8x	$7,708	$6,567
Spartan Delta Corp.	SDE	DB	Buy	Very High	$3.60	$6.00	0%	67%	$209	$9	$219	11.0x	2.5x	10.8x	2.5x	0.7x	nm	$16,836	$9,384
Average							**0%**	**86%**						***21.7x***	***5.2x***	***4.0x***	***1.0x***		

Company	Ticker	Analyst	Production (boe/d) 2020E	Production (boe/d) 2021E	Liquids (%) 2020E	Liquids (%) 2021E	Cash Flow Per Share 2020E	Cash Flow Per Share 2021E	Capex (mm) 2020E	Capex (mm) 2021E	Total Payout (%) [1] 2020E	Total Payout (%) [1] 2021E	FCF (mm) [2] 2020E	FCF (mm) [2] 2021E	FCF Yield [3] 2020E	FCF Yield [3] 2021E
Oil-weighted																
Altura Energy	ATU	CJ	900	1,350	64%	64%	$0.02	$0.09	$8	$10	337%	99%	-$6	$0	-29%	0%
Bonterra Energy	BNE	CJ	10,900	13,000	67%	67%	$1.05	$3.09	$54	$70	157%	68%	-$19	$33	-5%	9%
Headwater Exploration Inc	HWX	CJ	688	6,750	1%	90%	$0.03	$0.41	$1	$88	8%	109%	$6	-$7	-12%	-2%
Parex Resources	PXT	DB	46,500	50,000	98%	98%	$2.00	$3.54	$135	$175	48%	35%	$148	$319	7%	15%
PetroShale Inc.	PSH	DB	12,700	12,000	86%	86%	$0.30	$0.39	$36	$50	62%	66%	$22	$25	6%	7%
TORC Oil & Gas	TOG	CJ	26,000	25,500	89%	89%	$0.57	$1.16	$80	$110	77%	42%	$47	$149	5%	15%
Whitecap Resources	WCP	CJ	68,500	99,000	85%	81%	$1.04	$1.52	$194	$280	65%	42%	$237	$638	6%	16%
Renaissance Oil	ROE	CJ	1,250	1,200	30%	30%	$0.00	$0.00	$2	$2	nm	nm	-$5	-$2	0%	0%
Reconnaissance Energy Ltd	RECO	CJ	0	0	nm	nm	-$0.03	$0.00	$8	$15	nm	nm	-$11	-$15	0%	0%
Average											***108%***	***66%***			***-3%***	***7%***
Gas-weighted																
Birchcliff Energy	BIR	DB	76,500	80,000	24%	24%	$0.77	$1.60	$285	$210	145%	51%	-$81	$216	-4%	17%
Leucrotta Exploration	LXE	DB	3,200	3,000	28%	28%	$0.01	$0.04	$7	$7	377%	80%	-$5	$2	1%	1%
Pieridae Energy	PEA	DB	41,500	42,500	20%	20%	-$0.05	$0.40	$27	$65	-343%	103%	-$35	-$2	-2%	-1%
Pine Cliff Energy	PNE	DB	18,750	17,250	8%	8%	$0.02	$0.12	$9	$10	146%	24%	-$3	$31	3%	21%
Spartan Delta Corp.	SDE	DB	15,450	30,000	30%	30%	$0.33	$1.44	$19	$43	75%	38%	$6	$69	0%	31%
Average											***81%***	***64%***			***0%***	***9%***

(1) Payout ratios = Operating cash flow - dividends - capital expenditures

(2) FCF = Operating cash flow less capital expenditures

(3) FCF Yield = FCF/EV

Source: Haywood Securities Inc.

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Comparative Tables – Strip Pricing

Figure 16: Select Metrics – Haywood Coverage

Company	Ticker	Analyst	Rating	Risk Rating	Price 06-Jan	Price *New Tgt*	Yield %	Total Return %	Mkt Cap mm	Net debt [1] mm	EV *mm*	P/CF (x) 2020E	P/CF (x) 2021E	EV/DACF (x) 2020E	EV/DACF (x) 2021E	Net Debt to Cash Flow (x) 2020E	Net Debt to Cash Flow (x) 2021E	EV/boe/d ($/boe/d) 2020E	EV/boe/d ($/boe/d) 2021E
Oil-weighted																			
Altura Energy	ATU	CJ	Hold	Very High	$0.14	$0.30	0%	122%	$15	$5	$19	7.1x	2.1x	7.6x	2.6x	2.2x	0.8x	$19,074	$13,675
Bonterra Energy	BNE	CJ	Buy	High	$2.70	$4.00	0%	48%	$90	$295	$385	2.6x	1.2x	8.2x	4.4x	9.2x	4.0x	$45,890	$30,495
Headwater Exploration In	HWX	CJ	Buy	Very High	$2.60	$3.50	0%	35%	$507	-$81	$427	74.5x	8.0x	78.3x	8.2x	nm	nm	$705,367	$77,525
Parex Resources	PXT	DB	Buy	Med High	$19.14	$27.50	0%	44%	$2,623	-$467	$2,156	7.1x	4.6x	5.5x	3.0x	nm	nm	$50,649	$43,309
PetroShale Inc.	PSH	DB	Buy	Very High	$0.15	$0.30	0%	107%	$27	$350	$377	0.5x	0.4x	5.2x	3.6x	5.8x	4.2x	$28,962	$29,109
TORC Oil & Gas	TOG	CJ	Tender	High	$2.97	$4.00	0%	35%	$661	$360	$1,021	5.5x	3.3x	8.1x	4.5x	2.8x	1.2x	$38,224	$35,450
Whitecap Resources	WCP	CJ	Buy	High	$5.24	$7.00	3%	37%	$3,126	$1,113	$4,239	5.1x	4.5x	6.9x	5.7x	2.6x	1.6x	$47,238	$42,822
Renaissance Oil	ROE	CJ	Hold	Very High	$0.14	$0.20	0%	48%	$48	$4	$52	nm	nm	nm	nm	nm	nm	$59,366	$63,621
ReconAfrica	RECO	CJ	Buy	Very High	$2.19	$4.00	0%	83%	$234	-$17	$217	nm	nm	nm	nm	5.0x	nm	nm	nm
Average							**0%**	**59%**						***17.1x***	***4.6x***	***4.5x***	***2.4x***		
Gas-weighted																			
Birchcliff Energy	BIR	DB	Buy	Very High	$1.90	$3.50	1%	85%	$505	$784	$1,290	2.5x	1.2x	5.2x	2.4x	3.6x	1.4x	$15,638	$12,778
Leucrotta Exploration	LXE	DB	Buy	Very High	$0.74	$1.25	0%	69%	$148	$4	$153	80.0x	29.5x	71.2x	28.1x	1.3x	0.9x	$54,016	$55,363
Pieridae Energy	PEA	DB	Buy	Very High	$0.44	$1.10	0%	150%	$69	$218	$287	nm	nm	12.4x	5.4x	3.9x	3.2x	$6,826	$7,636
Pine Cliff Energy	PNE	DB	Buy	Very High	$0.24	$0.50	0%	113%	$83	$69	$152	14.2x	3.2x	13.3x	4.3x	11.4x	2.0x	$7,728	$7,498
Spartan Delta Corp.	SDE	DB	Buy	Very High	$3.60	$6.00	0%	67%	$209	$9	$219	13.3x	3.1x	13.1x	3.1x	1.1x	nm	$16,836	$9,384
Average							**0%**	**86%**						***23.0x***	***8.7x***	***4.2x***	***1.8x***		

(1) Net debt is as of Q3/20

Company	Ticker	Analyst	Production (boe/d) 2020E	Production (boe/d) 2021E	Liquids (%) 2020E	Liquids (%) 2021E	Cash Flow Per Share 2020E	Cash Flow Per Share 2021E	Capex (mm) 2020E	Capex (mm) 2021E	Total Payout (%) [1] 2020E	Total Payout (%) [1] 2021E	FCF (mm) [2] 2020E	FCF (mm) [2] 2021E	FCF Yield [3] 2020E	FCF Yield [3] 2021E
Oil-weighted																
Altura Energy	ATU	CJ	900	1,350	64%	64%	$0.02	$0.06	$8	$10	387%	144%	-$6	-$3	-31%	-16%
Bonterra Energy	BNE	CJ	10,900	13,000	67%	67%	$1.03	$2.29	$54	$70	160%	92%	-$19	$6	-5%	2%
Headwater Exploration In	HWX	CJ	688	6,750	1%	90%	$0.03	$0.33	$1	$88	8%	137%	$6	-$24	-12%	-6%
Parex Resources	PXT	DB	46,500	50,000	98%	98%	$2.00	$3.07	$135	$175	48%	41%	$147	$254	7%	12%
PetroShale Inc.	PSH	DB	12,700	12,000	86%	86%	$0.30	$0.40	$36	$50	61%	64%	$23	$28	6%	7%
TORC Oil & Gas	TOG	CJ	26,000	25,500	89%	89%	$0.54	$0.90	$80	$110	81%	55%	$40	$90	4%	9%
Whitecap Resources	WCP	CJ	68,500	99,000	85%	81%	$1.02	$1.16	$194	$280	67%	55%	$228	$421	5%	10%
Renaissance Oil	ROE	CJ	1,250	1,200	30%	30%	$0.00	$0.00	$2	$2	nm	nm	-$5	-$2	0%	0%
Reconnaissance Energy Lt	RECO	CJ	0	0	nm	nm	-$0.03	$0.00	$8	$15	nm	nm	-$11	-$15	0%	0%
Average											***116%***	***84%***			***-3%***	***2%***
Gas-weighted																
Birchcliff Energy	BIR	DB	76,500	80,000	24%	24%	$0.77	$1.53	$285	$210	144%	53%	-$79	$196	-4%	15%
Leucrotta Exploration	LXE	DB	3,200	3,000	28%	28%	$0.01	$0.03	$7	$7	402%	139%	-$6	-$2	1%	-1%
Pieridae Energy	PEA	DB	41,500	42,500	20%	20%	-$0.05	$0.15	$27	$65	-376%	274%	-$34	-$41	-2%	-14%
Pine Cliff Energy	PNE	DB	18,750	17,250	8%	8%	$0.02	$0.08	$9	$10	155%	39%	-$3	$16	1%	10%
Spartan Delta Corp.	SDE	DB	15,450	30,000	30%	30%	$0.27	$1.17	$19	$43	90%	47%	$2	$48	0%	22%
Average											***81%***	***126%***			***-1%***	***2%***

(1) Payout ratios = Operating cash flow - dividends - capital expenditures
(2) FCF = Operating cash flow less capital expenditures
(3) FCF Yield = FCF/EV

Source: Capital IQ, Haywood Securities Inc.

Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

We, Darrell Bishop and Christopher Jones, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

Of the companies included in the report the following Important Disclosures apply:

Ticker	Company	1	2	3	4	5	6	7	8
TSXV:ATU	Altura Energy Inc.								
TSX:BIR	Birchcliff Energy Ltd.								
TSX:BNE	Bonterra Energy Corp.								
TSX:HWX	Headwater Exploration Inc.								
TSXV:LXE	Leucrotta Exploration Inc.		X						
TSX:PXT	Parex Resources Inc.			X					
TSXV:PSH	PetroShale Inc.		X						
TSXV:PEA	Pieridae Energy Ltd.						X		
TSX:PNE	Pine Cliff Energy Ltd.		X				X		
TSXV:RECO	ReconAfrica Ltd.		X		X	X			
TSXV:ROE	Renaissance Oil Corp.		X						
TSXV:SDE	Spartan Delta Corp.								
TSX:TOG	TORC Oil & Gas Ltd.								
TSX:WCP	Whitecap Resources Inc.								

1	The Analyst(s) preparing this report (or a member of the Analysts' households) have a financial interest in this company.
2	As of the end of the month immediately preceding this publication either Haywood Securities, Inc., one of its subsidiaries, its officers or directors beneficially owned 1% or more of this company.
3	Haywood Securities, Inc. has reviewed lead projects of this company and a portion of the expenses for this travel have been reimbursed by the issuer.
4	Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for this company in the past 12 months.
5	Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from this company in the past 12 months
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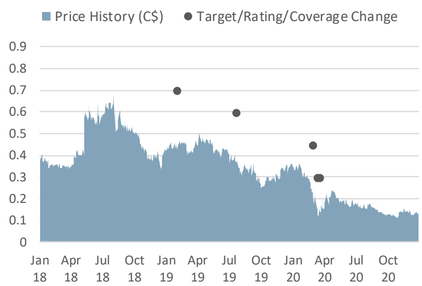
8	Haywood Securities, Inc. or one of its subsidiaries expects to receive or intends to seek compensation for investment banking services from this company in the next three months

Distribution of Ratings (as of January 7, 2021)

	%	#	IB Clients (TTM)
Buy	74.0%	77	86.7%
Hold	5.8%	6	3.3%
Sell	0.0%	0	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	18.3%	19	10.0%

Price Chart, Rating and Target Price History (as of January 7, 2021)

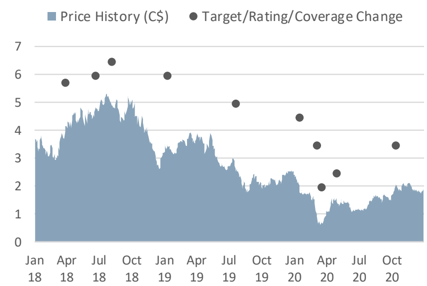
Altura Energy Inc. (ATU-V)



Date	Target(C$)	Rating
3/26/20	$0.30	Hold
3/20/20	$0.30	Buy
3/6/20	$0.45	Buy
7/30/19	$0.60	Buy
2/11/19	$0.70	Buy

Initiated Coverage: 2/11/19

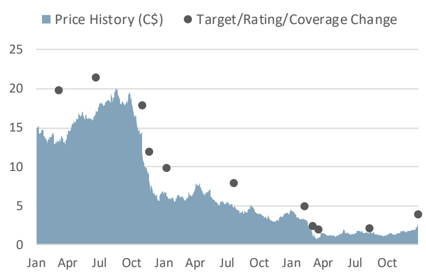
Birchcliff Energy Ltd. (BIR-T)



Date	Target(C$)	Rating
10/21/20	$3.50	Buy
5/11/20	$2.50	Buy
3/26/20	$2.00	Buy
3/12/20	$3.50	Buy
1/23/20	$4.50	Buy
7/30/19	$5.00	Buy
1/17/19	$6.00	Buy
8/15/18	$6.50	Buy
7/3/18	$6.00	Buy
4/4/18	$5.75	Buy

Initiated Coverage 05/02/14; Transferred Coverage 01/07/15

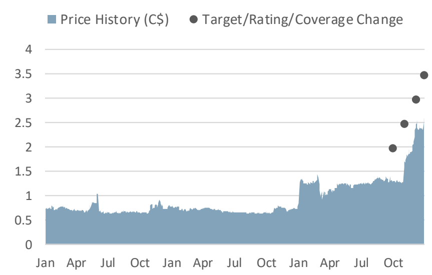
Bonterra Energy Corp. (BNE-T)



Date	Target(C$)	Rating
1/6/21	$4.00	Buy
8/24/20	$2.25	Hold
3/26/20	$2.00	Hold
3/11/20	$2.50	Hold
2/18/20	$5.00	Hold
7/30/19	$8.00	Buy
1/17/19	$10.00	Buy
11/29/18	$12.00	Buy
11/8/18	$18.00	Buy
7/3/18	$21.50	Buy
3/14/18	$20.00	Buy

Re-initiated coverage on 04/03/14; Dropped Coverage 12/01/14; Initiated Coverage 01/20/15; Transferred Coverage 3/21/2017

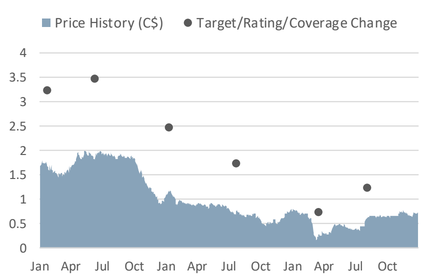
Headwater Exploration Inc. (HWX-T)



Date	Target(C$)	Rating
1/7/21	$3.50	Buy
12/15/20	$3.00	Buy
11/10/20	$2.50	Buy
10/9/20	$2.00	Buy

Initiated Coverage: 10/9/2020

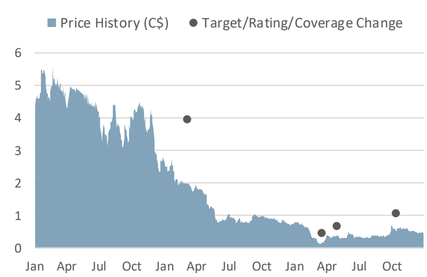
Leucrotta Exploration Inc. (LXE-V)



Date	Target(C$)	Rating
8/11/20	$1.25	Buy
3/26/20	$0.75	Buy
7/30/19	$1.75	Buy
1/17/19	$2.50	Buy
6/18/18	$3.50	Buy
1/30/18	$3.25	Buy
12/30/14	$2.60	Buy
12/17/14	$3.60	Buy
10/21/14	$3.75	Buy
8/19/14	$4.00	Buy

*Re-initiated Coverage 01/23/14; Transferred 08/19/14; *Chart doesn't reflect Crocotta Energy; Transferred 01/07/15*

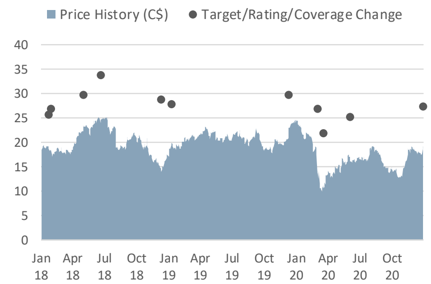
Pieridae Energy Limited (PEA-T)



Date	Target(C$)	Rating
10/21/20	$1.10	Buy
5/11/20	$0.70	Buy
3/26/20	$0.50	Buy
3/13/19	$4.00	Buy

Initiated Coverage: 3/13/2019

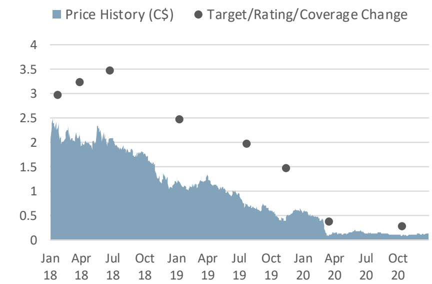
Parex Resources Inc. (PXT-T)



Date	Target(C$)	Rating
1/7/21	$27.50	Buy
6/12/20	$25.50	Buy
3/26/20	$22.00	Buy
3/11/20	$27.00	Buy
12/18/19	$30.00	Buy
1/17/19	$28.00	Buy
12/19/18	$29.00	Buy
7/3/18	$34.00	Buy
5/9/18	$30.00	Buy
2/6/18	$27.00	Buy
1/30/18	$26.00	Buy

Transferred & Re-initiated Coverage 08/06/14

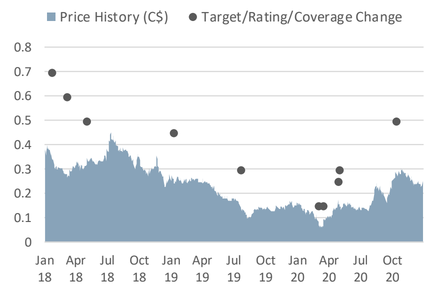
PetroShale Inc. (PSH-V)



Date	Target(C$)	Rating
10/21/20	$0.30	Buy
3/26/20	$0.40	Buy
11/20/19	$1.50	Buy
7/30/19	$2.00	Buy
1/17/19	$2.50	Buy
7/3/18	$3.50	Buy
4/3/18	$3.25	Buy
1/30/18	$3.00	Buy

Initiated Coverage: 8/14/2017

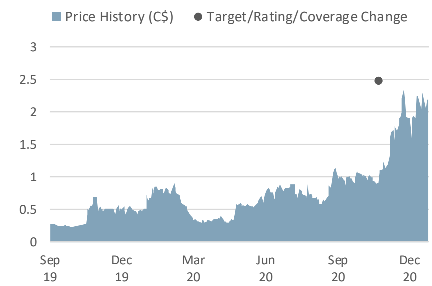
Pine Cliff Energy Ltd. (PNE-T)



Date	Target(C$)	Rating
10/21/20	$0.50	Buy
5/11/20	$0.30	Buy
5/7/20	$0.25	Buy
3/26/20	$0.15	Hold
3/12/20	$0.15	Buy
7/30/19	$0.30	Buy
1/17/19	$0.45	Buy
5/9/18	$0.50	Buy
3/14/18	$0.60	Buy
1/30/18	$0.70	Buy

Initiated Coverage on 03/27/14; Transferred Coverage 01/07/15

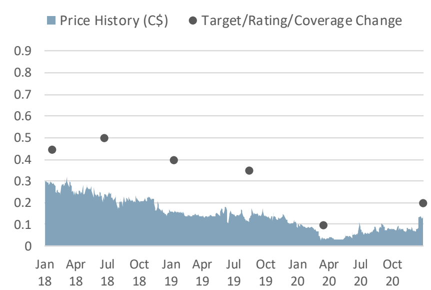
Reconnaissance Energy Africa Ltd. (RECO-V)



Date	Target(C$)	Rating
12/21/20	$4.00	Buy
11/5/20	$2.50	Buy

Initiated Coverage: 11/5/2020

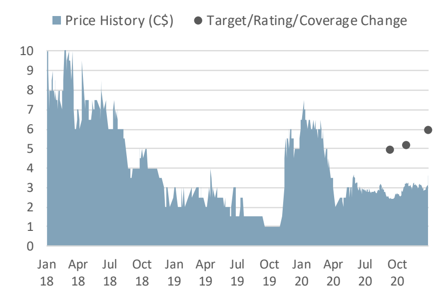
Renaissance Oil Corp. (ROE-V)



Date	Target(C$)	Rating
1/7/21	$0.20	Hold
3/26/20	$0.10	Hold
8/26/19	$0.35	Buy
1/17/19	$0.40	Buy
7/3/18	$0.50	Buy
1/30/18	$0.45	Buy

Initiated Coverage: 6/29/2017

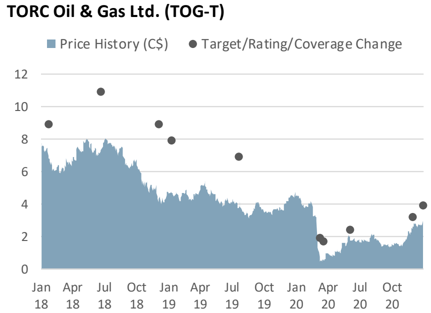
Spartan Delta Corp. (SDE-V)



Date	Target(C$)	Rating
1/6/21	$6.00	Buy
11/5/20	$5.25	Buy
9/21/20	$5.00	Buy

Initiated Coverage: 9/21/2020

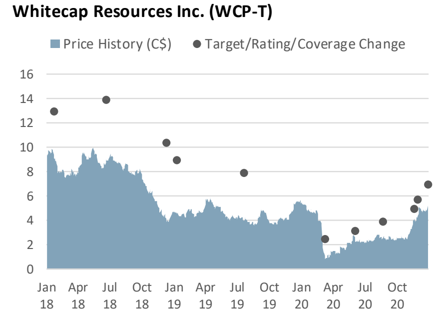
TORC Oil & Gas Ltd. (TOG-T)



Date	Target(C$)	Rating
1/7/21	$4.00	Tender
12/9/20	$3.30	Tender
6/12/20	$2.50	Buy
3/26/20	$1.75	Buy
3/17/20	$2.00	Buy
7/30/19	$7.00	Buy
1/17/19	$8.00	Buy
12/12/18	$9.00	Buy
7/3/18	$11.00	Buy
1/30/18	$9.00	Buy

Initiated Coverage on 01/20/15; Transferred Coverage 3/21/2017

Whitecap Resources Inc. (WCP-T)



Date	Target(C$)	Rating
1/7/21	$7.00	Buy
12/9/20	$5.75	Buy
11/27/20	$5.00	Buy
9/1/20	$4.00	Buy
6/12/20	$3.25	Buy
3/18/20	$2.50	Buy
7/30/19	$8.00	Buy
1/17/19	$9.00	Buy
12/18/18	$10.50	Buy
6/29/18	$14.00	Buy
1/30/18	$13.00	Buy

Dropped Coverage 04/25/14; Initiated Coverage 01/20/15; Transferred Coverage 02/13/15; Transferred Coverage 3/21/2017

B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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Analyst: Darrell Bishop, PEng, MBA, 403-509-1938, dbishop@haywood.com
Analyst: Christopher Jones, CFA, 403-509-1953, cjones@haywood.com
Associate: Cameron Price, 403-509-1902, cprice@haywood.com