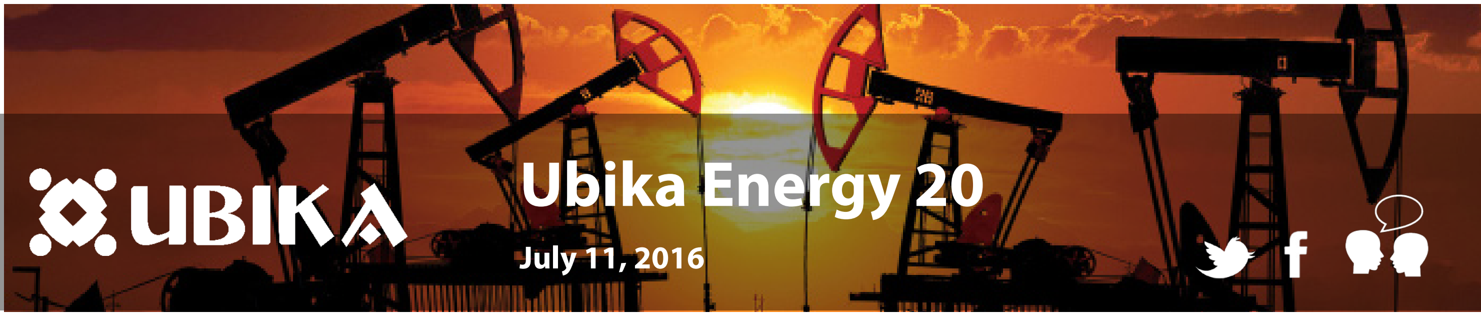
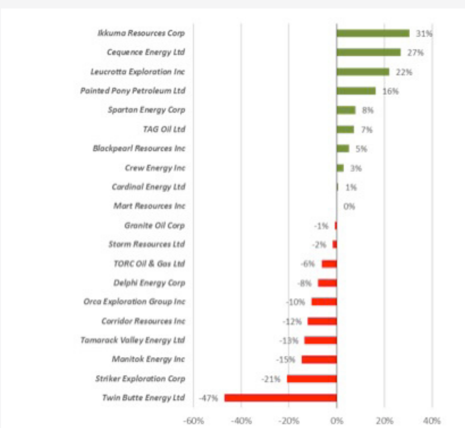


Ubika Energy 20
May 16, 2016 - July 11, 2016

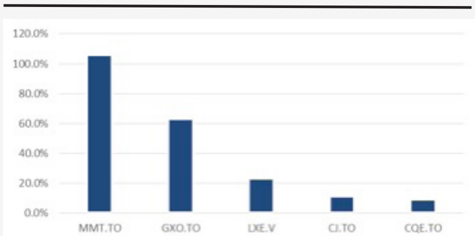
UE20:	+2.0% (6.1% Y/Y)
TSX Capped Energy:	+3.2% (-0.7% Y/Y)
Oil (WTI):	-4.8% (-10.8% Y/Y)

Dollar amounts in CAD unless otherwise stated.

UE20: Performance Distribution



Top Volume Gainers (m/m)



Alex Cutulenco | Analyst | Gravitas Financial Inc. | alex@gravitasfinancial.com | 1 (416) 992-6731
Juri Zguri | Analyst | Gravitas Financial Inc. | juri@gravitasfinancial.com | 1 (647) 712-7838

Has the Supply and Demand of Oil Finally Reached a Stable Equilibrium?

Although volatility continues in commodity markets, the trend is going the opposite way from most of 2015. In fact, in the month of June, natural gas surged 53%, whereas WTI oil surged 37% with Brent a bit behind at a 25% rise. In fact, out of the 16 closely-followed commodity markets, only 3 were in the red (uranium, coal and wheat). A huge contributor to this rise was the extremely surprising Brexit vote. During the focus period, the Ubika Energy 20 Index rose 2%%, which closely matches oil. In the minds of energy analysts now is: "Have the economics of oil finally stabilized." In our opinion, it would be naïve to say yes for certain. While we are definitely seeing improvements from the bloated supply side, global demand does not seem to be rising whatsoever. With a Brexit now in the foreseeable future, we worry on lower industrial and infrastructure advancements, especially in Britain. Should other EU constituents follow Britain's path, we believe the impact on oil is generally negative and will see some downward pressure due to negative investor sentiment based on lower demand.

Industry Highlights

- **Brexit has had a huge effect across the board of commodities.** In an unexpected vote to leave the trading bloc that is the EU, Britain shocked the world financial markets. While virtually everything was in red, safe haven commodities like gold and silver surged higher. Oil, more importantly, fell to $45. However, investors were quick to dismiss any effect the Brexit may have – this is apparent through the quick rise of equities, as well as oil. Oil is trading back in the upper $40's, whereas natural gas has experienced even greater gains, year to date. The environment for the energy industry seems to be improving, as the economics of the commodities balance out.
- **Upward pressure on oil prices has come partly from supply disruptions in Norway.** The union strikes by Norwegian oil and gas workers have increased expectations of another drop in crude inventories. That being said, while the wage deal was agreed upon, the effect of the strike is expected to linger on for a few more weeks.
- **The U.S. Energy Information Administration (EIA) announced crude stockpiles fell by 4.2 million barrels for the final week of June.** That represented the sixth consecutive week of drawdowns in inventory. While analysts expected the drawdown to occur, consensus was towards a 1.8 million barrels decrease. The result from this lower supply is higher oil prices.
- **The U.S. has officially topped both Saudi Arabia and Russia as the holder of most oil reserves.** According to Rystad Energy, recoverable oil in the U.S. from existing fields and undiscovered areas amounts to 264 billion barrels. Saudi Arabia and Russia have been known to have 212 billion and 256 billion in reserves, respectively. This provides the U.S. with more global dominance in the price of oil.

Top Performers

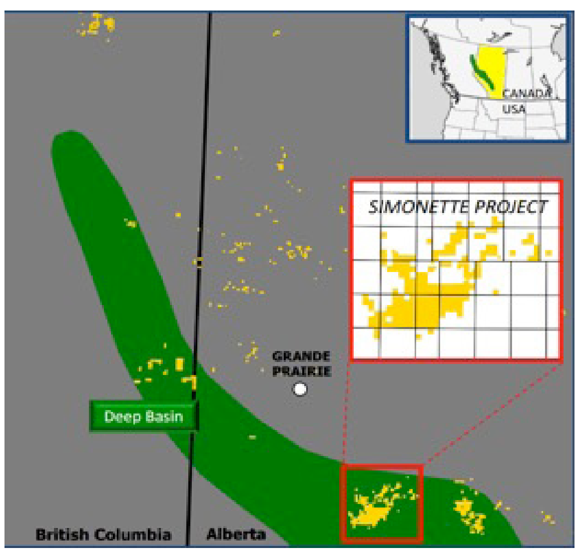
Cequence Energy (TSE:CQE)

Cequence is engaged in the exploration and development of oil and natural gas reserves with properties located in the Deep Basin area of northwest Alberta; the Peace River Arch area of northwest Alberta and northeast British Columbia. Its aggregate acres of oil and natural gas leases are approximately 340,530. 95,996 acres, located in northeast British Columbia, represent undeveloped land that it is exploring and developing. The stock has surged 27% since we last covered this Company.
Cequence's plays are primarily comprised of natural gas production (65% of revenue), meaning it heavily follows the price of that specific commodity. Although natural gas and the price oil move often in the same fashion, **natural gas has taken a much greater stride** upward this time around: the commodity surged 53% during the month of June. Following that surge, investors expect stronger top line figures for Cequence in quarters to come.

The Company is also taking steps to **reduce its operating costs** in order to achieve earnings. Specifically, it has reduced staff and employee compensation. Its burn rate for G&A per year has seen a 30% decrease from 2015.

Investors are also pleased to hear the Company announce that its **$20 million credit facility will be sufficient to execute its $7 million capital expenditure plan for the rest of 2016.** In addition, its total debt to EBITDA covenant was removed, representing stronger perceptions of the Company's healthier capital structure. At year-end, Cequence estimates its total debt will be approximately $70 million.

Figure 1. Cequence's Simonette Project: 121 MMboe Proved Plus Probable Booked Reserves



Source: Company Filings, Ubika Research

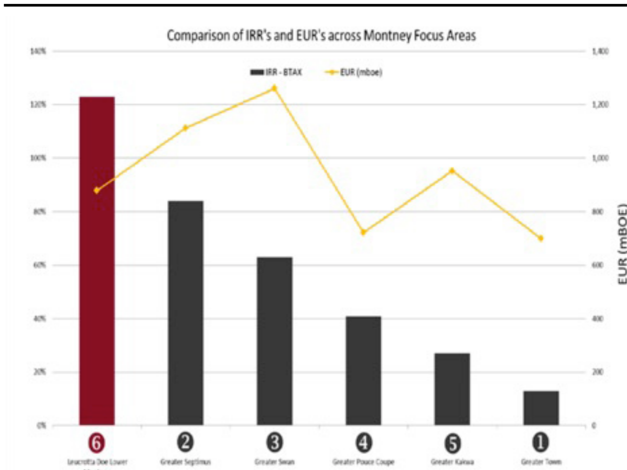
Leucrotta Exporation - (CVE:LXE)

Leucrotta is an oil and gas producer with assets focused on the Montney lands, specifically the Dawson-Sunrise area of northeast British Columbia. Its acres span 123,500 gross, or approximately 193 gross sections of Montney land. Per day, Leucrotta produces 1300 barrels of oil or equivalence (boe), on average. The stock has surged 22% since we last covered the Company.

Leucrotta has no debt and a strong working capital balance of $41.0 million. Due to the volatile commodity markets, the Company has signified that its plans for capital spending are cautious in nature, and has not provided much guidancet. Along with that, current production has been lowered to an average 1100 boe/day.

Its purchased land in the East Doe area for $3.2 million in Q1 2016 will be put into use after 2Q16. Leucrotta will be active in getting pipelines and locations licensed. This Lower Montney area has been confirmed to have large light oil resources. Leucrotta estimates the resource will cover 40 net sections of Leucrotta acreage, and will contribute 1290 boe/d of liquids-rich gas. This is especially important for the Company as natural gas seems to be on a continual uptrend, even more so than oil.

Figure 2. Leucrotta (6) has Highest Internal rate of Return across the Montney



Source: Company Filings, Ubika Research

Ikkuma Resources - (CVE:IKM)

Ikkuma Resource is a producer that is focused on developing properties in the foothills of Alberta and British Columbia. Of note is Ikkuma's existing production capacity at approximately 8000-8200 boe/day. That being said, emerging oil plays could be transformational and provide significant liquids growth. The stock has climbed 31% since the focus period. We like Ikkuma for the following reasons:

- The Company has placed a defensive strategy in a persistently low commodity price environment. Its balance sheet has strong fundamentals that we prefer in growth companies such as this. Specifically, the Company has a relatively low total debt value of $29 million. We find this healthy when compared with a total equity value of $140 million – especially with the volatile markets in recent years.

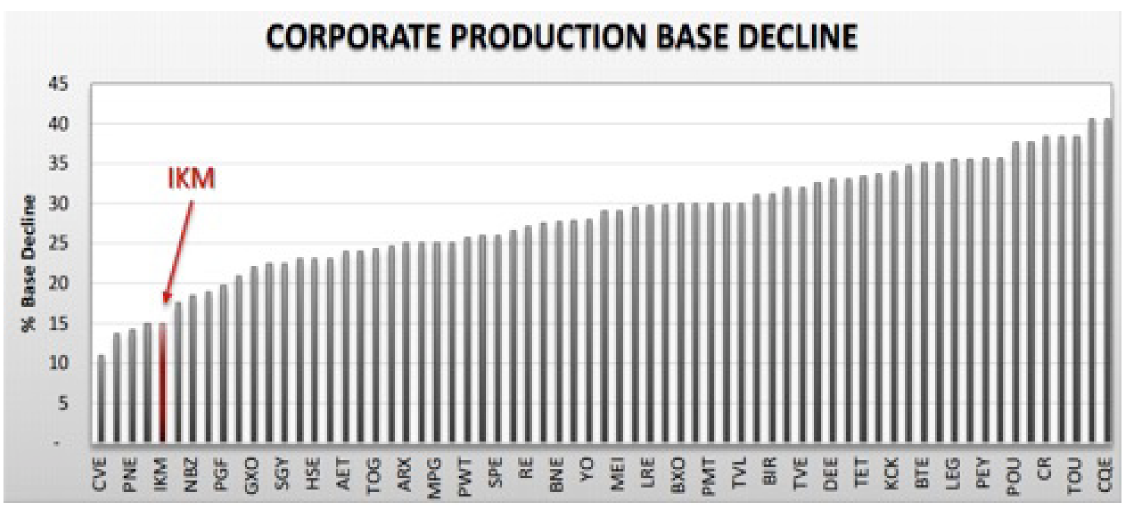
- Management and team has strong experience with prolific conventional reservoirs. Specifically, its technical team has been assembled from across different oil companies (i.e. Suncor Energy) in the same area of operations, and has 150+ years of combined experience in the specific foothills that Ikkuma operates it.

- Cost reductions are in place and working effectively. Q1 operating expenses were an average of $8/boe, and the Company has announced that further reductions are indeed anticipated.

- Ikkuma is largely exposed to the natural gas boom that has erupted in recent weeks. As mentioned in this report, natural gas has surged in demand and price throughout the month of June. Consequently, those plays with high exposure to it are poised for stronger earnings.

- Company's core asset in northern Alberta and B.C. Foothills has an extremely low decline rate when compared to others.

Figure 3. Ikkuma's Core Asset Annual Base Decline Rate Compared to Other Players



Source: Company Filings, Ubika Research

The One Laggard

Twin Butte Energy - (TSE:TBE)

Twin Butte has experienced a significant decline in its share price throughout the past year, and currently trades at an all-time low of $0.05. The producer has been starving off default in recent months and has agreed to sell itself to Reignwood Group Co. and Horizon Holding Group. Equity holders would receive 6 cents per share ($21 million aggregate) while debt holders $12 million. That being said, debt holders are trying to vote against the deal: TD has announced its belief that debt holders will be unwilling to support the deal. The sale was announced on June 24, when it had $294 million in debt. The sale is required to close by August 15 – we are closely monitoring the results. Twin Butte energy is down 47% since May 16, 2016.

New Constituent

As a result of the privatization of Long Run Exploration (TSE:LRE), we have been looking for a new constituent for the UE20. The chosen stock is Striker Exploration Corp (TSE:SKX). Striker is a value-play in the oil and gas sector. It has virtually no debt with a debt-to-equity ratio of 4%, representing roughly $3.5 million in total debt. It is currently free cash flow positive (LTM) and has relatively low valuation multiples: 1.72 and 5.71 EV/Sales and EV/EBITDA, respectively. While the stock is down since May 16, 2016, we believe it will be in the green in the quarters to come.

Important Disclosure

Smallcappower.com is owned and operated by Ubika Corporation whose divisions include Ubika Research and Ubika Communications. Ubika Corp. is a wholly owned subsidiary of Gravitas Financial Inc. The following terms and conditions ("Terms of Use") govern the use of this website ("site") www.SmallCapPower.com. By accessing this site, you agree to comply with and be legally bound by the Terms of Use as set out herein. Ubika reserves the right to seek all remedies available at law and in equity for violations of these Terms of Use, including the right to block access from a particular internet address to our site.

Disclaimer

Ubika Corporation and its affiliates or partners will seek to provide services to companies mentioned on the smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities. Ubika Corporation and its related companies (including its directors, employees and representatives) or a connected person may have ownership/stock positions in, or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts in certain underlying companies mentioned in this site and which may also be clients of Ubika's affiliates. In such instances, Ubika and/or its affiliates and/or their respective officers, directors or employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest and Ubika and/or its affiliates will use all reasonable efforts to comply with conflicts of interest disclosures and regulations to minimize the conflict.

Specifically all companies mentioned or listed as "Analyst Covered Companies" at smallcappower.com and which are shown under the heading "Analyst Covered Companies" on the page: http://www.smallcappower.com/companies have entered into a commercial relationship with Ubika Corporation or our affiliates for capital market services and have paid fees and/or shares or stock options or warrants for being featured and mentioned in smallcappower.com. Hence these "Analyst Covered Companies" at smallcappower.com are shown at the website as an advertisement only and any mention of these companies does not and will not constitute an offer to buy or sell securities in the featured companies. Ubika Corporation, its affiliates or partners will seek to provide services to companies mentioned in smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities.

Ubika Corporation and its divisions Ubika Communication and Ubika Research (collectively, "Ubika") are not registered with any financial or securities regulatory authority in Ontario or Canada, and do not provide nor claims to provide investment advice or recommendations to any visitor of this site or readers of any content on this site.

The information on this site is for informational purposes only. This site, including the data, information, research reports, press releases, findings, comments, views and opinions of Ubika's analysts, columnists, speakers or commentators, and other contents contained in it, is not intended to be: investment, tax, banking, accounting, legal, financial or other professional or expert advice of Ubika or its affiliates, or a recommendation, solicitation or offer by Ubika or its affiliates to buy or sell any securities, futures, options or other financial instruments, and such information should not be relied upon for such advice. Every user of this site is advised to seek professional advice before acting or omitting to act on any information contained in the site.

Research reports and newsletters have been prepared without reference to any particular user's investment requirements or financial situation. Where reference is made to estimate of value or relative value of a specific company, there is no guarantee that these estimates are reliable or will materialize. Readers of these reports and newsletters are advised to conduct their own due diligence before making any investment decisions. Ubika does not make independent investigation or inquiry as to the accuracy and completeness of any information provided by the Analyst Covered companies. Although the content has been obtained from sources believed to be reliable, this website could include technical or other inaccuracies or typographical errors and it is provided to you on an "as is" basis without warranties or representations of any kind. Ubika and its affiliates make no representation and disclaim all express and implied warranties and conditions of any kind, including without limitation, representations, warranties or conditions regarding accuracy, timeliness, completeness, non-infringement, satisfactory quality, merchantability, merchantable quality or fitness for any particular purpose or those arising by law, statute, usage of trade, or course of dealing. Ubika and its affiliates assume no responsibility to you or any third party for the consequences of any errors or omissions.

Information in this site is subject to change without notice. Ubika assumes no liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Ubika, its affiliates and their respective directors, officers, employees, or agents expressly disclaim any liability for losses or damages, whether direct, indirect, special, or consequential, or other consequences, howsoever caused, arising out of any use or reproduction of this site or any decision made or action taken in reliance upon the content of this site, whether authorized or not. By accessing this site, each user of this site releases Ubika, its affiliates and their respective officers, directors, agents and employees from all claims and proceedings for such losses, damages or consequences.

Ubika and its affiliates do not endorse or recommend any securities issued by any companies identified on, or linked through, this site. Please seek professional advice to evaluate specific securities or other content on this site. Links, if any, to third party sites are for informational purposes only and not for trading purposes. Ubika and its affiliates have not prepared, reviewed or updated any content on third party sites and assume no responsibility for the information posted on them.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned in this site.

This site may include forward-looking statements about objectives, strategies and expected financial results of companies featured in this site or where research reports are available on companies displayed and/or featured on this site. Such forward-looking statements are inherently subject to uncertainties beyond the control of such companies. The users of this site are cautioned that the company's actual performance could differ materially from such forward-looking statements. World Wide Web sites accessed by hypertext links ("hyperlinks") appearing in this site have been independently developed by parties other than Ubika and Ubika has no control over information in any hyperlinked site. Ubika is providing hyperlinks to users of this site only as a convenience. Ubika makes no representation and is not responsible for the quality, content or reliability of any information in any hyperlinked site. The inclusion of any hyperlink in this site should not be construed as an endorsement by Ubika of the information in such hyperlinked site and does not imply that Ubika has investigated, verified or monitored the information in any such hyperlinked site. Should you wish to inquire about creating a link from your World Wide Web site to this site, contact SCP marketing via e-mail at: info@smallcappower.com. for written authorization.

See our full disclaimer here.