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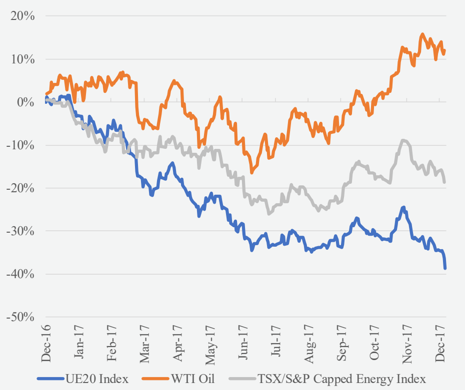
Ubika Energy 20
Oct. 16, 2017 - Dec. 18, 2017

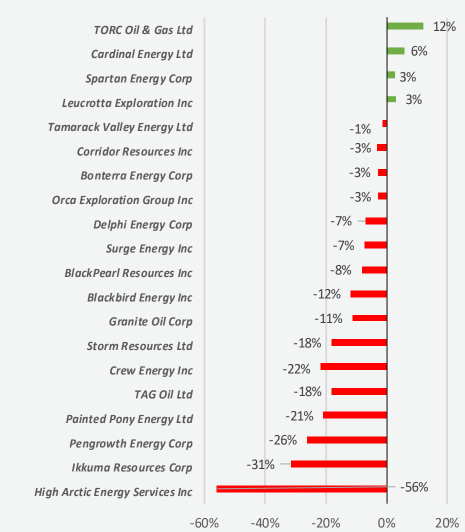
UE20:	-11% (-39% Y/Y)
TSX Capped Energy:	-2% (-19% Y/Y)
Oil (WTI):	10.5% (13% Y/Y)

Dollar amounts in CAD unless otherwise stated.

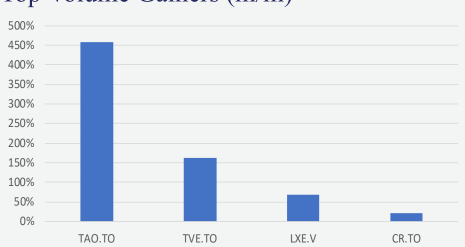
UE20 Performance Vs. Benchmarks



UE20: Performance Distribution



Top Volume Gainers (m/m)



Oil Creeps Towards $60 But Stocks Fall

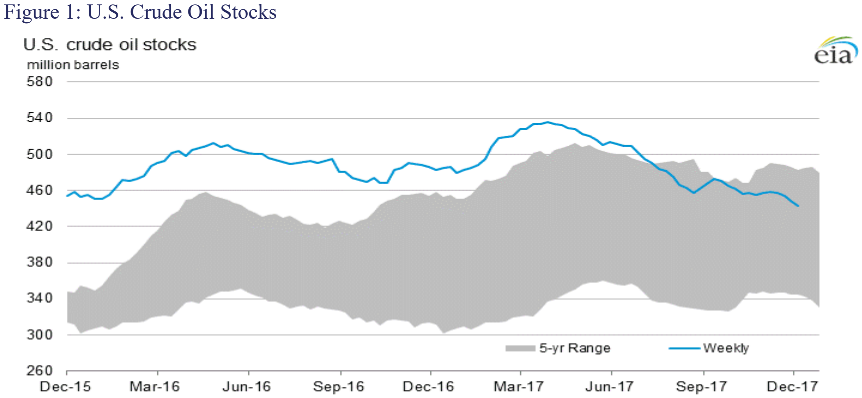
The Ubika Energy 20 Index fell 11% since our last report dated October 16, 2017, as it underperformed its benchmarks, WTI oil and the TSX/S&P Energy Index, which returned 10.5% and -2%, respectively, over the same period. Notable performers for this report include:

- TORC Oil & Gas Ltd (TSX:TOG), which increased 12% since our last report date, driven primarily by higher oil prices.
- Cardinal Energy Ltd (TSX:CJ), which returned 6%, also fueled by the rally in oil.
- Granite Oil Corp. (TSX:GXO), which declined 11% following the announcement of a lower 2018 production guidance Y/Y.

Industry Highlights:

- **Axa SA (EPA:CS), one of the world's largest insurers, announced plans to divest €700M worth of interest in Canadian oil sands.** The insurance giant released a statement on December 12, stating that it would step up its green initiatives by divesting its oil sands interests and phasing out insurance coverage for oil sands businesses.
- **Saudi Aramco announced a $40 billion investment program, up 25% from the previous year.** The world's largest oil producer announced it would spend US$40 billion annually up to 2027. The announcement came as a surprise to many, as oil companies across the world are attempting to reign in spending with sub US$60 crude and the impending electrification of the transportation industry.
- **U.S. crude oil stock falls as OPEC/Non-OPEC supply cuts seemingly continue to rebalance the market.** The U.S. Energy Information Administration (EIA) released its latest data on December 13, which indicated a continued decline in crude oil stock, that remains at the upper end of its five-year range. The table below shows crude oil stock over the last two years along with the its five-year range.

Figure 1: U.S. Crude Oil Stocks



Source: U.S. Energy Information Administration

Notable Performers

TORC Oil and Gas Ltd (TSX:TOG)

TORC Oil and Gas Ltd focuses primarily on the production of light oil at its properties in Western Canada and distributes monthly dividends to shareholders at yield of 3.6%. The Company operates in three zones, two are in Saskatchewan and one is in Alberta. TORC's stock price has jumped 12% since our last report date, driven primarily by the October rally in oil prices resulting in higher margins and a safer dividend payout.

On December 11, the Company announced its Q3/2017 results along with an increased 2018 production guidance driven by a capital budget of $165M and a series of acquisitions discussed below. During 2018, TORC expects an average production of 23,000 boe/d, up 10.5% Y/Y. During Q4/2017, TORC completed the net acquisition of 900 boe/d capacity, acquired for 5.8M common shares and $25M in cash. In conjunction with the acquisition, TORC expects to add 44 gross (37.2 net) conventional wells at its properties. In addition, TORC has a strong pipeline in place for production growth, with over 400 development locations identified at its properties. Assuming an average production of 22,500 boe/d, the table below shows TORC's sensitivity to varying commodity prices. Based on the sensitivity, TORC expects to generate surplus cash of $44M during the year at current WTI prices.

Figure 2: TORC Commodity Sensitivity

Commodity Sensitivity

Run Rate	22,500 boe/d				
WTI (USD)	$45.00	$50.00	$55.00	$60.00	$65.00
FX (US$/C$)	$0.78	$0.78	$0.78	$0.78	$0.78
WTI ($C/bbl)	$57.69	$64.10	$70.51	$76.92	$83.33
Edm Lt vs C$ WTI Differential ($/bbl)	-$4.50	-$4.50	-$4.50	-$4.50	-$4.50
Edm Lt (CAD) ($/bbl)	$53.19	$59.60	$66.01	$72.42	$78.83
Capital Efficiency ($/boe/d)	$26,000	$26,000	$26,000	$26,000	$26,000
Run Rate Cash Flow ($mm)	$165	$203	$242	$281	$318
Maintenance Capital ($mm)	$135	$135	$135	$135	$135
Dividend ($mm)	$33	$33	$33	$33	$33
Capex Plus Dividend ($mm)	$168	$168	$168	$168	$168
Growth Capital ($mm)	$30	$30	$30	$30	$30
Total Capital + Dividend ($mm)	$198	$198	$198	$198	$198
Cash Surplus ($mm)	-$33	$6	$44	$83	$120
Total Payout Ratio	120%	97%	82%	70%	62%

Source: Corporate Presentation

*net wells represent the Company's ownership interest in the wells, after royalties

TORC has an average price target of $8.49, representing a 22% upside for the stock along with 17 Buy and no Hold or Sell ratings.

Cardinal Energy Ltd (TSX:CJ)

Cardinal Energy is a Canada-based producer with operations focused in Alberta and Saskatchewan, which pays regular monthly dividends at a yield of 9.2%. Cardinal's stock price increased 6% since our last report date, following the October jump in oil prices.

Cardinal's four major areas of production include the North, Central and South zones (Alberta), along with the SE Saskatchewan zone outlined below.

Figure 3: Cardinal Production Facilities

Solid Base of Oil Production

	H2 2017 Budgeted Production
North (Slave Lake) (House Mountain) (Grand Prairie)	7200 boe/d
Central (Wainwright)	5,500 boe/d
South (Bantry)	5,300 boe/d
SE Saskatchewan (Midale)	3,000 boe/d
	21,000 boe/d

Source: Corporate Filings

On December 12, the Company announced its 2018 capital budget, which projects an adjusted funds flow of $125M during 2018. Based on the projection, the Company expects to incur $55.5M in CAPEX during the year and ~$46M for dividends of $0.42 per share. In addition, Cardinal plans to use the remaining funds for an acquisition outlined below. In total, Cardinal expects to spend ~90% of its 2018 adjusted cash flows on acquisitions dividends and CAPEX.

In 2018, the Company plans to drill 13.5 net wells and optimize its existing wells and pipelines. Furthermore, Cardinal expects to allocate 37% of the budget towards the North zone, 17% towards to South zone, 9% for the Central zone and the remaining 37% towards Saskatchewan. In addition to capital expenditures, Cardinal has agreed to purchase an additional 10% interest in its Midale unit (SE Saskatchewan) for $22.5M in cash and stock. With planned capital expenditures and acquisitions in place, Cardinal expects 2018 production to average 21,000 - 21,500 boe/d. Importantly, the Company expects a product mix of 87% oil and 13% natural gas.

Cardinal has an average price target of $6.38, representing a 31.5% upside for the stock, along with eight Buy, five Hold and no Sell recommendations.

Granite Oil Corp. (TSX:GXO)

Granite Oil Corp is a Calgary-based oil producer focused on production at its Alberta Bakken oil pool. Granite pays out monthly dividends at a yield of 14.1%. While the stock was temporarily boosted by the jump in oil prices, Granite's November announcement of lower expected production in 2018 and in Q4/2017 sent its stock price down 16% during that week.

Granite's Alberta Bakken oil pool comprises 350,000 acres with 96 horizontal wells in the main area and 66 additional wells in a new exploration area. In addition, Granite has employed an Enhanced Oil Recovery (EOR) program, which re-injects gas to maintain oil pressure as the reservoir gets depleted.

On November 9, the Company announced revised guidance for the remainder of 2017 and a lower-than-expected capital budget for 2018. Due to mechanical difficulties from the use of new technology, the Company revised its 2017 annual production guidance to 2,750 boe/d (previously 2,900 - 3,000 boe/d). Furthermore, despite the uptick in oil prices, Granite announced 2018 production guidance of 2,600 - 2,700 boe/d, which would deliver annual cash flows of $27M. With the expected cash flows, Granite expects to incur $12M in CAPEX and plans to maintain its 2018 dividend at $0.42 per share ($14.6M) for planned total expenditures of $26.6M (~99% of 2018 cash flows).

In order to ensure the stability of its dividend, the Company has hedged significant portions of 2018 production. The Company's quarterly hedges for 2018 are shown below

- Q1/2018 - 1,100 barrels/day at US$52.33
- Q2/2018 - 800 barrels/day at US$51.38
- Q3/2018 - 800 barrels/day at US$52.90
- Q3/2018 - 800 barrels/day at US$52.90

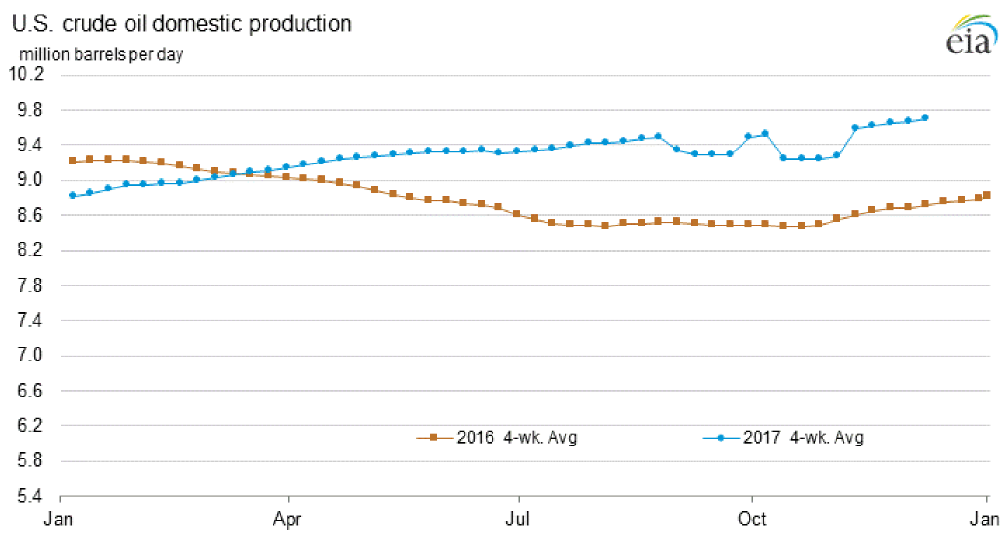
With an average price target of $5.25, GXO has a 72.7% upside along with four Buy, one Hold and no Sell recommendations.

Upcoming Catalysts:

OPEC & Non-OPEC producers remain committed to supply cuts, potentially not for long... UAE (currently holds OPEC presidency) announced that the cartel (including Russia) remains committed to supply cuts which currently run until 2018. However, it also mentioned that a strategy to exit the production cuts may be announced as early as June 2018.

On the other hand, U.S. crude domestic production has increased by ~0.4 million barrels per day since October (shown below), as WTI oil rallied X% over the same period. In its December 13 report, the EIA expects a mostly balanced market in 2018 with supply outpacing demand marginally, driven by rising shale production. According to the report, Brent and WTI should average US$57 and US$52 during 2018.

Figure 4: U.S. Crude Domestic Production



Source: U.S. Energy Information Administration

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