



Ubika Energy 20

January 29, 2018



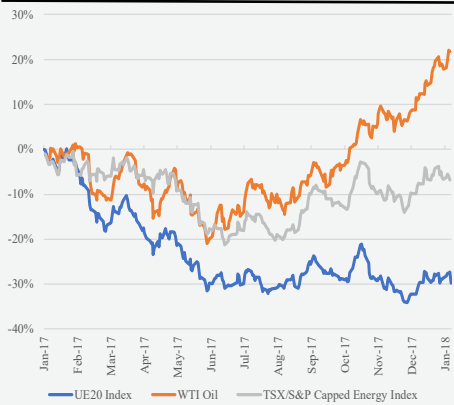
Ubika Energy 20

Dec. 18, 2017 - Jan. 29, 2018

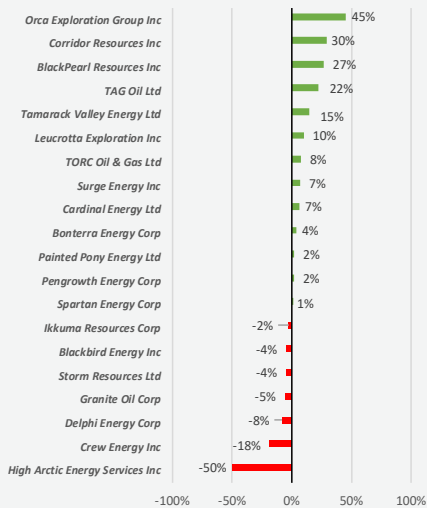
UE20: 6.5% (-30% Y/Y)
 TSX Capped Energy: 15.7% (-7% Y/Y)
 Oil (WTI): 7.1% (23% Y/Y)

Dollar amounts in CAD unless otherwise stated.

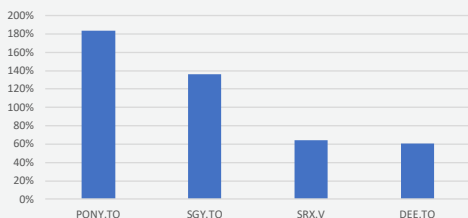
UE20 Performance Vs. Benchmarks



UE20: Performance Distribution



Top Volume Gainers (m/m)



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Orca Exploration Surges, Tops the Ubika Energy 20

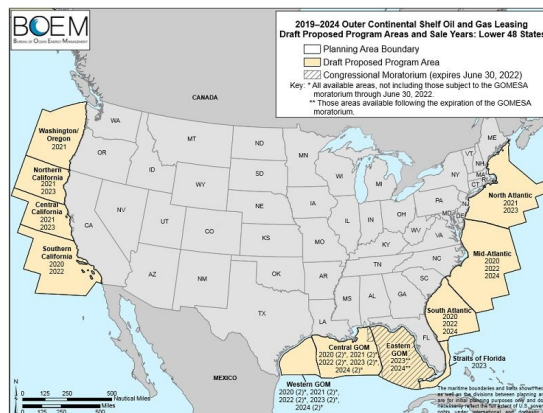
The Ubika Energy 20 Index rose 6.5% since our last report dated December 18, 2017, but underperformed its benchmarks, WTI oil and the TSX/S&P Energy Index, which returned 15.7% and 7.1%, respectively, over the same period. Notable performers for this report include:

- Orca Exploration Group Inc. (TSXV:ORC.B), which climbed 45% due to rising oil prices and the announcement of a \$130M investment from Swala Oil and Gas.
- Tamarack Valley Energy Ltd. (TSX:TVE), which increased 15% driven by gains in the oil price.
- BlackPearl Resources Inc. (TSX:PXX), which rose 27% driven by an exceeded 2017 production guidance and the rising oil price.

Industry Highlights:

- **Adherence to an oil supply-cut agreement** by OPEC, Russia, and other non-OPEC producers reached 128% in December. To measure compliance, OPEC released production figures, which showed Venezuelan crude oil production had fallen nearly 13%. Production has slipped in Venezuela every year for six years consecutively, causing an economic crisis in the country, as oil makes up 95% of the country's exports.
- **The U.S Department of the Interior announced** the draft program of the National Outer Continental Shelf Oil and Gas Leasing Program (National OCS Program) for 2019-2024. The UN Convention on the Law of the Sea allows nations control of the waters extending out to the continental shelf, the elevated underwater area extending out to the sea, thus permitting the U.S. to allow drilling in the area. The program would make over 90% of the outer continental shelf available for drilling consideration, as opposed to the 6% currently available.

Figure 1:
OCS Leasing
Proposed Area



Source: Bureau of Ocean Energy Management

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- **The number of U.S. crude oil rigs rose 35% in 2017.** The non-U.S oil rig count increased by 3% in the same period, which brings the worldwide count of rigs to 2215.

Upcoming Conferences:

- International Petroleum Week – London, UK, February 20-22, 2018. Participants meet with oil and gas industry leaders from around the world, discuss current issues, and network.
- CERAWEEK – Houston, March 5-9, 2018. Participants hear from industry leaders and government officials on strategic issues, watch informative discussions, and network.

Notable Performers

Orca Exploration Group Inc. (TSXV:ORC.B)

Orca Exploration Group is a natural gas producer operating in Tanzania. The Company’s stock increased 15% on the day the Company announced it had finalized terms for a US\$130M investment with Swala Oil and Gas, and has continued to climb a further 16% due to rising oil prices.

The Company’s flagship asset, the Discovery blocks in Tanzania, is located ~15 km off the coast and ~200 km south of Dar es Salaam. The blocks contain reserves of 405 Bcf (December 2016).

The Company has a 20-year agreement to sell gas to Songas Limited, the owner of the transportation infrastructure of the Discovery blocks. As part of the agreement, the Company operates the field and its related facilities on a “no gain no loss” basis. Orca sells a specified minimum, which for example was 13.7 Bcf in 2016, for Songas at no cost, and then can sell any extra gas. The more extra gas the Company produces, the higher share of the profit it takes, as shown below.

Figure 2: TORC Commodity Sensitivity

Average daily sales of Additional Gas	Cumulative sales of Additional Gas	TPDC's share of Profit Gas	Company's share of Profit Gas
<i>MMcfd</i>	<i>Bcf</i>	<i>%</i>	<i>%</i>
0 - 20	0-125	75	25
> 20 <= 30	> 125 <= 250	70	30
> 30 <= 40	> 250 <= 375	65	35
> 40 <= 50	> 375 <= 500	60	40
> 50	> 500	45	55

Source: Corporate Presentation

The Company sold 44.5 MMcfd of extra gas in 2016, at an average price of US\$4.73/mcf, to TANESCO, the Tanzanian government’s electricity provider, and to an industrial gas market in the Dar es Salaam area.

On January 2, the Company announced it finalized terms for a US\$130M investment by Swala Oil & Gas (Tanzania) plc (DSS:SWALA), a Tanzanian oil and gas company operating in Africa. Swala will buy 40% of PAE PanAfrican Energy Corporation (PAEM), a wholly-owned subsidiary of Orca, responsible for the Company’s Tanzanian operations.

TANESCO, the Tanzanian government’s electricity provider, owed US\$111M as of September 30, 2017. Due to concerns regarding TANESCO’s ability to pay down debt, the Company records revenue from TANESCO sales at 80% of the volume delivered.

The Company has a price target of \$5.00, representing a 26% downside. One analyst has a Buy rating.

Tamarack Valley Energy (TSX:TVE)

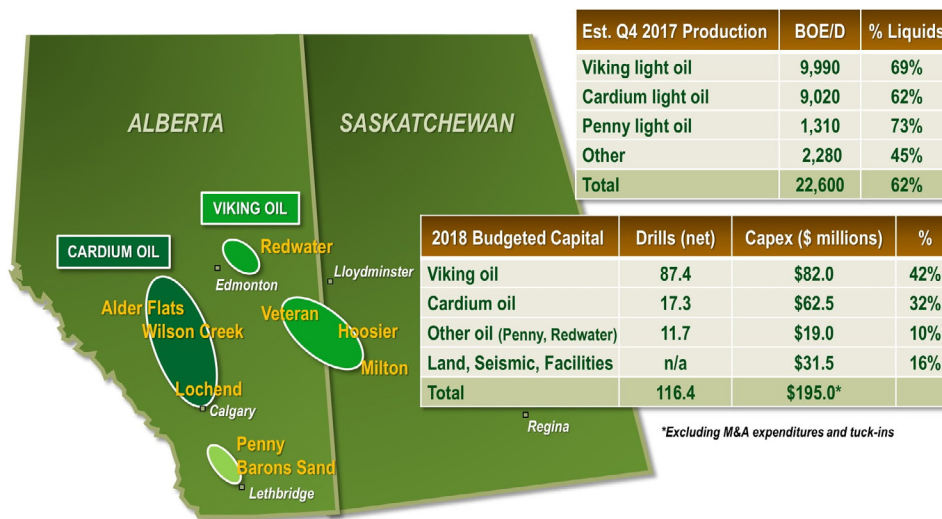
Tamarack Valley is an oil and gas producer operating in Alberta. The Company's stock has risen 11% due to rising oil prices and an exceeded 2017 production guidance.

The Company's flagship operation, the Viking project, is a heavy-oil field located east of Edmonton. In January, TVE completed its acquisition of Spur Resources for \$400M, adding additional land and facilities to the operation. Viking produces 9,990 boe/d, at a liquid weighting of 69%, with reserves of 900 Mboe. The Company drilled 85 wells at the site 2017, with an additional 90 planned for 2018. The Company uses fracking to increase pressure support, reducing well-decline rates and increasing reserves. The Company plans to add a water disposal and oil battery expansion, eliminating water trucking and disposal costs by Q3 2018. TVE also plans to implement a solution to eliminate clean oil trucking by Q4 2018.

The Company produces a similar amount out its Cardium project, and a smaller amount from a number of smaller projects. The Cardium project was formerly TVE's flagship asset, with Viking beginning to produce more in Q3 2017. Cardium produced 9000 boe/d at a liquid rating of 62%.

Below is map of TVE's projects, as well as their expected production and capital expenditures.

Figure 3: Tamarack Valley Energy Project Map



Source: Corporate Presentation

The Company has an average price target of \$4.06, representing a 38% upside. TVE has 16 Buy ratings, 1 Hold rating, and no Sell ratings.

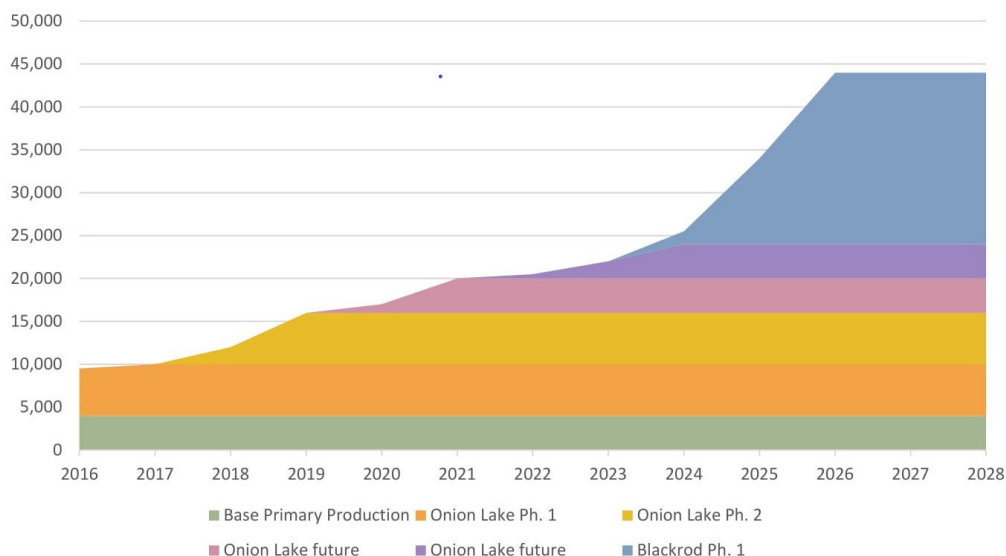
Blackpearl Resources Inc. (TSX:PXX)

BlackPearl Resources operates in Western Canada. The Company focuses on heavy oil in Alberta and Saskatchewan. The Company's stock has risen 29% since December, due to an increase in oil prices.

The Company's flagship operation, the Onion Lake operation, is a thermal heavy oil well in Saskatchewan, east of the Alberta-Saskatchewan border. Onion Lake has over 300 wells drilled since 2006, and has 112 MMbbl in reserves (December 2016). BlackPearl's production guidance is for 11,000-12,000 boe/d in 2018. In the next phase of its expansion plan, PXX plans to expand production at Onion Lake by adding 14 additional wells, expected to be fully operational by 2019, for total capital costs of \$180M.

The Company also owns the Blackrod operation, located in the Athabasca oil sands in Alberta. BlackPearl has operated a pilot well for the site, which averaged ~525bbl/d. The project contains reserves of 180MMbbl, and when operational could produce up to 80,000 -100,000 bbl/d. On November 17, the Company announced a delay in the timeline due to low oil prices, pushing the timeline of production start to 2023. Below is a timeline of BlackPearl's expected future oil production. PXX is expected to grow from 10,000 bbl/d in 2017 to 42,000 bbl/d in 2027.

Figure 4: Blackpearl Heavy Oil Production Profile



Source: Corporate Presentation

The Company has an average price target of \$1.62, representing 21% upside. The Company has 6 Buy ratings, 4 Hold ratings, and no Sell ratings.

Upcoming Catalysts:

OPEC and Russia recently reaffirmed their agreement to cut supply for all of 2018. OPEC, Russia, and other non-OPEC oil producers agreed to cut production levels. This calmed speculation of a withdrawal in June, but at some point a possible end of the agreement could significantly increase supply levels and therefore cause a shock to the market, sending prices lower.

The U.S Energy Information Administration (EIA) revised its production growth outlook for 2018 from 780,000 to 970,000 bbl/d. The EIA expect U.S. production to reach 110M bbl/d in 2019. If the EIA's estimates turn out to be reasonable, the increased supply may push down prices.

Permits for three major pipelines are in the works. TransCanada expects to secure final federal U.S. permits for Keystone XL in early 2018. The National Energy Board of Canada has permitted the start of work on Kinder Morgan's Trans Mountain pipeline expansion, and route hearings are in progress. The Minnesota Public Utilities Commission has set its decision date on Enbridge's Line 3 pipeline to June. Such pipelines would reduce the cost of heavy oil from Alberta, allowing better competition with shale production from the U.S.

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