

# DAILY OIL BULLETIN

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## Is The Equity Door Opening For Public Junior Companies?

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After a very quiet summer in terms of the amount of equity financings done by public junior oil and natural gas companies, the first three weeks of September has shown signs that equity may be becoming more readily available for certain publicly traded exploration and production companies. Several equity financings that have been recently announced could be a sign that the equity door may be opening for public junior oil and natural gas companies.

One of the more notable financings announced in September was the \$120 million bought-deal private placement by **TORC Oil & Gas Ltd.** in connection with its proposed combination with **Vero Energy Inc.** Through this transaction with Vero, TORC will become a publicly traded company. TORC's management has had success previously in the public arena, most recently at **Result Energy Inc.** and prior to that with **TriStar Oil & Gas Ltd.**



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The contemplated TORC-Vero transaction is not only significant because of the amount of equity being raised but also because the management of TORC has decided to run another public company. Since its creation in December 2010, privately-held TORC has raised approximately \$318 million. There is no doubt that it could have raised more money privately if it wanted to and continue to grow its operations without all the additional headaches of running a public company (quarterly reports, press releases, etc.). TORC's decision to go public now could be a sign that institutional investors are warming up to publicly traded oil and natural gas companies once again, which could lead to more capital becoming available for this subset of the Canadian oil and natural gas industry.

**Southern Pacific Resource Corp.** announced a \$75 million bought deal equity financing just under three weeks ago. Southern Pacific is engaged in the exploration, development and production of in-situ thermal heavy oil and bitumen production in the Athabasca oilsands of Alberta and in Senlac, Saskatchewan. Southern Pacific expects to use the proceeds of the offering to fund its ongoing business development activities and to increase working capital flexibility.

Another significant financing earlier this month was the \$70 million flow-through offering by **Paramount Resources Ltd.** In conjunction with this offering, Mr. Clayton Riddell, Paramount's Chairman and Chief Executive Officer, acquired by way of a private placement an additional \$55 million of flow-through shares of Paramount leading to a total of \$125 million of equity raised by Paramount. The gross proceeds from both offerings will be used by Paramount to incur eligible Canadian Exploration Expenses as well as Canadian Development Expenses.

**TriOil Resources Ltd.** announced last week a bought deal financing for gross proceeds of approximately \$29 million. The financing consists of a combination of both common (\$20 million) and flow-through (\$9 million) shares. TriOil plans on using the capital raised to accelerate its Cardium light oil drilling program in the Lochend area of Alberta as well as its Dunvegan light oil resource play in the Kaybob area of Alberta.

Similar to TriOil, publicly traded **Border Petroleum Corp.** announced in the first week of September a \$18 million bought deal financing consisting of both common and flow-through shares. The common share component is approximately \$7 million, while the flow-through piece is approximately \$11 million. Border is focused on the development of its light oil resource lands in the Red Earth/Evi area of Alberta where it is chasing the Slave Point light oil resource play as well as in the greater Leduc area of Alberta.

The financings announced by a number of publicly traded companies this month is a welcome sign to an industry which always needs access to capital. Even though the capital markets are still selective, wherein they are still for the most part focusing on public junior oil and natural gas companies that are involved in "oily resource plays," as seen by the Border, TORC and TriOil financings, this is in stark contrast to the late spring and early summer of this year where the rumblings around downtown Calgary were that there was no equity available for publicly traded junior oil and natural gas companies. As we approach the "traditional flow-through financing season" of October through to the end of December this could lead to a further opening of the equity door for publicly traded junior exploration and production companies.

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