

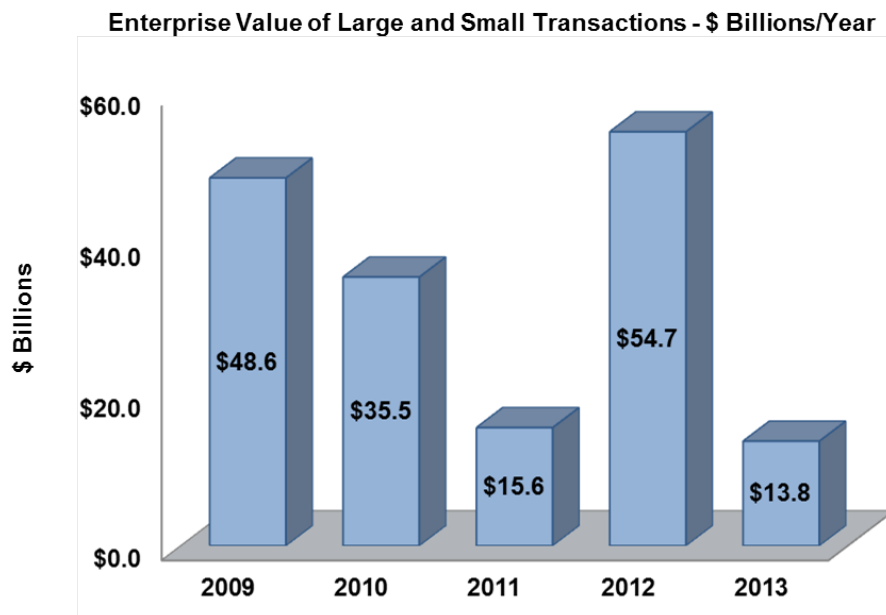


TOTAL M&A VALUE DOWN 75% IN 2013

In 2013 the activity level, measured by the total enterprise value of merger and acquisitions (“M&A”) transactions (both large and small deals) fell considerably, dropping 75% to \$14 billion from the \$55 billion recorded in 2012. In 2012, M&A activity surged 246% to \$55 billion in total enterprise value from the previous year. The \$55 billion value is the highest value on record. The preceding record of M&A activity was in 2007 when the total enterprise value recorded was \$49.7 billion. The total number of deals over \$5 million in 2013 was 111 from the 145 recorded in 2012, a 23% drop.

The total enterprise value of large deals in 2013 was split 22% corporate and 78% property. Corporate transactions typically account for the majority of the total transaction value in any given year; however, once again property deals have dominated the Canadian marketplace in 2013 due to the large number of asset packages available for sale by major producers. The total value of corporate transactions in 2013 plummeted 93% compared to the 2012 transaction value and the total value of the property deals, while also decreasing, less significantly, was still 29% lower than the 2012 year-over-year transaction value.

The total enterprise value of large deals in 2012 was split 74% corporate and 26% property. Corporate transactions typically account for the majority of the total transaction value in any given year; however, property deals dominated in 2010 due to the large number of asset packages available for sale by major producers.





There were two deals in 2013 that were valued at over a billion dollars. The largest deal in 2013 was **PETRONAS'**, through **Progress Energy Canada Ltd.**, acquisition of **Talisman Energy Inc.'s** Montney assets in northeast British Columbia for \$1.5 billion. The transaction included \$800 million of remaining third party capital carry estimated at 2013 year end. The second-largest deal was the purchase of **Suncor Energy Inc.'s** assets for \$1 billion by the newly formed partnership between **Centrica plc** and **Qatar Petroleum International**. The sale included properties situated across multiple regions of Alberta, northeastern British Columbia and southern Saskatchewan. Centrica will operate the assets and hold a 60% working interest, with Qatar Petroleum owning the remaining 40%. The majority of Suncor's unconventional natural gas properties in the Montney region of British Columbia and the company's Wilson Creek, Alberta unconventional oil assets were excluded from the sale.

The total value of both oil-weighted and natural gas-weighted transactions significantly dropped in 2013 compared to 2012. Oil-weighted transactions decreased 80% to \$6.7 billion in 2013 from the \$34.3 billion in 2012. Natural gas-weighted transactions decreased 67% to \$6.7 billion from \$20.1 billion a year earlier. In 2012, oil-weighted transactions accounted for 50% of the total enterprise value of all large deals and 61% of the total number of large transactions.

Annual acquisition prices paid for both reserves and daily production fell in 2013 in comparison to 2012. Acquisition prices for production fell 20% to \$49,340/boe/d in 2013 from \$61,917/boe/d in 2012. In addition, the median acquisition price for proved plus probable reserves dropped 4% year-over-year.

One of the trends we saw evolve in the latter part of 2013 and continue into early 2014 is the number of acquisitions being announced and completed by dividend paying oil and natural gas companies. **Cardinal Energy Ltd.**, **Surge Energy Inc.** and **Whitecap Resources Inc.** announced a number of acquisitions in the fourth quarter of 2013. These companies have continued to be very active in the first quarter of 2014, highlighted by Whitecap announcing its intent to acquire certain assets from **Imperial Oil Limited** for approximately \$885 million.

In addition to the Whitecap transaction, other notable transactions which have been announced in the early part of 2014 have been **Canadian Natural Resources Limited's** planned acquisition of certain **Devon Energy Corporation's** Canadian properties for approximately \$3.1 billion and **Vermilion Energy Inc.** announcing the acquisition of a privately-held company with properties in southeastern Saskatchewan for approximately \$400 million. With the current pace of M&A activity so far in 2014, we should see total M&A activity easily surpass the \$14 billion recorded in 2013.

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