SAYER ENERGY ADVISORS

Viewpoint

An Oil and Natural Gas Industry Newsletter

Winter 2022

Total Equity Financings More Than Double in 2021

The total amount of capital raised in the Canadian oil and natural gas industry in 2021 decreased slightly to $10.8 billion from $10.9 billion in 2020. In 2021, a total of $2.2 billion in equity was raised which accounted for 20% of the total capital raised, with debt financings of $8.6 billion making up the remainder. In 2020, equity financings contributed to 9% of the total capital raised with debt financings accounting for the remaining 91%.

As previously mentioned, the total amount of equity raised in 2021 was $2.2 billion, a 125% increase from the $966.5 million raised in 2020. The total number of equity issues increased to 138 from 103, a 34% increase. The average size of equity financings in 2021 increased to $15.7 million from $9.4 million in 2020.

Included in the equity category is $79.7 million in flow-through equity raised during 2021, a jump of 526% from the $12.7 million in flow-through raised in 2020. In 2021 the number of flow-through equity issuances doubled to six from three in 2020.

PrairieSky Royalty Ltd. completed the largest equity financing in November through a bought-deal offering of 17,169,500 common shares for total proceeds of $230.1 million which included the exercise in full of the over-allotment option of 2,239,500 common shares. The proceeds were used to partially fund PrairieSky's $728.0 million acquisition of assets from **Heritage Royalty Resource Corp.**

The second and third largest equity financings in 2021 were completed by **Topaz Energy Corp.** In May, Topaz raised $201.3 million through a bought-deal financing of 14,123,150 common shares, which included the exercise in full of the over-allotment option of 1,842,150 common shares. The financing was announced concurrently with Topaz's $245.0 million acquisition of a newly created gross overriding royalty interest ("GORR") in northeastern British Columbia from **Tourmaline Oil Corp.** and GORR interests in the Marten Hills area of Alberta from **Cenovus Energy Inc.** for $102.0 million. Topaz, concurrent with the bought-deal financing in May, also closed a private placement equity offering for approximately $3.0 million.

In October, Topaz completed a bought-deal financing, raising $173.1 million through the issuance of 10,120,000 common shares including 1,320,000 common shares pursuant to the exercise in full of the over-allotment option. The October financing was announced concurrent with the acquisition of a newly created 5% GORR on **Whitecap Resources Inc.**'s working interest in the Weyburn Unit. Topaz, concurrent with the bought-deal financing in October, also closed a private placement equity offering for $4.3 million.

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Total Equity Financings ...

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The debt category described herein is comprised of straight and convertible debt. There were 36 debt financings in 2021, up from 31 in 2020. As with previous years, the majority of the debt issues in 2021 were straight debt, accounting for 99% of the total debt issued. The total amount of straight debt issued in 2021 was $8.5 billion, down 14% from the $9.9 billion raised in 2020. The amount of convertible debt raised in 2021 increased to $93.8 million from $2.9 million in 2020.

Cenovus completed two debt issues in September for total proceeds of approximately $1.6 billion. Cenovus issued $949.6 million in 3.75% unsecured notes due in 2052 and $633.1 million in 2.65% senior unsecured notes due in 2032. The $949.6 million debt financing was the largest financing in 2021. Proceeds from the offerings were used for general corporate purposes.

Suncor Energy Inc. raised approximately $1.4 billion through two debt offerings in March. Suncor closed a senior unsecured note offering for $947.8 million with a 30-year term and a coupon rate of 3.75% and a senior unsecured medium-term note offering for $500.0 million with a 30-year term and a coupon rate of 3.95%. The $947.8 million debt financing was the second-largest financing in 2021. Proceeds from the offerings were used towards the repayment of commercial paper and for general corporate purposes.

The largest convertible debt financing in 2021 was done by **Paramount Resources Ltd.** which raised $35.0 million in January through the issuance of senior unsecured convertible debentures. The convertible debentures mature on January 31, 2024, bear interest at 7.50% per annum payable monthly in arrears and are convertible by the holder into shares of Paramount at any time prior to January 31, 2024 at a conversion price of $6.72 per share prior to January 31, 2022, $7.33 per share on or after January 31, 2022 and prior to January 31, 2023 and $7.94 per share on or after January 31, 2023. The convertible debt financing was announced concurrently with amendments to Paramount's senior secured revolving bank credit facility.

We are optimistic we will continue to see capital coming into the industry through 2022, however; as we have been forecasting over the last number of years, capital markets are likely to remain restricted and selective by primarily supporting larger publicly-traded entities in 2022. In addition, we forecast we will continue to see debt financings outweigh equity financings in 2022, as was illustrated by **Tamarack Valley Energy Ltd.** earlier this month completing the issuance of $200.0 million in senior unsecured sustainability-linked notes due in May 2027 bearing interest at a rate of 7.25% per annum, subject to certain sustainability performance targets.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on February 23, 2022

Sayer in the News...

Reuters

Canada's Oil M&A Flurry Seen Giving Buyers Upper Hand in Dealmaking

Shariq Kahn & Rod Nickel
Published February 8, 2022

A rally in oil prices to over seven-year highs is leading to a flurry of asset sales in Canada as energy companies cash out of low margin assets, but the rush of deals could turn it into a buyers market, bankers and company executives said.

U.S. crude prices have rallied for seven consecutive weeks and were hovering around $89 a barrel on Tuesday, encouraging producers facing scrutiny over low returns and bloated balance sheets to sell assets and raise cash. A need to transition away from fossil fuels has also taken the driver's seat in investor demands.

Reuters reported on Monday that Spanish major Repsol (REP.MC) is considering a sale of its assets in the Duvernay basin in western Canada, while Crescent Point Energy Corp is eyeing "non-core" divestitures to raise cash.

Top U.S. oil producer Exxon Mobil Corp (XOM.N) launched a sale of its Canadian joint venture in January, while European major Shell Plc (SHEL.L), Abu Dhabi's TAQA (TAQA.AD) and Japan›s JAPEX (1662.T) have taken similar steps previously.

"A consistent mindset shift across the Canadian oil industry to deleverage quickly and move to a shareholder returns model of large dividends and share buybacks is encouraging companies to divest non-core assets," said Shubham Garg, president of White Tundra, a Canada focused oil & gas investment firm.

However, a limited pool of potential buyers is seen as a challenge to close the deals.

Tommy Chu, senior associate at industry research firm Enverus, said more than half of last year's Canadian oil producing deals involved just five buyers.

"The buyers are nearly all Canadian-based companies as global players have been net sellers in the country," Chu said.

Companies buying assets at the top of the market are also likely to face questions from investors.

"Energy investors will be watching closely to see which management teams fulfill their promises of returning excess cash flow via dividends and buybacks, and which turn back to empire building in a higher oil and gas price environment," one of the sources involved in Canadian deals said.

"The latter path got a lot of these companies in trouble in the first place," the source said, adding some of the assets will be ultimately sold when oil and gas prices are more "muted."

PRIVATE EQUITY EXODUS

Still, even more public producers are expected to test the market appetite in the coming months. Private equities that got stuck with investments for longer than they would have liked are flooding the market too.

Private operators Karve Energy, Mancal Energy and Allied Energy are among those searching for buyers of their assets, according to two sources familiar with the matter and documents reviewed by Reuters.

If sold, Karve, Allied and Mancal could together rake in over a billion Canadian dollars, the sources said. Karve Chief Financial Officer Shane Hewler said the company does not comment on market rumors. Allied and Mancal did not immediately respond to Reuters requests for comments.

Spur Petroleum, Deltastream Energy and Canamax Energy are among other private companies likely to pursue sales over the next few months, the sources said. Neither of the three immediately responded to Reuters requests for comments.

Tom Pavic, president of Calgary-based Sayer Energy Advisors, said more assets are available now than were a year ago as sellers look to cash in on high oil prices.

However, high, unpredictable prices may mean fewer deals close. Sayer forecasts C$15 billion ($11.8 billion) worth of deals among Canadian oil and gas producers this year, down from C$18.1 billion last year.

"The worst thing in our business is volatility in commodity prices, either up or down," said Pavic. "It's tough to do deals."

($1 = 1.2696 Canadian dollars)

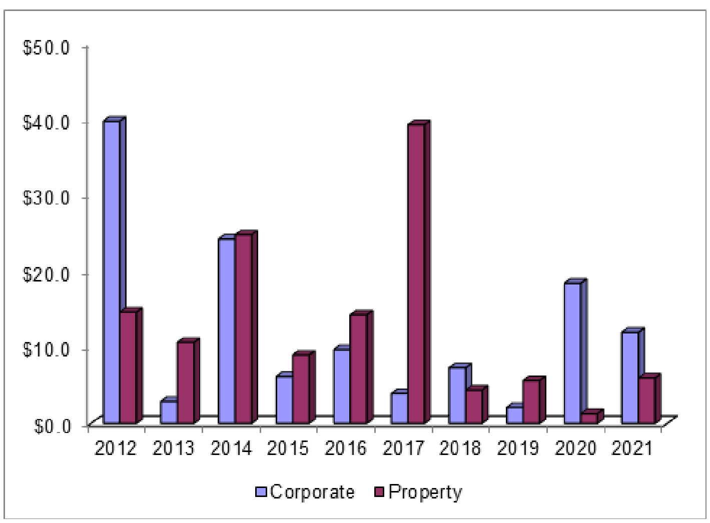
Sayer's Outlook for 2022 M&A Activity

Every January, Sayer Energy Advisors publishes its forecast for mergers and acquisitions ("M&A") activity in the Canadian upstream oil and natural gas industry for the upcoming year. Our outlook begins with a review of our predictions from January 2021 and points to where we think things will go this year.

In 2020, the total value of M&A activity in the Canadian oil patch was quite high by historical standards, totaling approximately $19.9 billion. In January 2021, we predicted that M&A activity in 2021 would be slightly lower than what we saw in 2020 and would be in the +/- $15.0 billion range. We also predicted that corporate deals would account for a high percentage of the total transaction value.

Total M&A value in 2021 came in at $18.1 billion with $12.0 billion of the value from corporate transactions. There were three deals in 2021 valued at over a billion dollars; with **ARC Resources Ltd.** acquiring **Seven Generations Energy Ltd.** for $5.1 billion, **Tourmaline Oil Corp.** purchasing **Black Swan Energy Ltd.** for $1.1 billion and **Canadian Natural Resources Limited** taking over **Storm Resources Ltd**. for just over $1.0 billion. These three transactions made up 40% of the total M&A value for the year.

Total Yearly Value of M&A Activity (2012-2021)
($billions)



A constant theme in previous forecasts has been uncertainty and frothiness in the Canadian oil and natural gas industry leading to restricted M&A activity, which Sayer still expects to continue throughout 2022. This unease has been caused by a number of factors including; the ongoing COVID-19 pandemic and the effect it will have on commodity prices, swelling environmental issues and continued political issues both in Canada and internationally.

We predict M&A activity in 2022 to be slightly lower than what we saw in 2021, we are forecasting again in the +/- $15 billion range. We expect to see corporate deals account for a high percentage of the transaction value as it did in 2021. We also predict we will continue to see more share-for-share corporate transactions in 2022 as we saw in 2021 with the aforementioned ARC/Seven Generations transaction.

We were correct in not expecting to see many multi-billion-dollar natural gas transactions taking place in 2021. There were two natural gas deals valued at over a billion dollars with the aforementioned Tourmaline/Black Swan and Canadian Natural/Storm transactions. *Echoing this prediction, we do not expect to see many multi-billion-dollar natural gas transactions occurring in 2022.*

We predicted the number of insolvencies in 2021 to be similar to what we saw in 2020. In 2021, there were eleven insolvencies, compared to eight in 2020. This trend began in 2016 when the number of oil and natural gas companies that became insolvent shot from the historical average of approximately eight per year to 28 companies entering into receivership, bankruptcy or formal financial restructuring processes. This trend continued into 2017 with 16 insolvencies recorded and then dropped to six in 2018 and increased to 12 in 2019. *We expect to see a lower number of insolvencies in 2022, as we did last year, in part due to the significant rebound in oil and natural gas commodity prices we have seen recently.*

We predicted that there would be very few, if any, hostile takeover attempts in 2021. We were correct, in that there were no hostile takeover attempts in 2021. *We predict the same for hostile takeover attempts in 2022.*

We predicted that 2021 would be a slow year for oil sands transactions. Our prediction was correct in that the only significant oil sands transactions in 2021 were **HE Acquisition Corp**.'s purchase of **Japan Canada Oil Sands Limited** and **Strathcona Resources Ltd.**'s planned acquisition of **Cenovus Energy Inc.**'s interests in the Tucker thermal oil sands project for $800.0 million. *We predict again that minor oil sands assets may hit the market but we do not expect to see many multi-billion-dollar transactions in this sector in 2022.*

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Sayer's Outlook for 2022...

(continued from page 4)

Over the last several years there has been an issue with the amount of capital entering into the industry through financings, as well as a lack of investor interest through public markets. We predicted that capital markets would continue to be restrictive and selective and that we would witness more debt financings versus equity financings in 2021.

Capital raised in 2021 including equity and debt issues totaled $10.8 billion. This is on par with the $10.9 billion raised in 2020. Of the total $10.8 billion in capital raised in 2021, $8.6 billion consisted of debt financings with the remainder in equity. *Considering the very low interest rate environment we have been in since the onset of the COVID-19 pandemic, we believe we will continue to witness more debt financings versus equity financings occurring in 2022.*

In our forecast last year, we predicted that share buy-backs will be minimal in 2021. We were blown out of the water on this prediction as commodity prices continued to appreciate throughout 2021 leading to significant cash flow for oil and natural gas producers and thus with this excess cash flow more and more companies were pursuing normal course issuer bids. We believe this trend of share buy-backs as well as increased dividends to shareholders will continue in 2022.

We are hopeful that the current strong commodity prices as well as an increasing number of oil and natural gas producers focusing on environmental, social and governance initiatives will bring back the return of investor interest and possibly some equity into the Canadian upstream oil and natural gas industry. If we do continue to see these strong commodity prices hold in 2022, we believe that this will be the best scenario for a robust M&A market.

Written by Tom Pavic
Sayer Energy Advisors
Originally Appeared in the Daily Oil Bulletin on January 26, 2022

Current Disposition Packages Available through Sayer Energy Advisors

Ascensun Oil and Gas Ltd.

- Property Divestiture
- Grand Forks, Leduc & Southern Alberta
- 185 boe/d (185 bbl/d, 2 Mcf/d)
- Bid Deadline: March 3, 2022

LONGSHORE RESOURCES

- Property Divestiture
- Consort/Provost, Alberta
- 465 boe/d (352 bbl/d, 738 Mcf/d)
- Bid Deadline: March 10, 2022

ribbon creek RESOURCES INC.

- Corporate Divestiture
- Boundary Lake & Central Alberta
- 131 boe/d (76 bbl/d, 327 Mcf/d)
- Bid Deadline: March 17, 2022

For more information visit our website at www.sayeradvisors.com

A Year in Review...
2021 Transactions

This announcement appears as a matter of record only.

Cor4 Oil Corp.

has sold its interests in the Dinosaur/Patricia area of Alberta

The undersigned acted as financial advisor to Cor4 for this transaction.

SAYER ENERGY ADVISORS

January 2021

This announcement appears as a matter of record only.

CHAIR RESOURCES INC.

has sold its interests in the Swan Hills Unit No. 1

The undersigned acted as financial advisor to Chair for this transaction.

SAYER ENERGY ADVISORS

February 2021

This announcement appears as a matter of record only.

Medicine Hat The Gas City

has sold its interests in the Medicine Hat Glauconitic "C" East Unit to

CACHE ISLAND

for total consideration of

$20.0 million

The undersigned acted as financial advisor to The City of Medicine Hat for this transaction.

SAYER ENERGY ADVISORS

February 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in the Herronton area of Alberta held by

HOUSTON OIL & GAS LTD.

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

SAYER ENERGY ADVISORS

February 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

POINT LOMA RESOURCES LTD.

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

SAYER ENERGY ADVISORS

February 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in the Beacon Hill, Bronson, Fort Pitt and Primrose areas of Saskatchewan held by

BOW RIVER ENERGY

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for this transaction.

SAYER ENERGY ADVISORS

March 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Saskatchewan held by

BOW RIVER ENERGY

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

SAYER ENERGY ADVISORS

March 2021

This announcement appears as a matter of record only.

KNOWLEDGE energy inc.

has sold its interests in the Morningside, Provost, Wildmere and Veteran areas of Alberta to

GHOST RIVER Resources Inc.

The undersigned acted as financial advisor to Knowledge for this transaction.

SAYER ENERGY ADVISORS

March 2021

This announcement appears as a matter of record only.

LINTUS RESOURCES LIMITED

has sold its interests in the Swan Hills Unit No. 1

The undersigned acted as financial advisor to Lintus for this transaction.

SAYER ENERGY ADVISORS

March 2021

This announcement appears as a matter of record only.

Certain mineral interests in the Bolloque area of Alberta held by

SEQUOIA

have been sold through its licensed insolvency trustee

pwc

The undersigned acted as financial advisor to PwC for this transaction.

SAYER ENERGY ADVISORS

March 2021

This announcement appears as a matter of record only.

KNOWLEDGE energy inc.

has sold its interests in the Mirage and Sneddon areas of Alberta to

TOURMALINE OIL CORP.

The undersigned acted as financial advisor to Knowledge for this transaction.

SAYER ENERGY ADVISORS

April 2021

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

LOGIC Energy Ltd.

have been sold

The undersigned acted as financial advisor to Logic for this transaction.

SAYER ENERGY ADVISORS

April 2021

This announcement appears as a matter of record only.

Tallahassee EXPLORATION INC.

has sold its interests in the Pine Creek area of Alberta

The undersigned acted as financial advisor to Tallahassee for this transaction.

SAYER ENERGY ADVISORS

April 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

BOW RIVER ENERGY

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

SAYER ENERGY ADVISORS

May 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

Direct Oil & Gas Inc.

have been sold through its trustee

MNP LTD

The undersigned acted as financial advisor to MNP for these transactions.

SAYER ENERGY ADVISORS

May 2021

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

POINT LOMA RESOURCES LTD.

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

SAYER ENERGY ADVISORS

May 2021

A Year in Review...
2021 Transactions

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

RAKE RESOURCES LTD.

have been sold

The undersigned acted as financial advisor to Rake for this transaction.

May 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

mapleleaf ENERGY INCOME

has sold its royalty interests in Alberta

The undersigned acted as financial advisor to Maple Leaf for these transactions.

June 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the issued and outstanding shares of

TURM OIL & GAS

have been sold

The undersigned acted as financial advisor to Turm for this transaction.

June 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the outstanding shares of

BRIKO Energy

have been acquired by

JOURNEY ENERGY INC.

for approximately

$8.4 million

The undersigned acted as financial advisor to Briko for this transaction.

August 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

The oil and natural gas interests in the Maxhamish area of British Columbia held by

GS E&R Canada, Inc.

have been sold through its trustee

MNP LTD

to

Bench Creek Resources Ltd

The undersigned acted as financial advisor to GS E&R and MNP for this transaction.

August 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

SEEK ENERGY LTD

has sold its interests in the Lougheed area of Saskatchewan

The undersigned acted as financial advisor to Seek for this transaction.

August 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain mineral interests in the Bolloque and Wimborne areas of Alberta held by

SEQUOIA

have been sold through its licensed insolvency trustee

pwc

The undersigned acted as financial advisor to PwC for these transactions.

August/September 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

Direct Oil & Gas Inc.

have been sold through its trustee

MNP LTD

The undersigned acted as financial advisor to MNP for these transactions.

September 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

SanLing ENERGY LTD.

have been sold through its receiver

pwc

The undersigned acted as financial advisor to PwC for these transactions.

September 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

POINT LOMA RESOURCES LTD

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for this transaction.

October 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

1537974 Alberta Ltd.

has sold its royalty interests in the Gull Lake area of Saskatchewan

The undersigned acted as agent to 1537974 for this transaction.

November 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

All of the outstanding shares of

2163754 Alberta Ltd.

have been sold

The undersigned acted as financial advisor to 2163754 for this transaction.

December 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests in Alberta held by

BOW RIVER ENERGY

have been sold through its receiver

BDO CANADA

The undersigned acted as financial advisor to BDO for these transactions.

December 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

Certain oil and natural gas interests held by

SanLing ENERGY LTD.

have been sold through its receiver

pwc

The undersigned acted as financial advisor to PwC for these transactions.

October/December 2021 SAYER ENERGY ADVISORS

This announcement appears as a matter of record only.

TSE

has sold its interests in a number of ISO Containers

The undersigned acted as financial advisor to Top Speed for these transactions.

December 2021 SAYER ENERGY ADVISORS

Celebrating

35

Years

SAYER

ENERGY ADVISORS

1987

35th Anniversary

2022