RESEARCH REPORT

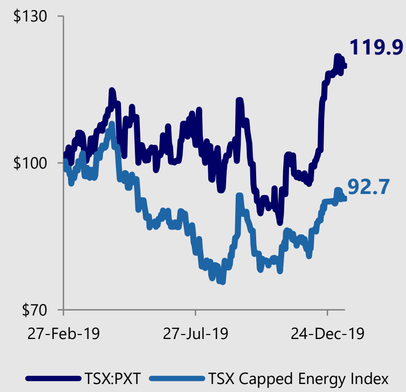
January 13, 2020

Stock Rating	SELL
Price Target	CAD 23.50
Current Price	CAD 24.40

Bear Case	Price Target	Bull Case
$23.30	$23.50	$23.56

Ticker	PXT
Market Cap. (MM)	$3,500
EV/BOE P+P	0.7x
2020E EV/EBITDA	2.4x

52 Week Performance



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Parex Resources Inc.

Colombian Upstream

Founded in 2009, Parex Resources focuses on the exploration, development, production, and marketing of oil and natural gas in Colombia.

The company has a well-tenured management team with emerging markets experience and terrific capital allocation. To mitigate business risk, Parex focuses its operations on high netback margin assets and is funded entirely through common equity.

The E&U team believes Parex is a fantastic business as its capital efficiency, oil quality, and free-cash-flow generation are industry-leading. Additionally, Parex's strategy to reduce capital outlays and distribute cash to shareholders is likely to generate excellent risk-adjusted returns given the company's quality asset base.

Despite these characteristics, the E&U team chose to unlimitedly forgo an investment in Parex as the company's valuation implied returns well in excess of the E&U team's projections.

Company Overview

General Overview

Incorporated in 2009, Parex Resources focuses on the exploration, development, production, and marketing of oil and natural gas in Colombia. Parex was founded through a deal in which the Dutch company Pluspetrol Resources Corp. acquired the Canadian Company Petro Andina Resources Inc. As part of the transaction, Pluspetrol spun-out Petro Andina's assets and working capital in Colombia and Trinidad & Tobago into the company that is now Parex Resources. Today, Parex holds interest in Colombian onshore exploration and production blocks totaling 2.7M gross acres. However, despite heavy asset concentration in Colombia, Parex remains headquartered in Canada with corporate offices located in Calgary.

Asset Base

Since its inception, Parex has continuously acquired exploration blocks in Colombia through ANH bidding, farm-in agreements with industry partners, and acquisitions. Parex's most notable assets include:

Block LLA-34: Parex acquired working interest in Block LLA-34 in 2012. After numerous discoveries of both light and heavy crude oil, Parex has continuously drilled wells on the property. In 2018, Parex participated in the drilling of 25 producing oil wells, a notable increase from 21 in 2017. As of Q3 2019, Block LLA-34 accounted for 74% of Parex's 2019 average daily production.

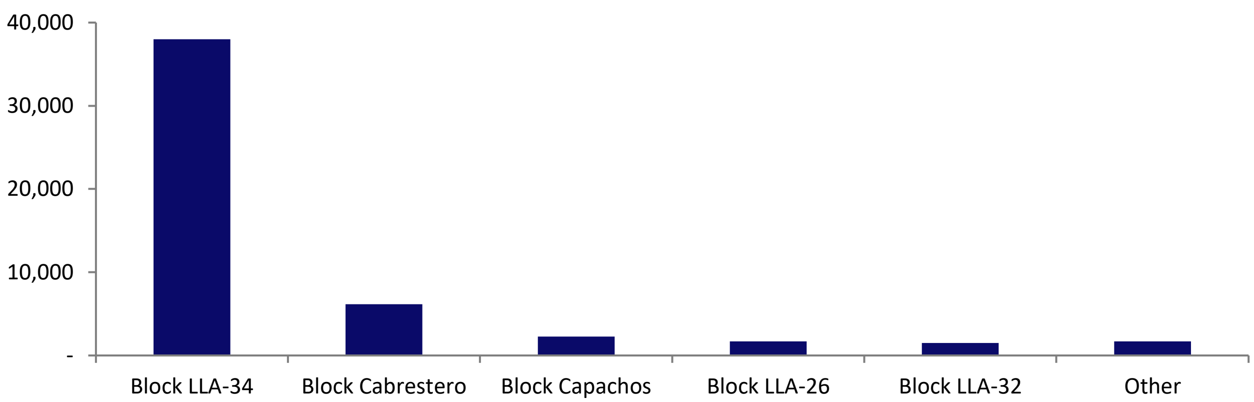
Block Cabrestero: Parex farmed into the Cabrestero block in 2012 and acquired 100% working interest in 2013. After discoveries of heavy oil, drilling has been consistent through Parex's ownership history, with 10 wells drilled in 2018. As of Q3 2019, Block Cabrestero Block Cabrestero accounted for 16% of Parex's 2019 average daily production

Parex's production is anticipated to grow through investments in Southern Casanare Assets in the Llanos Basin (Block LLA-34, Block Cabrestero, and Block LLA-32) for which 33 development wells are planned for 2020. Other properties include Aguas Blancas, Boranda, Fortuna, CPO-11, LLA-94, and Merecure, where an additional 26 gross wells are planned.

As of fiscal year end 2018, Parex has 185 million Mboe equivalent 2P reserves and a 2P reserve life index of 10.3 years. The company's reserves have steadily grown since 2014 with a 29% CAGR. On a boe equivalent basis, Parex's 2P reserves are 11% light/heavy crude, 86% heavy crude, and 3% conventional natural gas/natural gas liquids.

EXHIBIT I

2019 Average Daily Production as of Q3 2019 (boe/d)



Company Filings

Management Analysis: Overview

Overview of Management

David R. Taylor: David Taylor is the CEO and President of Parex Resources. Mr. Taylor previously served as Executive Vice President, Exploration and Business Development from Parex's founding to 2015. Prior to this, Mr. Taylor was Vice President of Business Development for Petro Andina. Mr. Taylor has also previously held senior positions with Husky Energy, Renaissance Energy, Imperial Oil, and ExxonMobil.

Lee DiStefano: Lee DiStefano is the President and Country Manager of Parex Resources Colombia. Prior to joining Parex Resources in 2011, Mr. DiStefano spent 30 years as a country manager in Peru, Brazil, and Argentina. Mr. DiStefano also worked for Amoco in Colombia, Trinidad, Guatemala, Spain, New Zealand, India, and China.

Ryan Fowler: Ryan Fowler is the Senior-Vice President of Exploration at Parex Resources. Mr. Fowler previously served as Vice President of Exploration from 2012 to 2017 and was previously the New Ventures Exploration Manager for Petro Andina. Prior to Petro Andina, Mr. Fowler spent 20 years in the energy sector with companies such as Husky Energy.

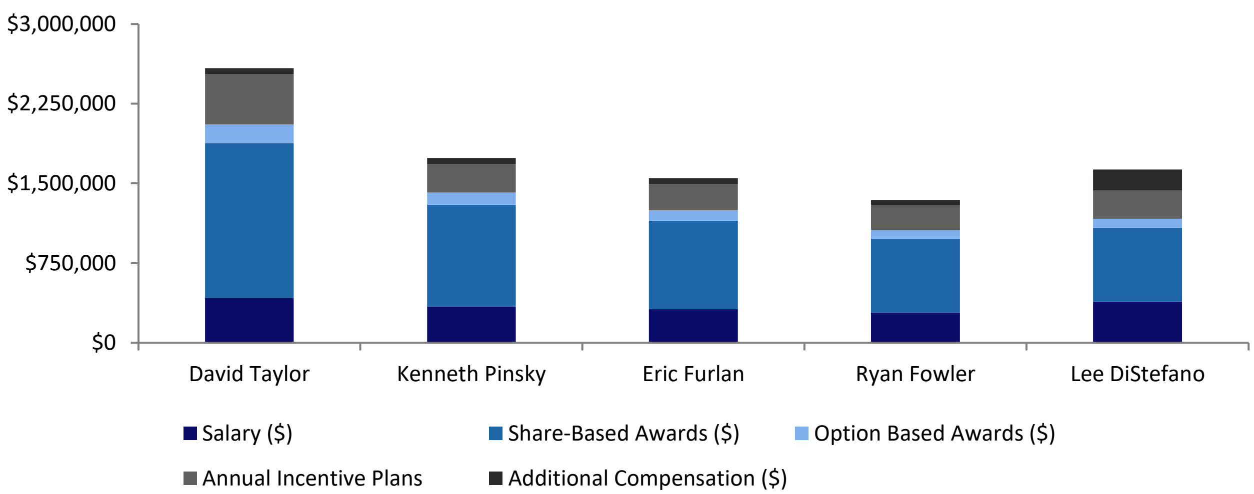
Eric Furlan: Eric Furlan is the Chief Operating Officer of Parex Resources. Mr. Furlan previously served as Senior Vice President of Engineering for Parex Resources, and previously worked for Petro Andina. Prior to joining the Parex ecosystem, Mr. Furlan worked in a capacity of roles for the Chevron Corporation.

Kenneth Pinsky: Kenneth Pinsky is the Chief Financial Officer of Parex Resources. Mr. Pinsky previously served as Chief Financial Officer for Petro Andina and held CFO and Director of Finance roles for numerous companies prior to joining the Parex team.

Together, Parex's management team is well tenured and has a formidable amount of emerging markets experience.

EXHIBIT II

2018 Senior Management Compensation



Company Filings

Management Analysis: Compensation

Management Compensation

Parex Resources' current management compensation plan consists of a mix of fixed base salary (17%-27% of total income) and at-risk compensation incentives (73%-83% of total income). At-risk compensation is comprised of year-end cash bonuses and equity-linked securities.

Salaries are based on the median of a peer group of TSX-listed exploration and production companies. Cash bonuses are set at a portion of salary (90% for CEO and 60% for other executives) and have a 0.50x – 1.50x year-end multiplier bases on corporate performance goals (see 'PSUs'). Equity-linked bonuses are structured as long-term options (25%), PSU's (50%), and RSU's (25%):

Options: Parex has a "rolling" stock option plan that reserves a maximum of 9% of issued and outstanding common shares for issuance pursuant to options. The option plan is administered and granted at the discretion of the board to a maximum of five years from the date of the grant. Vesting is split equally among the first three anniversaries from the date of the grant. The board has been focusing on reducing options as a long-term incentive component over the past 4 years.

RSU's: The RSU plan is administered by the board, and since its inception in 2012, RSU grants have been much larger components of long-term incentives than option grants. The maximum number of common shares that are issuable pursuant to outstanding RSU's is limited to 4% of the amount of issued and outstanding common shares.

Options and RSUs are not contractually linked to company performance or shareholder returns.

PSU's: Like cash bonuses, PSU's are granted based on TSX-listed peers' median issuances and have a 0.0x – 1.50x multiplier based on three equally weighted corporate performance measures: *Total Shareholder Return, Production per Common Share Growth, and Recycle Ratio:*

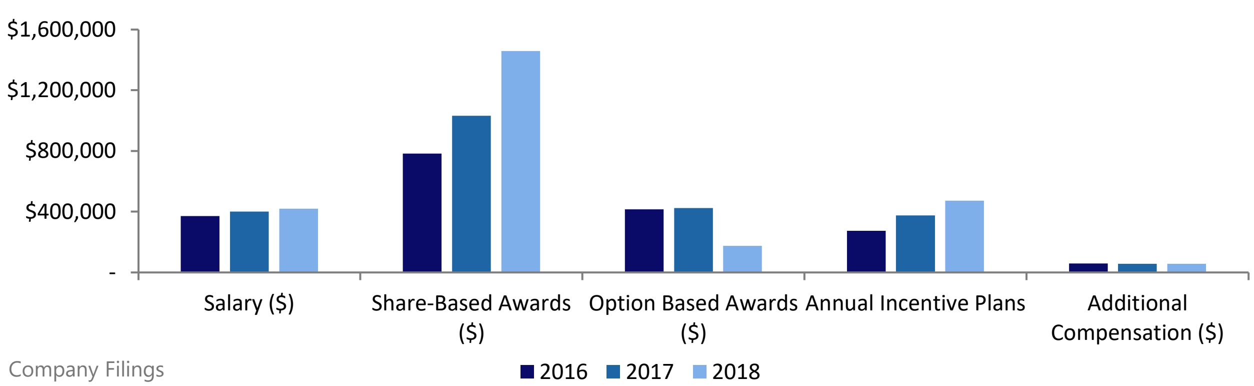
Total Shareholder Return: Parex's relative performance within the TSX Capped Energy Index.

Production per Common Share Growth: Based on Parex's relative performance against a select oil-weighted peer group on the TSX Capped Energy Index.

Recycle Ratio: Based on total proved reserves FD&A costs on an annual basis, compared against the same select oil-weighted peer group.

EXHIBIT III

CEO & President David R. Taylor's Historical Compensation Breakdown



Company Filings

Industry Overview

Overview of Oil and Natural Gas

PXT exists within the upstream segment of the oil and natural gas value chain, meaning that it engages in the exploration, development, and production of crude oil and natural gas. This is contrasted with the midstream segment, which is responsible for processing, storing, marketing and transporting products, as well as the downstream segment, which includes refineries, petrochemical plants, and retail operations such as gas stations.

Exploration, Development, and Production

The upstream segment is characterized by exploration, development, and production. Exploration comprises of locating underground rock formations that may contain hydrocarbons, identifying the abundance of the resource, and reaching agreements with the owners of surface and mineral rights, including private owners or, more commonly, governments. Once the viability of an oilfield is determined, an E&P company defines the well architecture, develops a plan for the oil field, and works with contractors, such as Oilfield Services companies, to drill for resources. Finally, E&P companies are responsible for the continuous production of oil and natural gas in their areas of operation. The E&P business model is highly capital-intensive.

Understanding Crude Oil

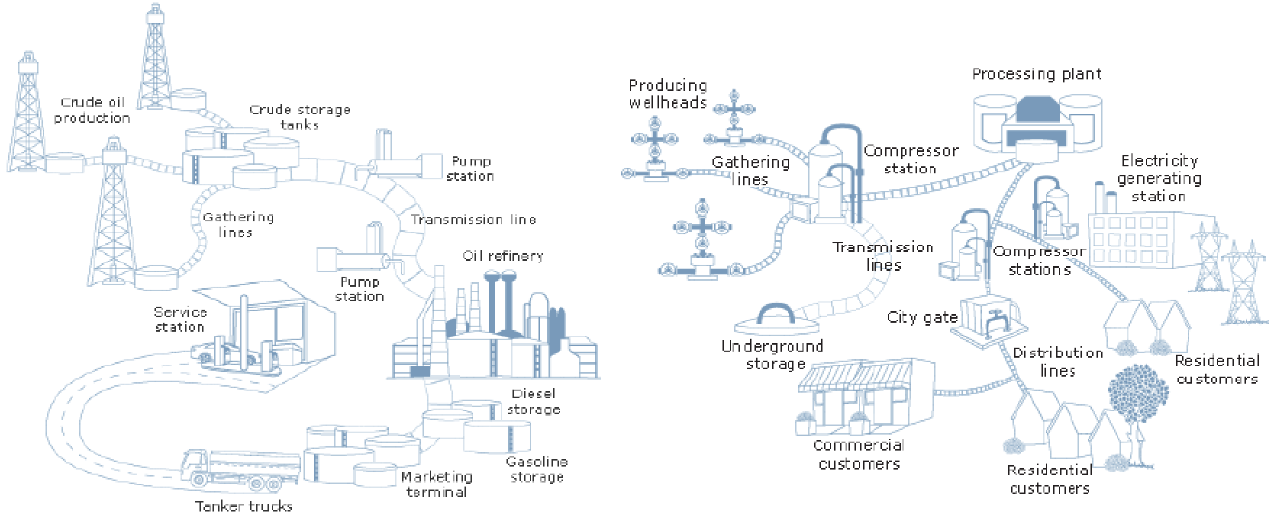
Crude oil can be produced in conventional onshore oilfields, meaning it can be extracted using traditional drilling methods, or unconventional oilfields, such as the Canadian oil sands or oil shales which are prevalent in the United States.

Crude oil can be classified as light or heavy. Light crude flows more easily through wells and pipelines and can be refined into a large quantity of transportation fuels, such as gasoline, diesel, and jet fuel. Due to its comparative ease of extraction, light oil realizes higher prices per barrel. Light, sweet crude oil is produced in the United States (i.e. West Texas Intermediate or "WTI").

Heavy oil is carbon-rich and requires more complex

EXHIBIT IV

Crude Oil Delivery Network (Left) and Natural Gas Delivery Network (Right)



Source(s): CEPA

Industry Overview

extraction processes. An example of heavy oil is that which comes from the Canadian oil sands, which is partially why Western Canadian Select or "WCS" trades at a discount to WTI.

Another determinant of crude oil's realized price is its Sulphur content, which is characterized as "sweet" or "sour". Crude oil with high Sulphur contents is referred to as "sour" which is more complex to refine than "sweet" crude oil, and therefore is priced at a discount.

Understanding Natural Gas

Natural gas is a naturally occurring mixture that possesses primarily Methane. It is frequently found alongside crude oil during the drilling process. This is referred to as "associated gas", as apposed to "non-associated gas" which accumulates and is found on its own. Alongside methane, natural gas is comprised of various hydrocarbons which are referred to as Natural Gas Liquids or "NGLs".

While crude oil is considered a global commodity, natural gas possesses a higher cost of transportation and is therefore more regionally priced. In Canada, AECO is the benchmark price for natural gas.

Current Global Crude Environment

Political Instability

Since late 2019 and to date in 2020, global oil prices have been exceptionally volatile due to geopolitical turmoil, particularly in the middle east.

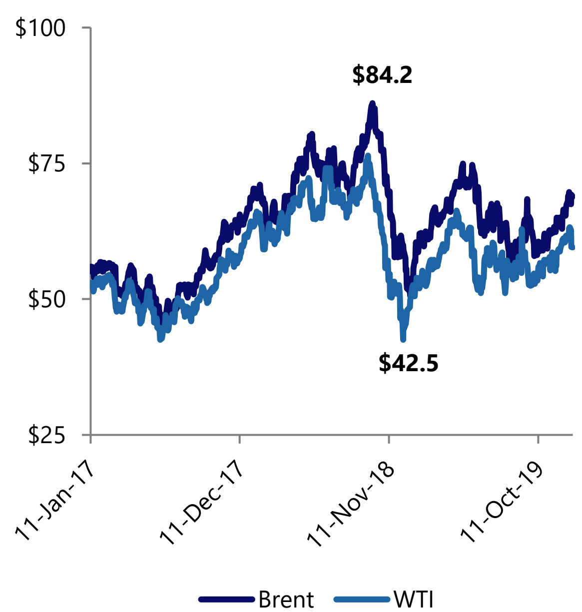
In September 2019, a drone strike on Saudi Aramco's processing facilities in Abqaiq and Khurais in eastern Saudi Arabia temporarily cut global supply, which saw a sharp but extremely short-lived increase in prices. While the Houthi movement claimed responsibility for the act, the Saudi Arabian and the United States governments suspected that Iran was involved. As oil prices increased in anticipation of supply shortages, the Saudi Arabian government's assurance that production would be restored in weeks quickly reversed the commodity's price appreciation.

On January 3rd, 2020, the United States government ordered the assassination of Qassem Soleimani, a key political and military figure in Iran. In response, on January 7th, 2020, an American military base in Iraq was attacked by Iranian missiles, bringing both public and market sentiment into a brief panic. In the week following these events, Brent Crude rose 4.4%, from $66.0 to $68.9. Since, a public address by President Donald Trump calling for de-escalation has seen prices fall to $64.9.

While these current events (and future events) have/will briefly rebound global energy prices, the E&U team believes that the continued development United States' fracking industry will constrain oil prices from sustainably reaching their pre-2014 highs.

EXHIBIT V

Historical Brent Crude and WTI Crude Prices (USD)



Source(s): Macrotrends

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Industry Overview

Shifting Supply Landscape

In 2019, the U.S. overtook Saudi Arabia as the world's leading producer of crude oil, supplying approximately 20% of the world's oil. This came in the wake of OPEC's supply cuts, and sanctions on Iran and Venezuela.

In 2020, sanctions on Iran will harshen in response to the United States military base attack. While countries like China and Russia will look to fill this supply gap, the United States will likely continue to be the primary beneficiary of incremental production.

Government & Energy Stability in Colombia

Given that PXT's operations are conducted exclusively in Colombia, the nuances of the Colombian crude sector, as well as government and political stability are important to understand. Colombia is a non-OPEC country that produces just over 1.0% of the world's oil.

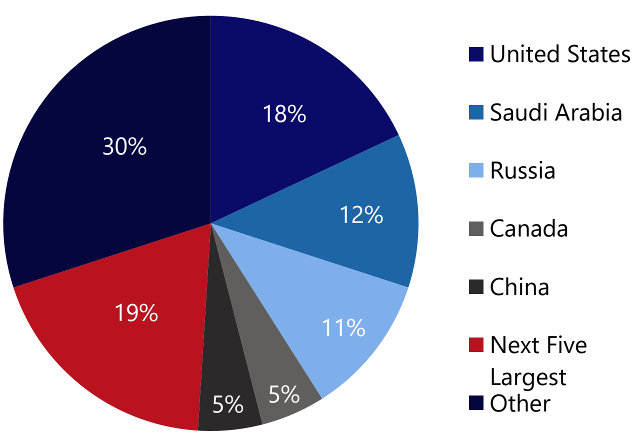
Government Reliance on Oil

For the Colombian government, royalties and taxes from the oil sector typically account for approximately 20% of government revenues as the sector is among the most dominant in the country. In addition, oil and gas account for approximately one third of the country's exports, rendering it the largest export industry in Colombia. As a point of reference, Canada, one of the largest oil and gas producers in the world, saw oil and gas account for approximately 3% of government revenues and less than 20% of exports. In 2018, PXT contributed $229 million in taxes and royalties in Colombia.

Colombia's reliance on the oil and gas sector is an encouraging factor for PXT's outlook, as it indicates that the government has a vested interest in protecting the industry. A risk with the government's reliance on this sector is that it could be targeted as a means to increase revenues if the country experiences sustained deficits. However, Exhibit VII illustrates that Colombia is not currently facing notable debt issues.

EXHIBIT VI

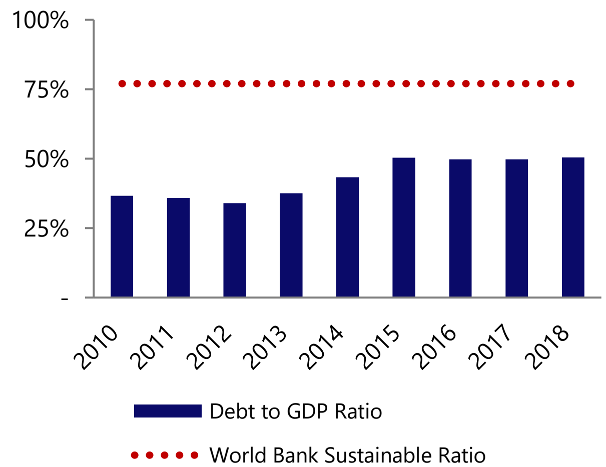
Proportion of Global Oil Production by Country



Source(s): U.S. Energy Information Administration

EXHIBIT VII

Colombian Government Debt-GDP Ratio



Source(s): Macrotrends

Industry Overview

Energy Regulation

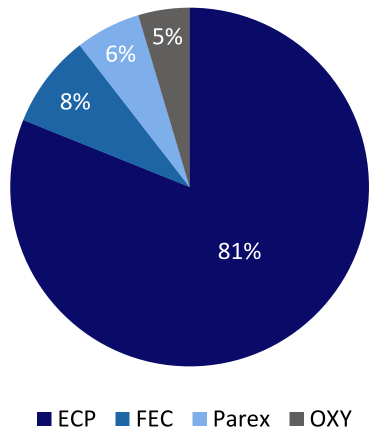
The Colombian government currently has no specific regulation obligating companies to monitor or report GHG emissions. In 2016, however, the country signed the Paris Agreement and the following year enacted legislation requiring the country to generate 77% of its energy from renewable resources by 2020. At the time, the country was already generating approximately 70% of its power from renewables.

Although the Colombian government has articulated an intent to be more renewable-focused, in our view, its reliance on the oil and gas sector makes it unlikely that the country's energy industry will see a seismic shift in the short-medium turn. Nevertheless, PXT's lack of global diversification and reliance on a relatively unstable part of the world makes the Colombian government's energy regulation a significant operational risk.

End-Markets and Midstream Infrastructure

EXHIBIT VIII

Colombian Petroleum Companies Production Breakdown



Source(s): Hydrocarbons Colombia

Colombia has a notably developed oil infrastructure system within which Parex produces in. This system surrounds Parex's two producing basins Llanos and Magdalenas, and comprises over 6,000 km of pipeline infrastructure. These pipelines enable the transportation of crude oil to the central hub of Vasconia and then to Covenas, where Colombia's main export terminal lies. These pipelines include multiple pipelines with over 100,000 bbl/d in capacity. Additionally, beyond pipelines, crude oil can also be transported by truck and barge in Colombia.

Colombia also operates 5 refineries, of which 4 are owned by Ecopetrol. Two of these refineries, Barrancabermeja and Cartagena, account for almost all refining capacity. Total crude processing capacity in Colombia stood at 420,000 bbl/d at the end of 2018.

The Competitive Landscape

Parex competes with many international and domestic crude oil producers in Colombia. As of midyear 2018, Parex was the 3rd largest producer in Colombia, behind *Ecopetrol* and *Frontera Energy*, and just ahead of *Occidental Petroleum*.

Ecopetrol: Ecopetrol is the largest petroleum company in Colombia. Headquartered in Bogota, Colombia, they are one of the 25 largest petroleum companies in the world, and were founded in 1921. In Q2 2018, the latest quarter documented by Hydrocarbons Colombia containing accurate production figures across all top Colombian producers, Ecopetrol produced 579 mbd.

Frontera Energy: Frontera Energy is a Toronto-based exploration and production focused company with assets in Latin America, including over 40 blocks in Colombia, Ecuador, Guyana, and Peru. In Q2 2018, Frontera produced 60 mbd in Colombia.

Occidental Petroleum: Occidental Petroleum is an exploration company which is the 9th largest petroleum producer in Texas. The company has operations in the US and Middle East, alongside Colombia where they produced 33 mbd in Q2 2018.

Thesis I: Defensible Position Against Market Turns

Zero-Debt Capital Structure

The Energy & Utilities sector considers a company's capital structure to be especially important in today's volatile markets. Specifically, the team has determined that a Debt/EBITDA ratio above 2.0x generally renders a company unattractive, as this is the approx. point at which cost of capital increases with incremental debt and investor confidence in the company declines.

However, PXT's capital structure has comprised of only common equity since 2015. The company has an undrawn credit facility consisting of a $180 million reserve-based revolving facility and an operating line of $20 million.

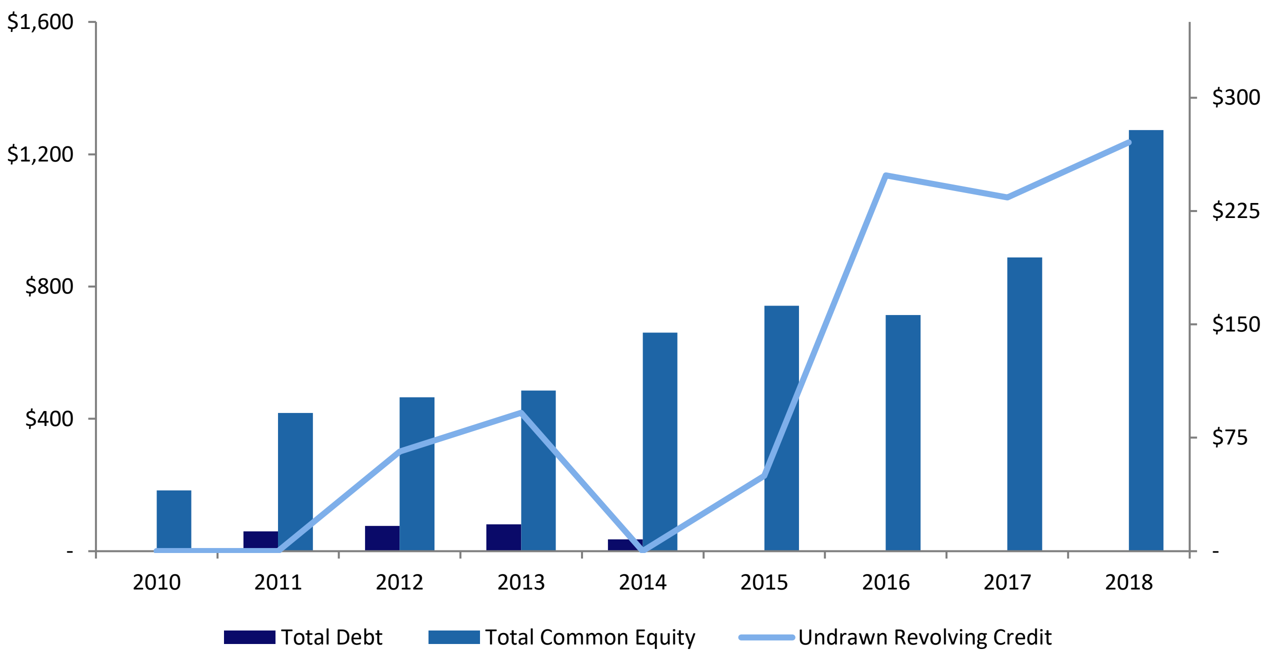
Parex's credit facilities have a two-year term, subject to extension upon approval, and include a restrictive leverage covenant of 3.50x Debt/EBITDA.

Despite not utilising these sources of financing, management has been successful in achieving their capital allocation goals. For 2019, the company aimed to grow production by 20% while buying back 15 MM shares and remaining debt free, with an increase to working capital. As of Q3, the company is well on track to finance these duties and is likely to have excess cash on hand.

In all, Parex's management team is disciplined in managing the company's balance sheet, which will prove advantageous during periods of depressed crude prices and when considering M&A.

EXHIBIT IX

Parex Resources Historical Capital Structure ($M)



Source(s): Capital IQ

Thesis I: Defensible Position Against Market Turns

Capital Efficiency

Parex's well established management team has a developed track record of smart and efficient capital stewardship in emerging markets. While navigating what is often an unpredictable Columbian market, the team has grown production per share at a CAGR of ~15% over the last 4 years and funded nearly all development and exploration investment with funds from operations.

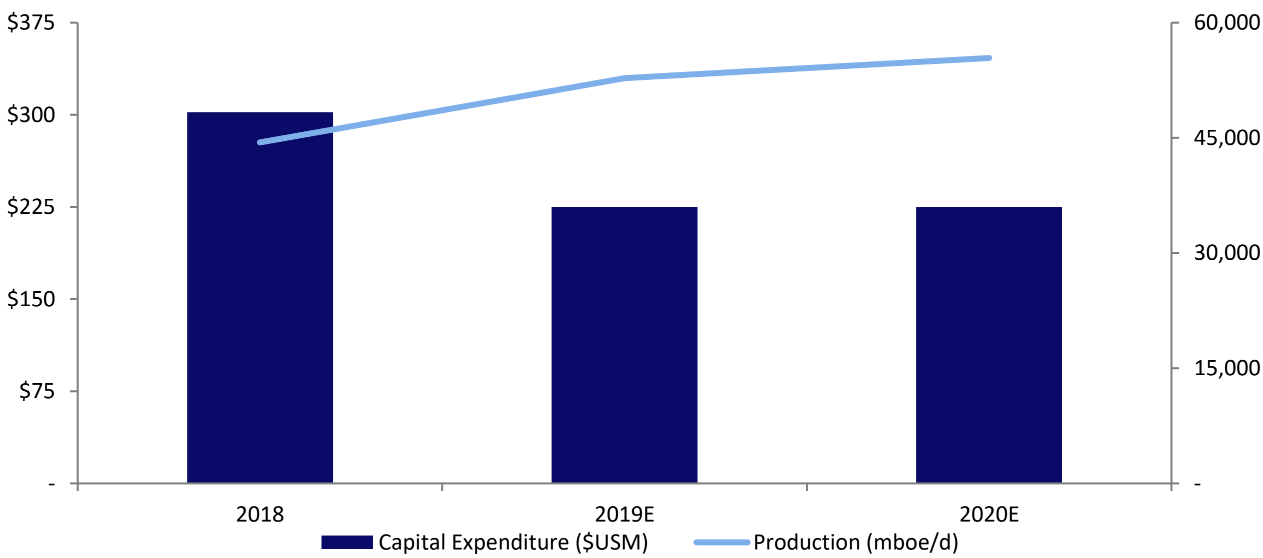
Looking forward, management aims to continue intelligently deploying capital in 2019 and 2020: Capex plans for both years are anticipated to decline from 2018 rates by approximately $75M. While these cuts reduced production guidance by 5% compared to the consensus view, they also represent a capital spending reduction of approximately 25%. Intuitively, this disproportionality between capital outlays and production volumes suggests management is investing shareholders' capital very diligently.

Further, it also stands important to note that production guidance assumes no exploration success, which emphasized management's risk-aversion intellectual honesty.

Despite this, Parex's production pipeline looks promising – smart development of key Southern Casanare assets, the creation of new opportunities such as Aguas Blancas, Capachos, and Boranda, and future growth prospects Fortuna and Merecure are anticipated to continue reserve growth. Additionally, current assets have continued to perform, with 3 distinct hydrocarbon barriers found in the drilling of Block LLA-32 and the Boranda-3 exploration to result in 3 more step-out/delineation tests in 2020.

EXHIBIT X

CapEx and Production Schedule ($USD, boe)



Source(s): Company Filings

Thesis II: Strong Cash Generation and Distribution

Oil Quality

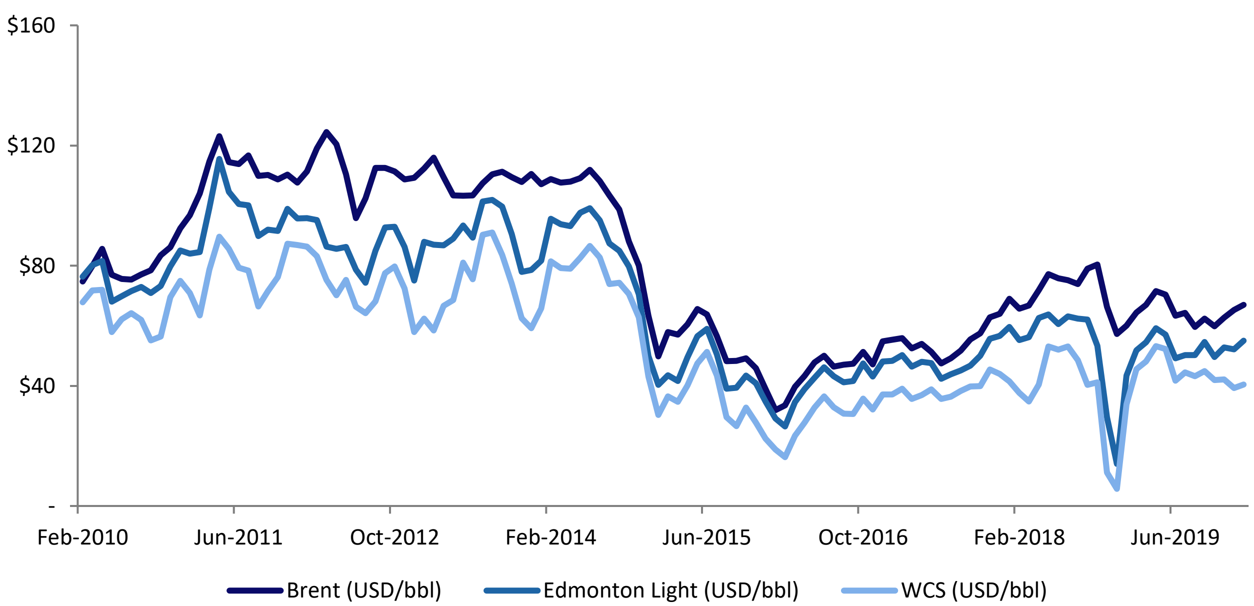
A significant difference between Parex Resources and its Canadian-based peers are the oil benchmarks the company employs. Typically, Canadian oil production-focused companies are benchmarked to Western Canadian Select or a light sweet crude known as Canadian Light Sweet. Parex Resources produces Vasconia Crude Oil which trades at a relatively consistent ~$3.00 differential to Brent. The benefits of this indirect Brent benchmark are twofold: Parex realizes higher prices given the large differential between Canadian benchmarks and Brent (i.e. larger netback margins), and the company has no exposure to the Canadian market's supply constrain. All else equal, these characteristics are likely to respectively reduce the volatility of Parex's earnings and the company's ability to export its oil.

Netback

A netback is a per barrel measure of profitability which frequently calculated on a cash per barrel basis. Netbacks are standardly reported as realized price less the cost of operations, royalties, transportation, G&A costs, and tax. Netback is not a generally accepted accounting principles (GAAP) equation, which requires investors to audit producers' calculations to ensure consistency across peers. Analogous to operating income (or EBITDA), a netback is a strong proxy for core operational FCF and central to valuing upstream companies. Relative to its Canadian peers, Parex has exceptional netbacks. In Q3 2019, the company had a combined operating netback of $36.21, which when compared to the average Brent price of $62.03 represents a 58.3% yield. In FY2018 these values were respectively $44.41, $75.84, and 58.6%.

EXHIBIT XI

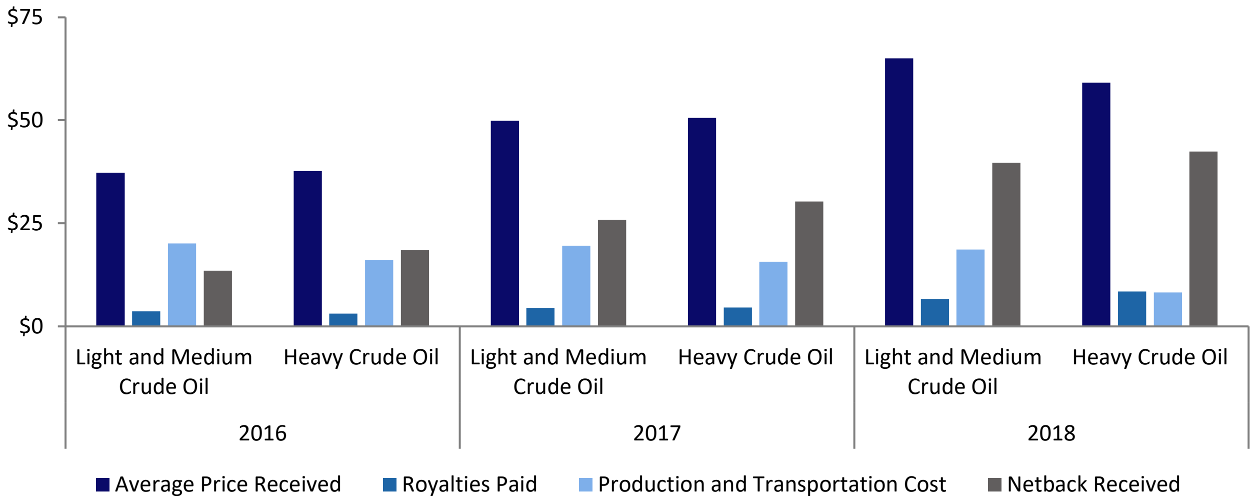
Brent, Edmonton Light and WCS Historical Pricing (USD)



Source(s): GLJ Petroleum Consultants

EXHIBIT XII

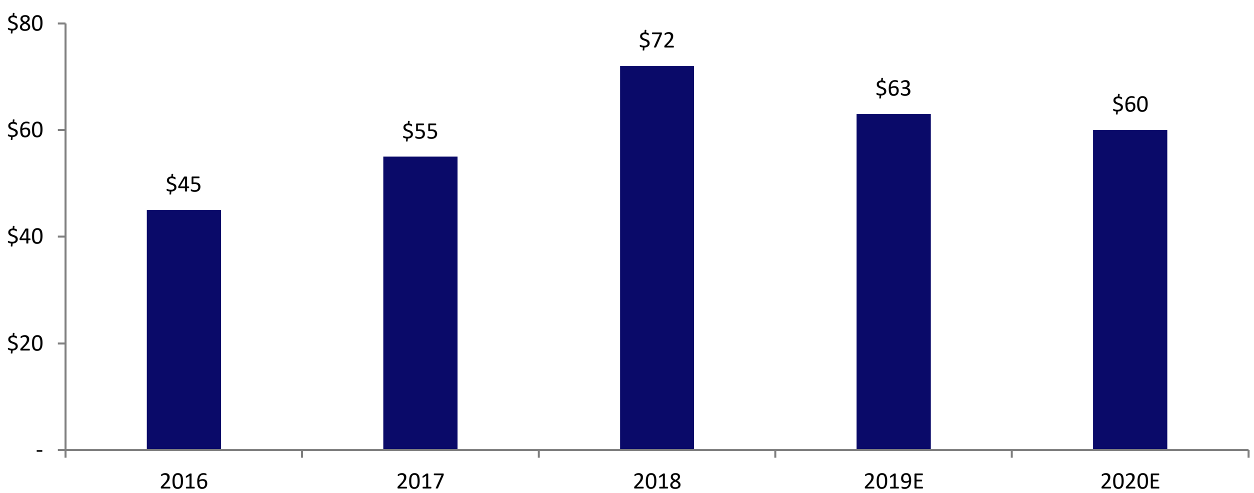
Parex Historical Netback Breakdown ($/bbl)



Company Filings

EXHIBIT XIII

Parex Historical and Forward-Looking Realized Brent Crude Pricing ($/bbl)



Source(s): Company Filings

Thesis II: Strong Cash Generation and Distribution

Netback Cont'd

Parex Resources has significantly better netbacks than its Canadian peers. In Q2 2019, the last commonly reported quarter between its comparables, the company realized an overall operating netback of $41.25. Meanwhile, Vermillion Energy, Whitecap Resources, TORC Oil & Gas, and Surge Energy respectively recorded operating netbacks of $29.62, $31.00, $34.35, and $31.24, or 31% less than Parex on average. Furthermore, despite only being a ~$3B dollar company, and therefore not realizing the economies of scale supporting integrated producers' margins, Parex still outperforms its larger peers: Cenovus Energy, Suncor Energy, and Canadian Natural Resources respectively recorded Q2 netbacks of $32.14, $38.06, and $24.67; an average discount of 35%. Overall, Parex has exceptional operational statistics and the prospect of improving its profitability through incremental capital investments.

Returning Capital to Shareholders

Parex's capital allocation strategy can be characterized as prudent, opportunistic, and equityholder-centric. Of the ~$450-500M of FCF the business generates at $55-60/bbl, 2020E Capex is anticipated to be approximately 55% maintenance (~$115-125M) and 45% (~95-115M) investment. The remaining capital is distributed between share buy-backs and optional capital outlays. This strategy, of focusing but not forcing reserve growth, has allowed Parex to counterintuitively maintain its excellent netbacks despite growing its reserves 2.7x since 2014. Over each of the years since Parex has realizes netback yields in excess of 50%. In Q3 of 2019, Parex averaged 51,997 boe in daily production, a 17% increase from Q2 of 2019. The company currently forecasts Q4 production to surpass Q3 with 53,000+ in daily boe production and is confident that its balance sheet can be grown through economic add-ons. Incoming drilling and exploration activities include LLA-32, LLA-10, and Aguas Blancas.

EXHIBIT XIV

Parex Resources Comparable Companies *(all figures in $USD MM except per-share values)*

Comparable Producers										
	Shares	Enterprise	EV/EBITDA				EV/	EV/(BOE/D)		FCF
Company Name	Outstanding	Value	LTM	2020E	2021E	P / NAV	BOE P+P	2020E	2021E	Yield
Vermilion Energy	155.9	$5,371	4.4x	5.3x	5.3x	1.0x	$88.1	$52.6	$50.9	15.3%
Whitecap Resources	409.5	$3,440	4.1x	4.6x	4.9x	0.5x	$14.0	$48.1	$43.2	12.8%
TORC Oil & Gas	219.9	$1,293	4.4x	4.0x	4.2x	0.6x	$20.4	$124.3	$124.7	9.4%
Surge Energy	326.3	$783	4.8x	4.1x	4.2x	0.4x	nmf	$11.9	$11.9	17.6%
Bonterra Energy	33.4	$447	4.7x	nmf	nmf	0.4x	$10.5	$20.0	$20.2	18.1%
Mean		$2,267	4.5x	4.5x	4.6x	0.6x	$33.2	$51.4	$50.2	14.6%
Median		$1,293	4.4x	4.4x	4.5x	0.5x	$20.4	$49.7	$46.7	15.3%
Parex Resources	143.0	$3,026	4.0x	2.4x	2.1x	0.7x	$30.4	$56.2	$49.7	3.3%

Source(s): Capital IQ

QUIC

Valuation: NAV – Explained

To value Parex, the E&U team completed a NAV with three value contributors:

1) PXT's 2P reserves were depleted using annual equiv. boe figures based on 2019E sales. The terminal (2024) 2P reserves of 55M (from 184M) had a $30.4 EV/BOE 2P multiple applied to its count.

2) PXT's annual free-cash-flow was determined by applying a netback value calculated with respect to the correlation between Brent Crude and netback yields. Key assumptions: yield of 59-63% under current Brent projections and $225-280M in annual Capex. FCF ranged from $230 to $410M.

3) The value of PXT's capital investments were determined by applying a post-tax ROIC to management's guided expenditures.

These three value contributors were discounted using a Colombia-centric discount rate of 19.3%. Instead of applying a Capex ROIC and working to share price, the E&U team believed it is best to work backward and instead find what annualized return investors are implying capital projects will return.

Noting that on average ROIC=WACC, the team found the results of the analysis to indicate that PXT is significantly overvalued, even when accounting for competitive advantages that may allow management to return cash in excess of their 19.3% hurdle.

At ROIC=19.3%, the company's equity is overvalued by 7.4%. At ROIC=26.3%, the company's equity is priced at today's share price of $24.4. The E&U believes investors are unfairly extrapolating current returns (largely via reserve growth) in line with PXT's 2018 growth despite the company planning to reduce its Capex by over 25% for 2020E and onward. Additionally, of this $210-$240M in Capex, only approximately 45% is development and exploration; the rest maintenance.

As such, the E&U team will not allocate capital to the name. Given the analysis completed within this report, particularly management's disciplined capital allocation and expertise within this relatively undeveloped market, the team believes PXT can achieve returns of approximately 22-23%. At these rates of return, Parex Resources' price per share is $23.30 – $23.56.

Aside: For perspective, Berkshire Hathaway has outperformed its benchmark by 2.11x (20.5% annualized returns vs. 9.7% average) in its investment history. PXT's share price implies management will outperform its benchmark by 1.36x.

EXHIBIT XV

Value of Growth Capex at 19.3% ROIC

Value of Growth Capex	2019	2020	2021	2022	2023	2024
Incremental Capex	$225,000	$234,000	$256,000	$280,068	$280,068	$280,068
	$43,425	$43,425	$43,425	$43,425	$43,425	$43,425
		$45,162	$45,162	$45,162	$45,162	$45,162
			$49,408	$49,408	$49,408	$49,408
				$54,053	$54,053	$54,053
					$54,053	$54,053
						$54,053
Annual Yield	**$43,425**	**$88,587**	**$137,995**	**$192,048**	**$246,101**	**$300,155**
Present Value	$42,478	$79,340	$103,604	$120,870	$129,843	$132,752

Source(s): Company Filings

Valuation: NAV – Supporting Exhibits

EXHIBIT XVI

Free-Cash-Flow Build & Supporting Calculations

	2018	2019	2020	2021	2022	2023	2024
2P Reserves (Mbbl)	-	184,674	163,131	141,587	120,044	98,500	76,957
Production	16,209	21,543	21,543	21,543	21,543	21,543	21,543
Ending Value	184,674	163,131	141,587	120,044	98,500	76,957	55,414
Free-Cash-Flow							
Brent $USD	$58.64	$63.75	$63.95	$67.00	$68.00	$71.00	$73.00
	70.67%	59.45%	59.53%	60.71%	61.08%	62.17%	62.87%
Netback	$41.44	$37.90	$38.07	$40.68	$41.53	$44.14	$45.90
Revenue	$950,491	$1,373,391	$1,377,700	$1,443,407	$1,464,951	$1,529,581	$1,572,668
Operating Netback	$671,698	$816,495	$820,127	$876,299	$894,796	$950,992	$988,757
G&A/Mgmt	($33,400)	($33,400)	($41,100)	($41,717)	($42,342)	($42,977)	($43,622)
Operating Income	$638,298	$783,095	$779,027	$834,583	$852,454	$908,015	$945,135
Current Taxes	($105,300)	($209,000)	($212,000)	($224,924)	($229,741)	($244,715)	($254,719)
NOPAT	**$532,998**	**$574,095**	**$567,027**	**$609,658**	**$622,713**	**$663,300**	**$690,417**
Capex	($302,323)	($225,000)	($234,000)	($256,000)	($280,068)	($280,068)	($280,068)
Growth	($136,765)	($101,786)	($105,857)	($115,810)	($126,698)	($126,698)	($126,698)
Main.	($165,558)	($123,214)	($128,143)	($140,190)	($153,371)	($153,371)	($153,371)
% Change		*(25.6%)*	*4.0%*	*9.4%*	*9.4%*	*9.4%*	*9.4%*
Free-Cash-Flow	**$230,675**	**$349,095**	**$333,027**	**$353,658**	**$342,644**	**$383,232**	**$410,348**
Present Value of FCF	$225,644	$312,654	$250,032	$222,583	$180,779	$169,496	$410,348

Enterprise Value	
EV/BOE 2P	$30.4
Terminal NAV	$667,281
PV FCF	$1,311,401
EV: 0% Return on Capex	$1,978,682
NPV of Capex Returns	$577,029
Enterprise Value (USD)	$2,555,711
Enterprise Value (CAD)	$3,322,424

Share Price	
FDSO	147.100
Implied Share Price	$22.59
% Premium (Discount)	*(7.40%)*

Period	**Realized USD Brent**	**Margin**	**Operating Netback**
2014	$87.60	54.58%	$47.81
2015	$46.59	46.58%	$21.70
2016	$37.63	48.63%	$18.30
2017	$50.35	58.97%	$29.69
2018	$58.64	70.67%	$41.44
9M 2019	$64.79	58.49%	$37.90
Average	**$57.60**	**56.32%**	**$32.81**

	USD Brent	*Margin*
USD Brent	1	
Margin	0.247775962	1

Source(s): Company Filings

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