



# Greenstreet SAGD Project Investment Case Summary June 2020





### Avalon Key Value Drivers

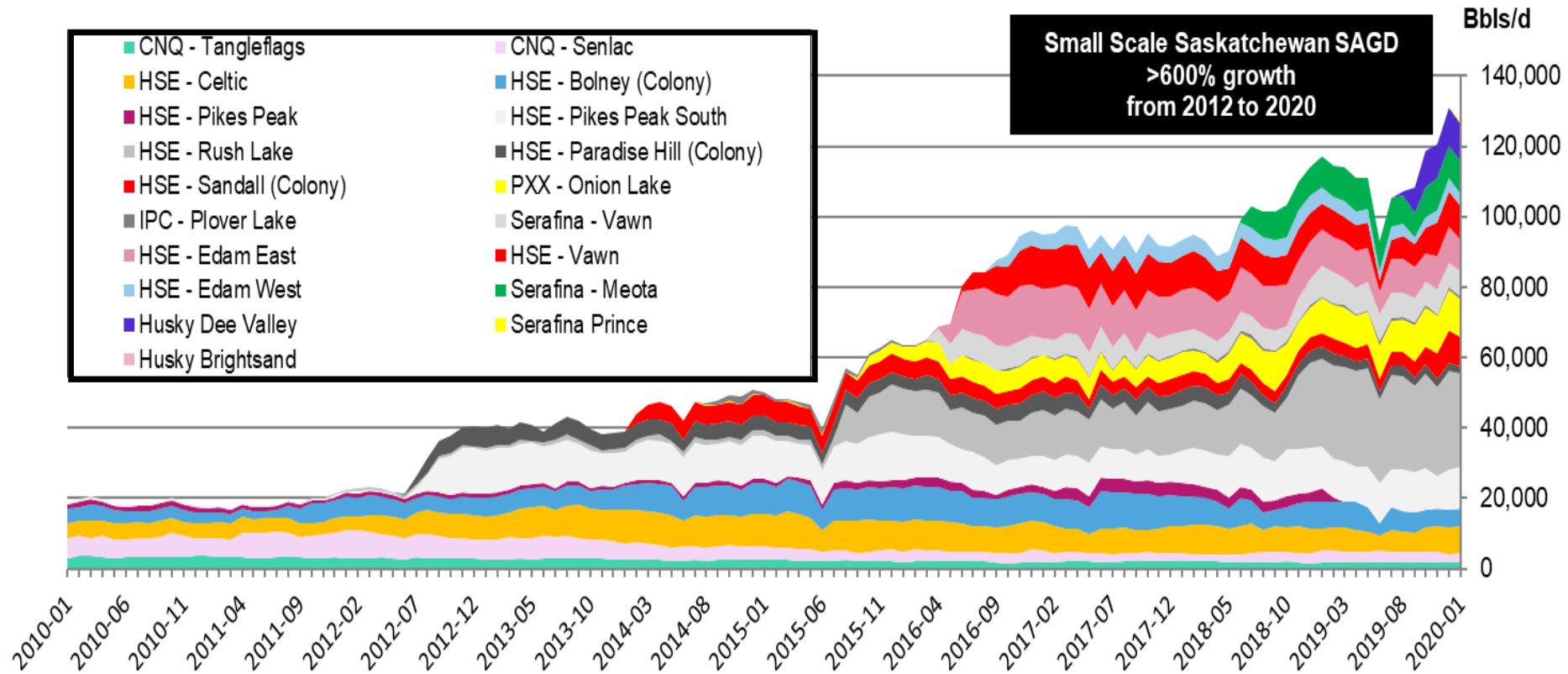
Management team with a proven track record of value creation in the heavy oil fairway of Western Saskatchewan (Avalon Resources, Avalon Exploration). Management comprises all required disciplines for project execution and has in excess of 100 years of combined experience.

Greenstreet Thermal project is fully supported technically, is shovel-ready with a 15-month time-line to first steam and boasts a high discounted cash flow potential and liquidity value.

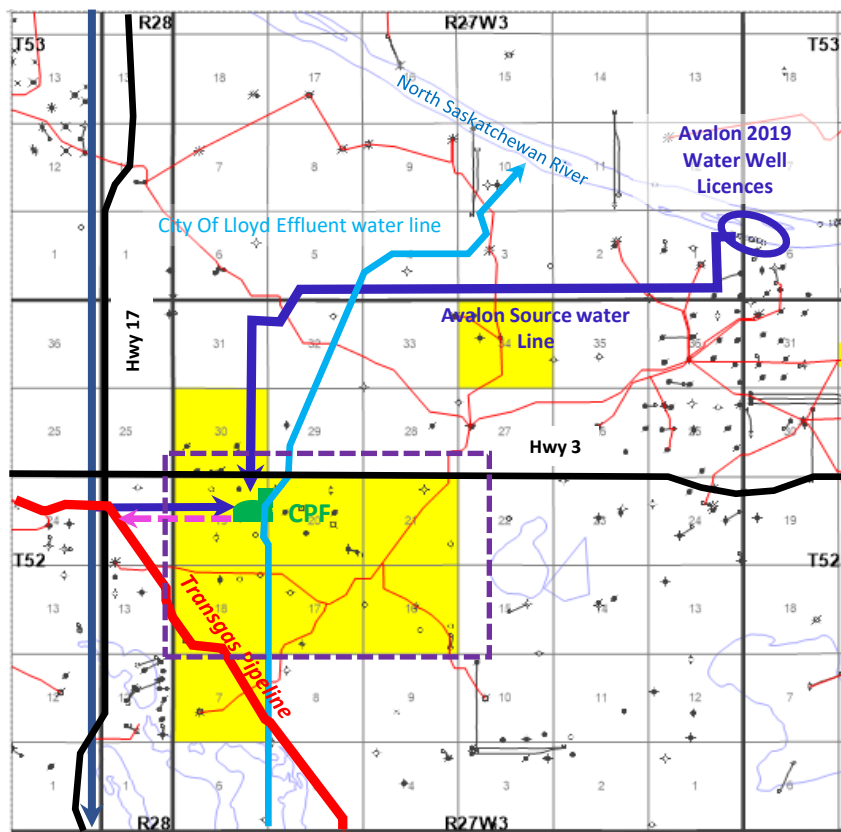
Paradise Hill Thermal project is a less defined but highly prospective thermal project in the same depositional fairway as the Husky Paradise Hill project (4 kilometers to the south) which has produced in excess of 11 Million barrels to date and continues to produce several thousand barrel per day.

Conventional heavy oil production of ~250 b/d with 35,000 acres of undeveloped lands and a combination of 30+ drilling/recompletion opportunities.

Saskatchewan LLR rating of 1.7

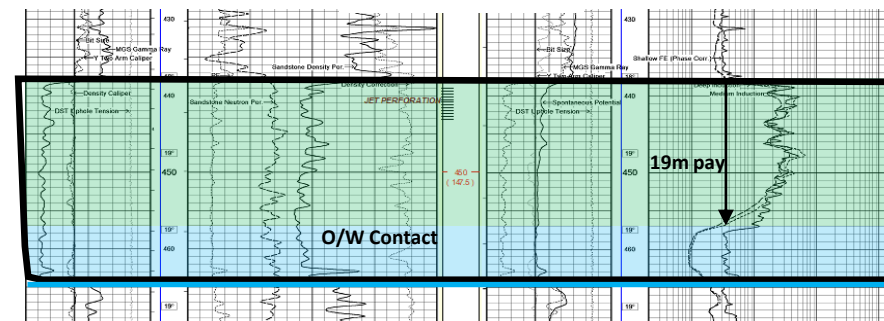



## Greenstreet SAGD Project Area



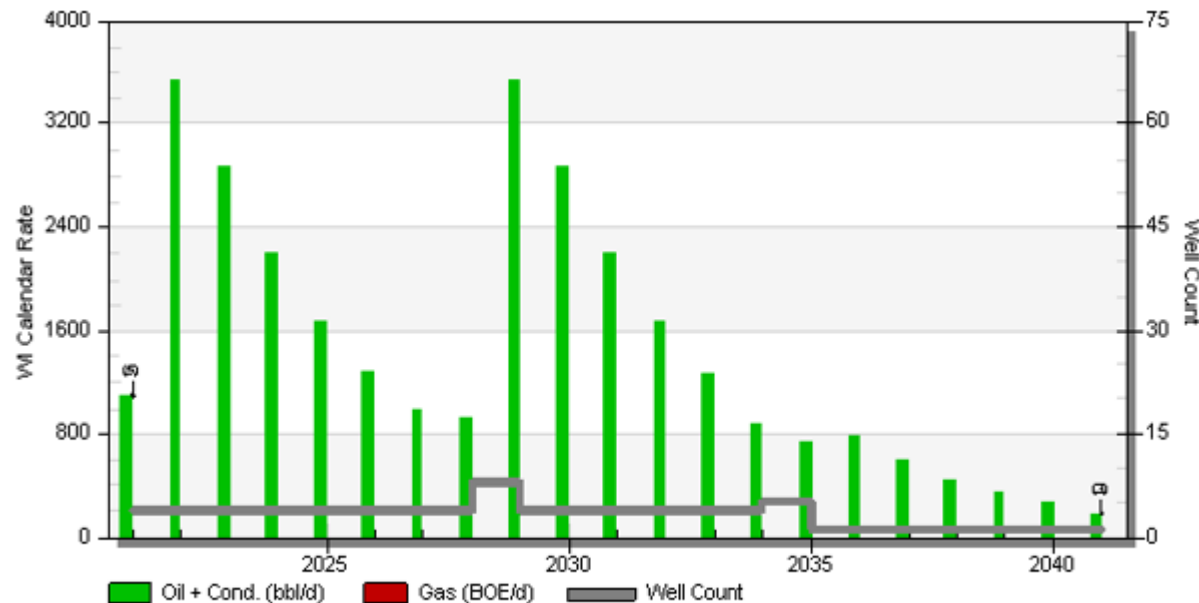
## Greenstreet SAGD Type Well

15-19-52-27-W3M

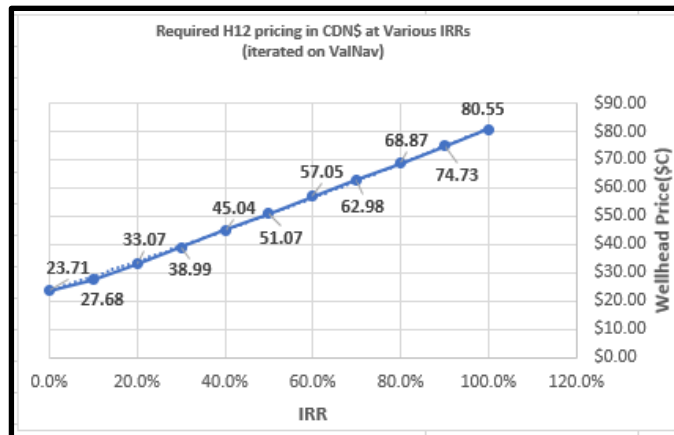


- Project comprises 8 contiguous sections (100% WI) within defined Colony age channel fairway
- 12 - degree crude and 21,000 mPa.s @ 22 deg C
- Up to 19 m of net oil pay, OOIP of ~40 MM barrels
- 22 delineation wells on project
- 10 cores with RCA, PSD, XRD, TS, Oil Analysis, Geo
- 3-D seismic defined 
- EOR project approved – no expiry issue
- Water Source wells licenced and built
- Proximity to roads, infrastructure, water and labour force

ECONOMICS			
Initial Risked Capital	\$70 MM		
Steam Generation	5,500 b/d		
Initial Well Pairs	4 SAGD Well Pairs		
Peak Production (First year average)	~3,549 b/d		
Recoverable Reserves	10.8 MM barrels		
RLI (year 1 avg)	8.3 years		
F&D	\$9.20/b		
OPEX (inclusive of \$30/T carbon tax)	\$13.5/b		
	\$55 WTI	\$45 WTI	\$65 WTI
Net Operating Income	\$355 MM	\$264 MM	\$447 MM
Payout (Plant + 4 Well Pairs)	< 2 years	27 months	19 months
IRR	44%	29%	58%
NPV (10%) BTAX	\$98 MM	\$55 MM	\$141 MM

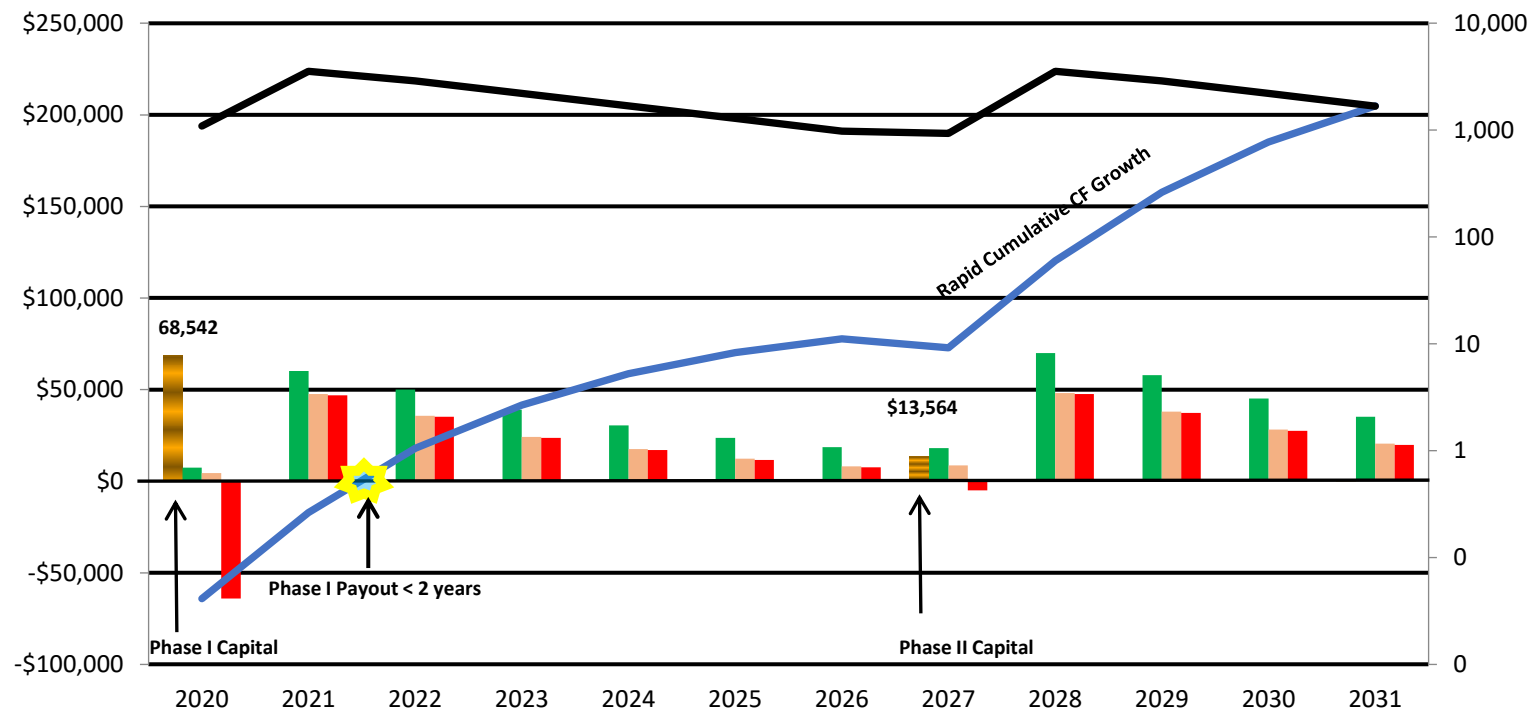


\*WTI 2020 onwards inflated at 2% per year; all costs escalated at 2% per year



- Initial risk capital of ~\$70MM to construct a 5,500 b/d SAGD facility for ~3,550 b/d 1<sup>st</sup> year average oil production with subsequent pads funded through cash flow.
- With robust netbacks of approximately \$35/bbl (Note: WTI of \$55 USD/bbl, Fx of \$0.74/USD, 27% WCS diff to WTI, diluent costs of \$10/bbl to wellhead pricing, \$7/bbl (initial) op cost, low initial royalties of \$1.50/bbl), the small scale SAGD revolution in Saskatchewan continues. Break-even economics of ~\$34 USD per barrel WTI.

## Robust Cash Flow('000)



- Phase I (CPF and 4 well pairs) pay out in less than 2 years at \$55 USD WTI
- Phase II capital only \$13.5 MM as CPF already in place
- First two phases generate in excess of \$205 MM of cash flow
- 3 additional phases at Greenstreet identified for development

- Experienced and motivated management team
- Shovel-ready project with additional development projects under management
- The Lloydminster region of western Saskatchewan boasts a plethora of successful small scale SAGD projects with current production in excess of 120,000 barrels per day
- Avalon's Greenstreet project has all the characteristics of nearby successful analog developments in the Colony formation
- Superior economics with a break-even price of \$34 USD per barrel WTI and robust cash flow generation make the Greenstreet project an attractive investment

