



**Natural Gas. Metals.  
Developing resources  
for today's & tomorrow's  
energy needs.**

**TSXV: AURX**



**Corporate Presentation | May 2020**

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# Corporate Snapshot

- Canadian-based resource exploration and development company
- Recent acquisition of significant US-based natural gas assets
- Listing: TSX Venture Exchange, Symbol "AURX"
- Share structure:
  - 23,940,548 common shares issued and outstanding
  - 2,873,944 warrants outstanding
  - 665,385 options outstanding
  - 27,479,877 fully diluted common shares
- Insider/Closely held shares: 53%
- 52 week price range: \$0.05-\$0.30



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# Highlights

- TSXV-listed company with 24 million shares issued and outstanding; no long-term debt
- One of very few diversified Canadian companies with exposure to Texas natural gas production with **no exploration risk/no reservoir risk**
- **Initial 10-well rework program:**
  - **Net Proved + Probable Reserves: 19.3 bcf**
  - **NPV @ 10%: C\$36.6 million or C\$1.14/share<sup>2</sup>**
  - **Payback: 1.4 years, IRR: 382%**
- **“Breakeven” natural gas price of 10-well program: US\$0.53/mcf**
- Current valuation metrics show a potential market cap after initial gas well work program (12-18 months) of **C\$88 MM<sup>1</sup> est or C\$2.75/share<sup>2</sup>**
- Operating cash flow from natural gas production after initial work program: **C\$14.4 MM/yr<sup>1</sup>**
- Diversified energy-related project portfolio includes high-grade mineral projects in the prolific Battle Mountain trend in Nevada; focus on metals strategic to the battery industry and electrification, and precious metals
- Each member of Senior Management has over 35 years experience in oil and gas and/or minerals industries



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<sup>1</sup> See Slide 9-Macquarie Research

<sup>2</sup> Assuming 32 million shares issued



# Value Proposition

- Opportunity to develop significant near-term production and cashflow from natural gas properties located in the opportunity-rich Barnett Shale, Texas-one of the largest onshore gas fields in the United States
- Opportunity to develop significant mineral resources from projects located in the prolific Battle Mountain trend in Nevada, with a focus on precious and base metals, including metals strategic to the battery industry and electrification
- Strategy: acquire shut-in gas wells; re-work and re-frack using updated completion techniques and recommence production
  - **Low cost-of-entry; established reservoir; no drilling costs**
- Strategy: **after** establishing **significant** natural gas production, employ a portion of natural gas cashflow to establish and develop mineral resources
  - Less reliance on equity funding to develop mineral projects, meaning less dilution
  - Eventually **spin-out** mineral assets into separate company to realize **full value** of asset base
- Company listed on the TSX Venture Exchange and one of only a handful of Canadian-listed companies with exposure to Texas and diversified with both natural gas and mineral resources to meet current and future energy sector demand
  - Premium USD sweet gas pricing (Henry Hub + 20% due to high heating content) compared to Canadian peer group
    - 52 week range of Henry Hub prices to Apr 30, 2020: US\$1.52/mcf to \$2.91/mcf<sup>1</sup> : **US\$1.82 to US\$3.49**
    - 52 week range of AECO prices to Apr 30, 2020: **US\$0.90/mcf<sup>1</sup> to US\$2.30**
    - **“Breakeven” natural gas price for 10-well program: US\$0.53/mcf**
    - Net Proved + Probable Reserves: **19.3 bcf**
    - NPV @ 10%: **C\$36.6 million or C\$1.14/share<sup>2</sup>**
    - Payback: **1.4 years, IRR: 382%**
  - Industry-friendly operating environment with ample takeaway/infrastructure capacity
  - Exit strategies for Texas-based juniors more robust than Western Canadian peers
- Immediate opportunity to acquire 30-40 additional shut-in gas wells; plus execute on multiple business development initiatives
  - Create a template for “repeatability” to grow production and cash flow

1. Source: National Bank of Canada

2. Assuming 32 million shares issued

# Go-Forward Entity

## Building production and cash flow

- Canadian management team with over 35 years experience operating public resource companies in both mining and oil & gas sectors; US management team with over 35 years experience operating oil & gas projects globally
- Recapitalized company with 23,940,548 shares outstanding; no debt
- Focused business plan with low-risk natural gas development and significant area consolidation opportunities; developing high-grade mineral projects in established mining camps with prolific production histories
  - Focus on Barnett Shale
  - Build production and cash flow through a low-risk buy-and-exploit strategy
  - Use a portion of cashflow to support developing energy-related mineral projects, reducing reliance on equity financing to establish NI43-101-compliant resources, with the ultimate goal of maximizing asset value with separate mining entity
  - Maintain strong balance sheet to support strategy execution
  - Pursue attractive exit opportunities for developed company in 3-5 years
- Complete initial 10-well exploitation and development program plus pursue additional acquisition opportunities
  - Following completion of initial development program, potential valuation could reach **US\$66MM (C\$88 MM)**<sup>1</sup>
  - Potential valuation on a per share basis to **C\$2.75/share**<sup>2</sup>



<sup>1</sup> See Slide 9-Macquarie Research

<sup>2</sup> Assuming 32 million shares issued

# Barnett Shale – Sweet Gas

## Established basin with low-risk opportunities and developed infrastructure

- One of the largest onshore gas fields in the United States: thick, organic-rich shale covering 5,000 square miles<sup>1</sup>
- Depth of 5,000-8,500 feet; formation thickness of 100-600 feet
- Current production from field is 3.4 bcf/d<sup>1</sup>
- Sweet gas pricing: high BTU content results in 20% premium pricing to Henry Hub
- Excellent infrastructure with ample capacity
- Portfolio shift of senior producers away from mature fields opens door for small-caps with a focused, cost-conscious strategy
  - Extensive M&A targets available at low cost
  - Lack of operational attention by senior producers creates low-risk optimization opportunities



1. Source: Texas Railroad Commission

# Building a Low-risk Platform

## De-risked play drives the business plan

- 1,400 acres (100% working interest) with 10 shut-in wells (8 hz wells/1 vertical in Barnett shale & 1 vertical well in Atoka formation)
- Hz wells originally drilled by Carrizo Oil & Gas
  - Older completion technique: fewer stages with slick water
  - Shut-in in 2008 along with 215 others after collapse in gas price; sold by Carrizo in 2009 as company shifted strategic focus to oil plays
  - Technical review indicates shut-in wells have been re-pressurized
- Development plan
  - No exploration risk: work-over all 10 wells and re-frac the 8 Hz wells
  - Average peak production estimated at 1,895 boe/d (97% natural gas)<sup>1</sup> during 12 – 24 month period
  - Total capital expenditures estimated at ~US\$6.1MM (US\$4MM internally generated ) over 18 - 24 months
  - Aurex recently raised US2.5 million to start development
- Additional opportunities
  - Down-space to 80 acres
  - Selective M&A: 3,000+ inactive Hz Barnett Shale wells represents large potential target inventory with 30-40 immediately identified

<b>Net Proved Non-Producing + Probable Behind Pipe</b>	<b>19.3 BCF<sup>1</sup></b>
<b>NPV@10% discount</b>	<b>C\$36.6 MM<sup>2</sup></b>
<b>Well Life</b>	<b>10-49 years</b>

1. NI51-101 Report by MKM Engineering, December 28, 2018 effective Jan 1, 2019

2. Based on forecast pricing from McDaniel & Associates, Calgary



# Development Plan

## Outstanding economics: 382% internal rate of return

- Original Hz wells completed with fewer stages (~5) and with slickwater fluid
- Gas Tap development plan contemplates re-work on all wells and state-of-the-art recompletion of the 8 Hz wells with higher frac intensity (~30 stages) and improved gel

### Program Economics

Capital	US\$6.1MM
Estimated Ultimate Recovery	4.38mmboe
Peak Production (12mo period)	1,895 boe/d
Gas Weighting	97%
Payout	1.4 years
IRR	382%

### Barnett Shale – Premium Gas Netback<sup>3</sup> (US\$)

Henry Hub price/mcf	\$2.83
Price/mcf @ wellhead (20% premium)	\$3.40
Marketing & Transportation/mcf	\$0.40
<b>Net wellhead price/mcf</b>	<b>\$3.00</b>
<b>Other Deductions &amp; Expenses</b>	
Royalty rate	18.75%
State severance taxes	7.5%
Local property taxes/ad valorem	2.0%
Operating expenses	\$5,000/well/mo
<b>Netback/mcf</b>	<b>\$2.20</b>
<b>"Breakeven" price/mcf:</b>	<b>\$0.53</b>

- Assumes capital incurred in Year 1
- Reserve and production volumes are from NIS1-101 Report effective Jan 1 2019
- Assumes realized constant prices of \$3.40/mcf for natural gas and \$50.22/bbl for oil and netback as outlined above
- Before adjustments for revenue sharing arrangement on first 3 wells

# Production, Cash Flow & Valuation

**Significant production ramp-up with no exploration risk drives attractive valuation**

## OPERATING & FINANCIAL FORECAST

- Average production peak of 1,895 boe/d (97% natural gas)<sup>1</sup> for months 12-24
- Monthly operating cash flow of ~US\$900,000/C\$1.2 MM (US\$10.8MM annualized/C\$14.4 MM)<sup>2</sup>

## VALUATION ANALOGY (Potential US\$65-89MM)

- Macquarie Research valuation metrics<sup>3</sup>
  - Cash flow multiple of 5.8x: US\$63MM/C\$84 MM
  - Price per flowing barrel of US\$35,000/boe/d: US\$66MM/C\$88 MM



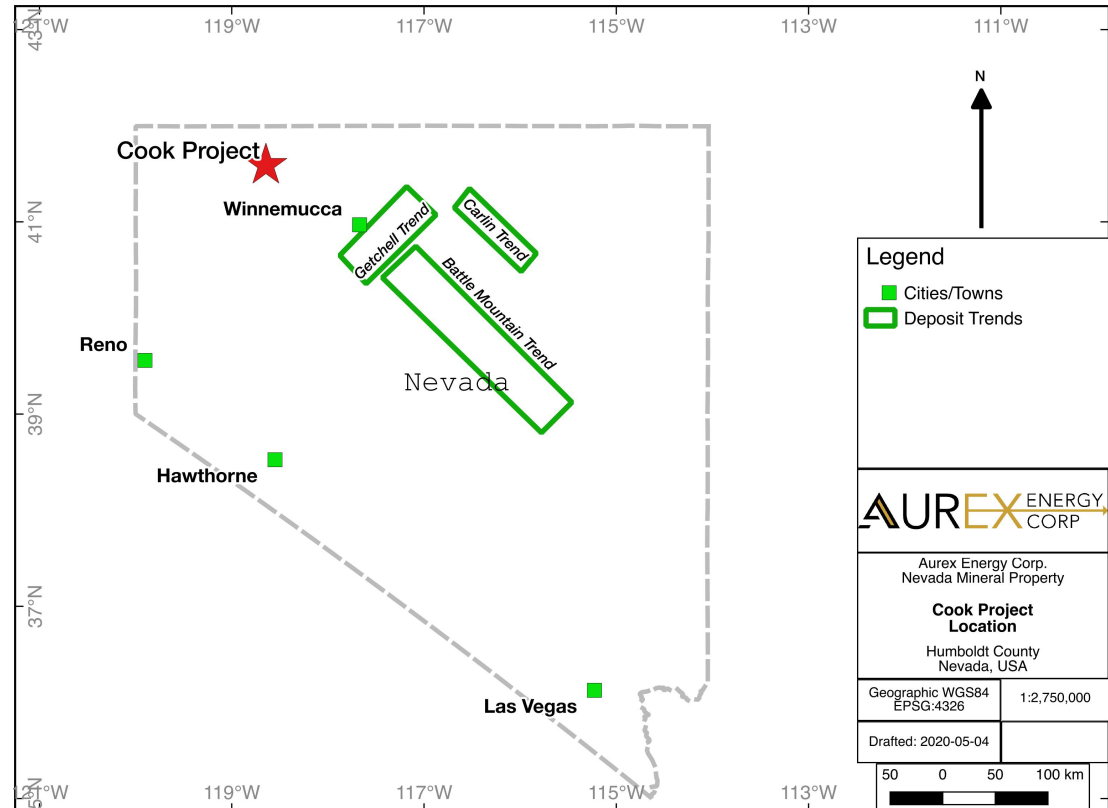
Photo by [Nathan Dumlao](#) on [Unsplash](#)

1. Production volumes and cash flows are net of royalties, operating costs and taxes per independent NI51-101 Reserve Report effective Jan 1 2019
2. Assumes realized constant prices of US\$3.40/mcf for natural gas and US\$50.22/bbl for oil and netback. .
3. Macquarie Research coverage universe of US small/mid cap companies at March 4, 2019, based on estimated 2019 debt-adjusted cash flow and after-royalty production. Assumes 2019 reference commodity prices for oil of US\$56.50 (WTI) and gas of US\$2.95/mcf (Henry Hub). Peer group has a 37% gas weighting.

# Minerals: Cook Gold-Copper Project-Nevada

- 70% ownership in project
- 88 lode claims covering 7.4 sq km in Humboldt County, Nevada
- 35 historic mine workings on the property
- Extensive surface sampling in 2004 and 2011 established a 2.1 km X 0.6 km corridor of high-grade Au-Cu mineralization
- 2018 work confirms **high-grade gold and copper** mineralization in 4 major structures over 2km+ strike-length
- May represent the northern extension of the prolific **Battle Mountain-Eureka Gold Trend**-**within 50 km of former producing Sleeper Mine** (1.7 million oz Au, 2.3 million oz Ag) with current resources of 3.4 million oz Au, 30.8 million oz Ag

## Select Nevada gold trends and the location of Cook project



# Cook Gold-Copper Project cont'd...

## 2018 Exploration Results:

- **High-grade gold** mineralization **confirmed** historic assay results:
  - **29%** of samples assayed greater than **10g/t (0.3 opt) Au**
  - **17%** of samples assayed greater than **35g/t (1.0 opt) Au**
  - **Highest grade gold** assay: **90.9 g/t (2.65 opt) Au** from an in situ chip sample
- **High-grade copper** mineralization was discovered:
  - **28%** of samples assayed greater than **0.5% Cu**
  - **17%** of samples assayed greater than **2.0% Cu**
  - **9%** of samples assayed greater than **5.0% Cu**
  - **Highest grade copper** assay: **15.6% Cu** from a mine dump sample
- **Four major mineralized structures** were identified:
  - **Structure 1:** strike length **2.1 km, high-grade gold**
  - **Structure 2:** strike length **1.75 km, high-grade gold**
  - **Structure 3:** strike length **1.95 km, mostly high-grade copper** with good gold assays in places
  - **Structure 4:** strike length **1.80 km, high-grade gold**

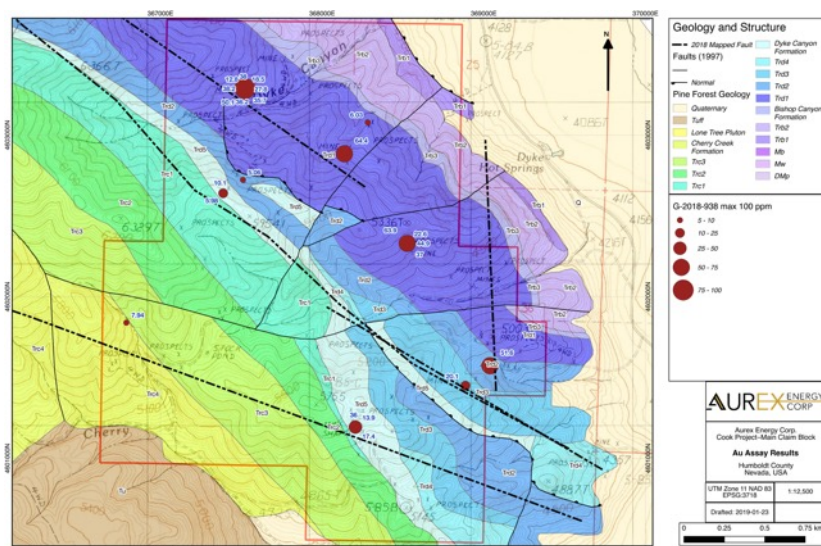


# Cook Gold-Copper Project cont'd...

## 2018 Au Assays:

29% of samples >10 g/t Au (0.3 opt)  
17% of samples >35 g/t Au (1.0 opt)

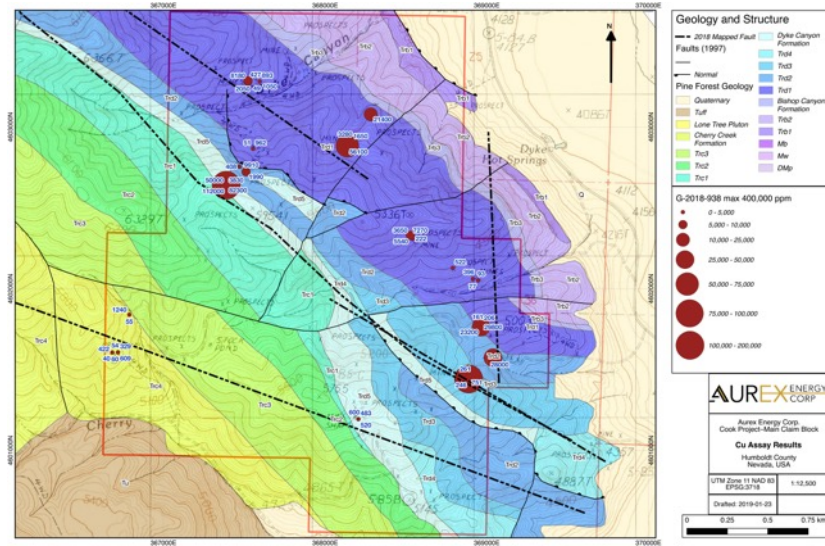
Highest grade sample: 90.9 g/t Au (2.65 opt)



## 2018 Cu Assays:

17% of samples >2.0% Cu  
9% of samples >5.0% Cu

Highest grade sample: 15.6% Cu





# The Aurex Advantage

- ✓ Near-term production and cash flow from Barnett Shale with veteran management team executing on a buy-and-exploit strategy
- ✓ 10 shut-in wells with 24.6 BCF “behind-pipe” natural gas reserves; no exploration risk
- ✓ Work program to re-frack 8 Hz wells and complete 2 vertical wells generating US\$10.8 million/year with an IRR of 382% delivering US\$66 million in value
- ✓ Recently raised US\$2.5 million to commence development
- ✓ Opportunities to acquire additional shut-in gas wells and/or mature producing assets in a low-risk, low-cost-of-entry basin creates a template for “repeatability”
- ✓ Exposure to industry-friendly jurisdiction (Texas) with ample infrastructure, premium gas pricing and not subject to the lack of pipelines, transportation bottlenecks and supply gluts that plague western Canadian producers
- ✓ High-grade mineral projects located in prolific producing trends in Nevada, targeting metals required for current and future energy technologies, provide significant “blue sky” potential; being developed by veteran management team with established track record in minerals
- ✓ TSX Venture Exchange-listed company provides liquidity and improved access to capital



# Directors & Management

Experienced leadership team with a track record of creating shareholder value

## **Gary Billingsley, Director, President and CEO, Aurex Energy Corp.**

A Professional Engineer, Professional Geoscientist and Chartered Professional Accountant with more than 40 years' experience in the mineral industry, Mr. Billingsley has been an officer and director of several public mining and mineral exploration companies during the past 35 years. In addition to experience with oil and gas, uranium and base-metal exploration, Gary has been directly involved with putting the largest gold mine into production in the province of Saskatchewan, and has played a major role in the discovery of diamond-bearing kimberlite in Saskatchewan on several occasions. He was also involved in drilling some of the first horizontal oil wells drilled in southern Saskatchewan. For much of the last 20 years, Mr. Billingsley has been involved in developing strategic metal deposits. He identified, very early on, the importance of achieving self-reliance across the entire supply chain for critical and strategic minerals, in particular rare earth elements. His focus on identifying and developing North American sources of metals critical to evolving energy technologies is important in choosing projects to add to Aurex's diversified mineral project portfolio.

## **Jim Engdahl, Director and Chairman, Aurex Energy Corp.**

Mr. Engdahl has been an officer and director of several public mining companies over the last 30 years. With a background in corporate finance, specializing in mergers and acquisitions, he has successfully financed many projects in Canada and brings that expertise to the Aurex team.

## **Douglas Billingsley, Director, Aurex Energy Corp.**

Throughout his career Mr. Billingsley has held numerous executive positions (CEO, COO, CFO, SVP Corporate Planning, VP Marketing & VP Product Development) in large financial services and manufacturing organizations. Coming from a mining family, he is very familiar with the mining industry, and has served on the boards of several publicly traded junior mining companies. His experience ranges from strategic planning and systems development, to asset securitization, financial derivatives and raising capital. He is currently a Partner with Hong Kong based, Battalion Partners LLC. Battalion is a business advisory and consulting firm that specializes in working with companies to prepare and structure them to successfully attract investment capital.

## **David Ludwar, Director, Aurex Energy Corp.**

Over the past 30 years, Mr. Ludwar has held a number of senior management positions with major financial institutions, both in operational and strategic planning roles. Dave has extensive experience in communications, planning, project management, financial management and organization. He currently runs his own consulting business with a global clientele.

# Directors & Management

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Experienced leadership team with a track record of creating shareholder value

**Ronald Anderson, Director Aurex Energy Corp.,  
President, Gas Tap Corp.**

Ronald Anderson is an entrepreneur and senior business executive with deep operating and advisory experience in the upstream energy and oilfield services sectors. Mr. Anderson holds a degree in Mathematics from North Texas State University.

**William Jackson, Director Aurex Energy Corp.,  
Chief Operating Officer, Gas Tap Corp.**

William Jackson is an engineer and business executive with 40 years' experience in the oil and gas exploration and production business, with particular emphasis on operations, drilling and completions and reservoir engineering. In addition to the United States, he has worked extensively on international projects, and has provided engineering consulting to banks and independent oil and gas companies (Midland National Bank, First City Bank, Esperanza Energy, Coda Energy, Wellquip, Oy and others) and held management positions with independent oil and gas companies since 1982. Mr. Jackson has a degree in Petroleum Engineering from Texas A&M University and is a certified professional engineer in the state of Texas.

**Karen Frisky, Chief Financial Officer,  
Aurex Energy Corp.**

Ms. Frisky brings extensive accounting experience to Aurex Energy Corp.. Karen received her Bachelor of Commerce with a major in Accounting from the University of Saskatchewan in 1994 and holds a Certified General Accountant (CGA) designation. Ms. Frisky has served in senior management roles, including Director of Finance and Chief Financial Officer, for several public companies on both the TSXV and the CSE. Prior to entering the mining industry Ms. Frisky worked in public practice before moving to private industry where she worked in senior accounting positions in the nonprofit, health, manufacturing and construction sectors.

# Corporate Directory

## Aurex Energy Corp.

**Contact:**

Gord Dent, Manager Investor Relations

T: (306) 242-7363

E: [gdent@aurexenergy.ca](mailto:gdent@aurexenergy.ca)

**Office:**

101A-2366 Avenue C North  
Saskatoon, SK S7L 5X5 Canada

**Legal:**

Heighington Law Firm  
Calgary, AB Canada

**Auditors:**

RSM Canada  
Calgary, AB Canada

## Gas Tap Corp.

**Contact:**

Gord Dent, Manager Investor Relations

T: (306) 242-7363

E: [gdent@aurexenergy.ca](mailto:gdent@aurexenergy.ca)

**Office:**

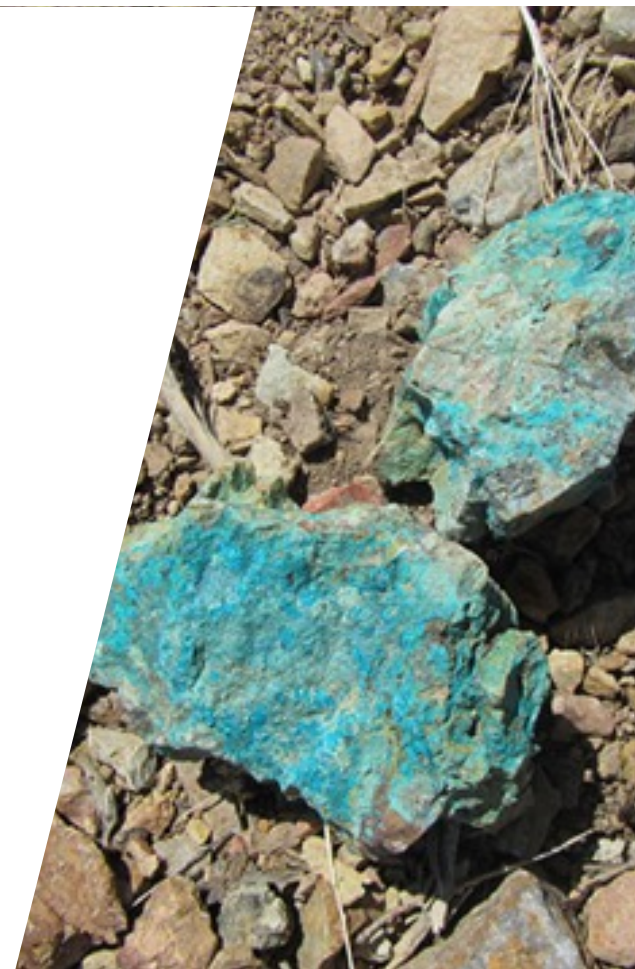
178-209 West 2nd Street  
Fort Worth, TX 76102 USA

**Legal:**

Beard Winter LLP  
Toronto, ON Canada

**Auditors:**

Whitley Penn LLP  
Fort Worth, TX USA





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