

Prairie Provident Resources

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Prairie Provident Resources making royal progress at the Princess area; Mackie reckons it's highly undervalued

Junior oiler Prairie Provident Resources Inc (TSE:PPR) remains 'highly undervalued' in terms of its cash flow, reserves and NAV (net asset value).

That's the view of broker Mackie, which has repeated a 'buy' stance on the stock and C\$2 price target.

That target is more than quadruple the current share price of C\$0.42, which itself is up 20% in the last month alone.

Earlier this year, the group posted its 2017 year-end reserves evaluation by consultant Sproule, which showed proven plus probable (2P) reserves had increased by 26% to 20.7mln boe (barrels of oil equivalent) last year.

So where does it operate and what are the assets..?

The firm combines organic growth with acquisitions of conventional oil prospects that bring additional development potential.

It is focused in the Wheatland and Princess in Southern Alberta, where it is targeting the Lower Mannville formation; along with an early stage waterflood project at Evi in the Peace River Arch.

It also holds around 240,000 net acres in the Utica shale in Quebec's Saint Lawrence lowlands.

Successful six well program

In May, Prairie drilled six wells, three of which were in the Princess area, and 13-24 well was placed on production at an initial rate of 460 boed (barrels of oil equivalent per day, with 68% liquids).

This well has turned out to be "exceptionally good" says Mackie, generating an average rate of 650 barrels per day in the month of May.

After that, the firm drilled and cased the 13-26 well, located to the northwest of 13-24 well, and within the same Glauconitic channel and initial results are expected within weeks.

In the third quarter of this year, the firm aims to drill two additional wells in the southern portion of the Princess area.

More work at Evi coming

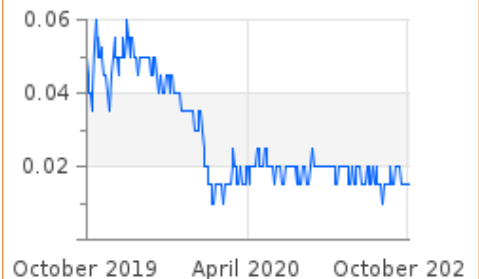
The oil junior is also set to continue its waterflood expansion at its Evi light oil property and in the late third quarter of this year plans to begin a two vertical well drilling program targeting the Granite Wash.

Production for 2018 on track

Price: 0.015

Market Cap: \$2.58 m

1 Year Share Price Graph



Share Information

Code: PPR

Listing: TSX

52 week High Low
0.07 0.005

Sector: Oil & Gas

Website: www.ppr.ca

Company Synopsis:

Prairie Provident ("PPR") is engaged in the exploration and development of oil and natural gas properties in the Western Canadian Sedimentary Basin in Alberta. Our conventional assets are weighted to higher-value light and medium oil, have a low base production decline and offer low-risk development.

action@proactiveinvestors.com

Last month the firm told investors that corporate production had increased to around 5,500 boe/d.

The company also repeated its forecast for average 2018 production of between 5,200 boe/d and 5,600 boe.

What's the investment case?

Mackie analyst Bill Newman noted that the stock was cheap, stating that at a share price of C\$0.41, it trades at 23% of its 1P reserves valuation of C\$1.79 per share and 16% of 2P reserves value of C\$2.58 per share.

"The 13-24 well is a very strong oil well," he said.

Given that the 13-26 follow up well is located close by, within the same Glauconitic channel, we are optimistic that this too could be a good well.

Newman also noted that there was no value in the current share price for the firm's Quebec assets or for the potential for a favourable ruling from the arbitration process.

The arbitration hearing relates to the expropriation of one of Prairie's blocks by the Quebec government in 2011.

"A ruling in PPR's favour could have a major positive impact on the stock price," the broker said in January this year.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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