

Energy Strategy – The Utica Shale Gas Play

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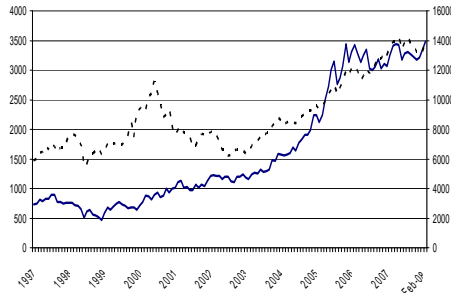
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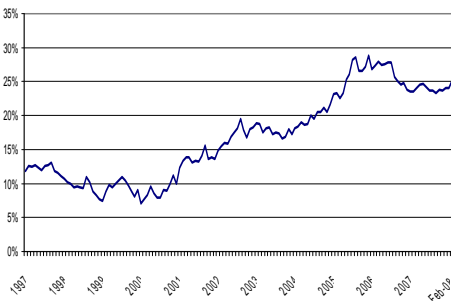
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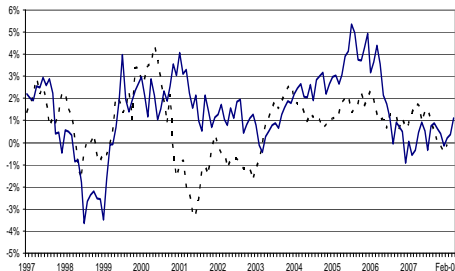
S&P Energy Index vs. TSX Index



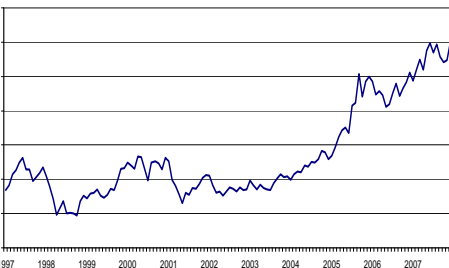
S&P Energy Index as % TSX Index



Change in S&P Energy and TSX Indexes based on 12-month moving averages



Philadelphia Oil & Gas Services Index



In any double-series graph above, the following legend applies: -- S&P TSX — S&P ENRS

Source: WWCM, Bloomberg, PCQuote

Large Cap Producers Lend Credibility to Quebec's Potentially Massive Resource Play

- **Forest Oil (FST-NYSE) lends credibility to Utica shale play in Quebec**
FST comparing the St. Lawrence Lowlands Utica shale play to the Barnett shale play in Texas supports industry resource potential est. of 5 to 25 Tcf.
- **Milestones rapidly approaching will help substantiate resource**
3rd party engineering reviews, hztl. wells to be drilled this summer, and sustained production rates to help determine economic viability of the play.
- **Key technical risks exist – expect variability within the trend**
Rock parameters including total organic content, thermal maturity, fracture ability due to mineralogy & rock stress regime... all impact play quality.
- **Who's best positioned? – the \$64,000 question**
We believe junior producers partnered with the majors will gain from their operational expertise. Acreage sensitivity matrix a generic valuation guide.

Bluesky Resource Value Potential For Utica Shale Players:

Company	Property	% Acreage Prospective	Potential Resource (Bcf)	Current EV/mcf	Implied Value* /Share
Gastem	Yamaska	75%	489	\$ 0.24	\$ 13.68
	New York	50%	326	\$ 0.36	\$ 9.20
		25%	163	\$ 0.72	\$ 4.72
Questerre	Yamaska	75%	2018	\$ 0.16	\$ 17.49
	Yamaska N	50%	1345	\$ 0.25	\$ 11.76
		25%	673	\$ 0.49	\$ 6.02
Junex	Becancour	75%	380	\$ 0.28	\$ 11.09
	Contrecoeur	50%	254	\$ 0.42	\$ 7.45
		25%	127	\$ 0.83	\$ 3.80
Altai	Sorel	75%	1178	\$ 0.02	\$ 61.15
	Pierreville	50%	789	\$ 0.04	\$ 40.98
		25%	401	\$ 0.07	\$ 20.81

* Implied value based on generic assumption of project NPV of \$1.50/mcf

Source: Company Reports, WWCM

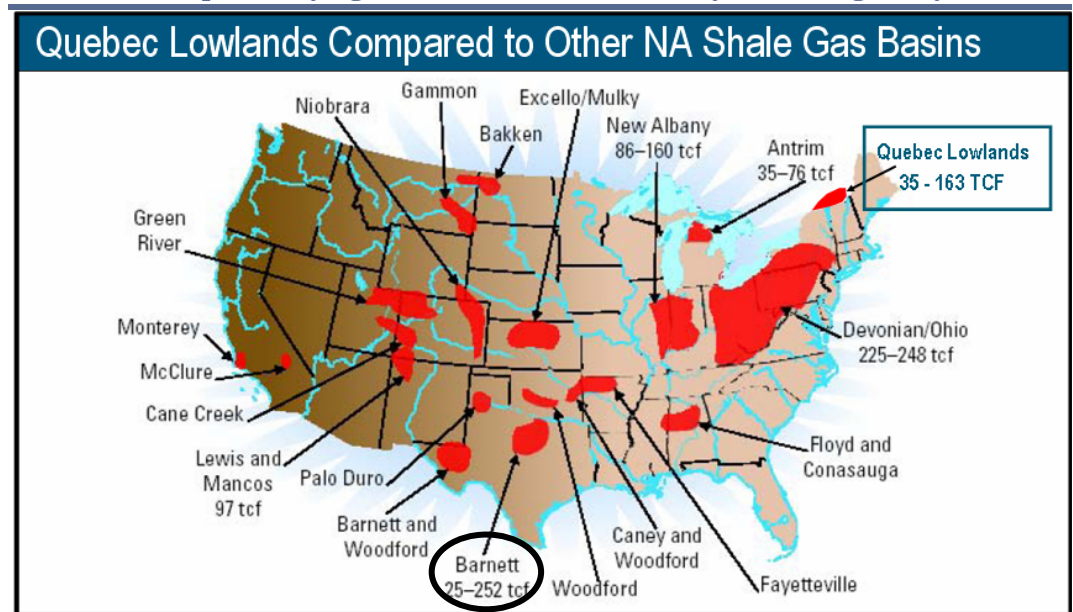
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Investment Highlights

Massive Resource Potential Warrants Attention

The Utica shale gas play in Quebec has the potential to be a massive new natural gas resource for an increasingly energy starved North American market place. The play covers an area of over 5000 square kilometers along the shoreline of the St. Lawrence River in the St. Lawrence Lowlands stretching from Northeast of Montreal up to Trois Riviere. Industry estimates of recoverable resource potential from the Utica in the 5 to 25 Tcf range compare with current proved Canadian natural gas reserves of ~58 Tcf.. While still in the early stages of proving up the play in terms of sustained production capability hence economic viability for field development, we believe that initial indications from recent wells tests and the test rates warrant covering the evolution of the Utica shale play.

Exhibit 1: Map Identifying US Shale Gas Resource Plays Including Proxy Barnett



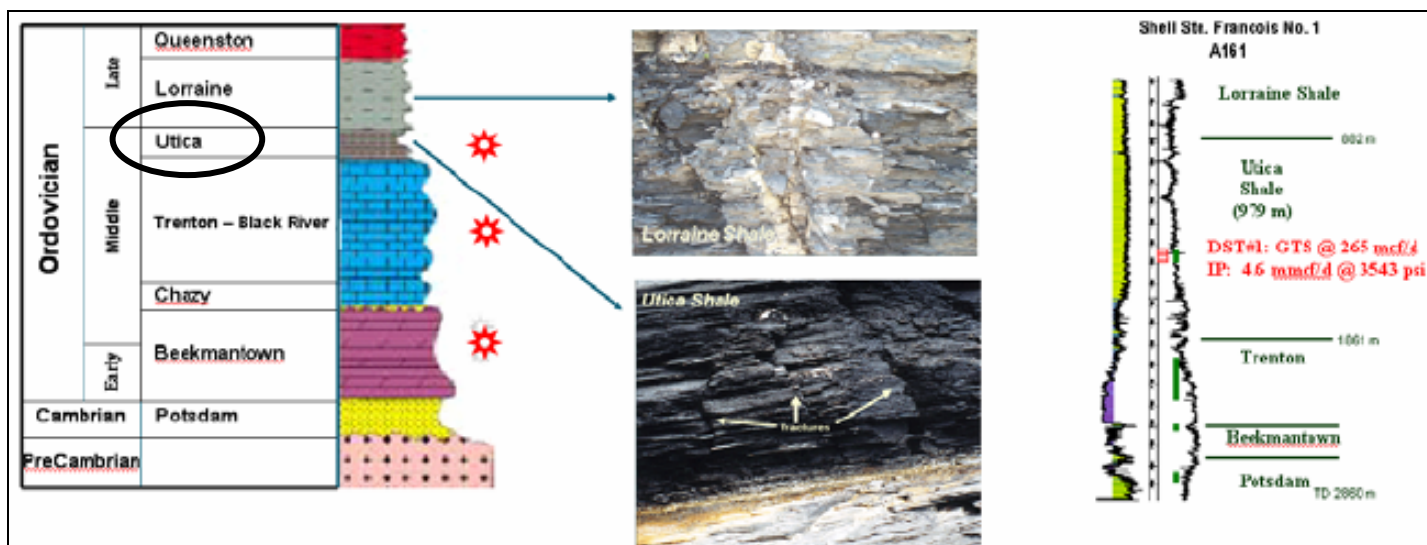
Source: Karlen, G. 2007. Resource Play Potential Utica Shales – Quebec Lowlands, EnCana Corp Poster Session – 2007 CSPG-CSEG Joint Convention, Calgary

Majors Lend Credibility to the Play

The recent announcement by Forest Oil (FST-NYSE) that two vertical wells drilled in 2007 tested at rates of up to 1 mmcf/d, and they believe there is upwards of 4 Tcf of potential recoverable resources on their lands alone, has added significant credibility to the play. Resource estimates of 93 Bcf of original gas in place (OGIP) per square mile are based on similar resource recovery expectations of the Utica with the Barnett shale play in Texas. An estimated recovery rate of 15% would yield gross recoverable reserves of ~2.3 Bcf per well assuming 6 horizontal development wells per section.

Several Near-term Milestones to Substantiate Resource Potential

The Utica shale play is not new, with wells targeting natural gas having been drilled back in the early 1970's. One of the earlier vertical wells drilled into the Utica shale formation tested at initial rates of 4.6 mmcf/d, prompting cause for further exploration.

Exhibit 2: Stratigraphic Cross Section of Ordovician Shales & Well Log Identifying IP Rates of 4.6 mmcf/d


Source: Karlen, G. 2007. Resource Play Potential Utica Shales – Quebec Lowlands, EnCana Corp Poster Session – 2007 CSPG-CSEG Joint Convention, Calgary

The increasing interest by the majors such as Forest and Talisman Energy (TLM-T) who have interests in the area lends significant credibility to the play. Based on results from two vertical wells drilled, cored and tested by Forest, they have elected to proceed with a three well horizontal drilling program (horizontal wells are believed necessary for commercial development) commencing in the summer of 2008. Forest's initial activity will be focused on the Yamaska permit (60% WI) along with junior resource partners: Questerre (QEC-V; 20% WI), Gastem (GMR-V; 15% WI), and Epsilon (EPS-T; 5% WI). These well results will be critical in assessing the economic viability of the project. In the interim, an upcoming announcement on resource estimates on the Yamaska property (by an independent engineering firm commissioned by Gastem), and the potential for future project announcements, are expected to retain market focus.

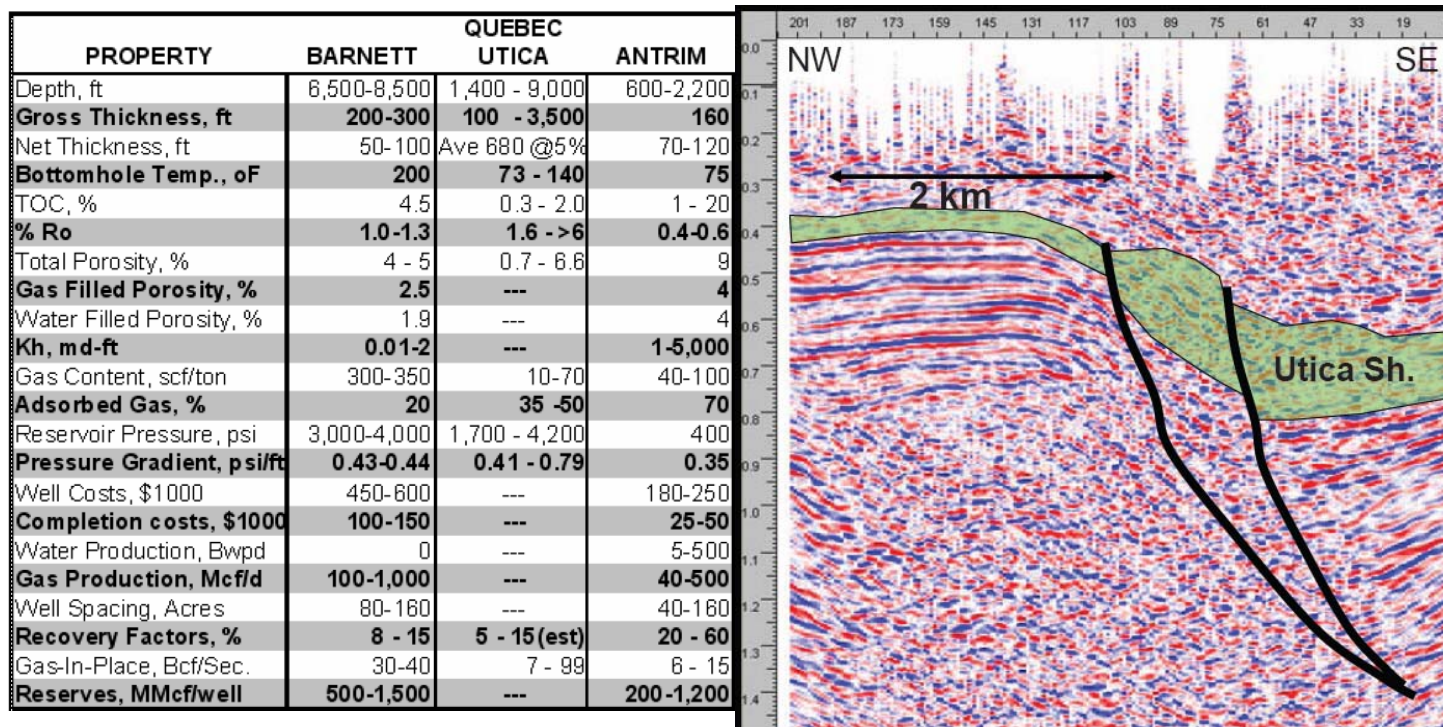
Complex Geology Infuses Risk

The geology of the Utica shale in the St. Lawrence Lowlands area is complex. The rock character (formation thickness and orientation, mineralogy including clay, quartz and dolomite/carbonate content, original total organic content, thermal maturity, pressure gradient, etc.) vary widely across the region, and rock mechanics associated with the Appalachian Thrust Belt will likely also have an impact on results of each well. Industry research has defined more prospective fairways based on ideal combination of parameters, which includes ideal burial depths of approximately 1000 to 2,000 meters, proper thermal maturation, original total organic component of at least 2%, and amenable rock stress regime out in-front of the Thrust Belt. There may very well be two or three play styles in the area, including a primary fracture play within the Thrust Belt area.

Ultimately, it all comes down to sustained flow results which support economic returns based on the all-in cost of the well, no matter what well bore orientation, spacing pattern, completion technique, and production methods are deployed. Exhibit 3 identifies the properties of the Utica shale in contrast to the Barnett shale and Antrim shales, both which are productive. Exhibit 3 also identifies the structural complexity of the area as evident in the seismic cross section running Northwest/Southeast across the

St. Lawrence River in the Becancour area to the North of Lac St. Pierre on the Northern end of the active trend.

Exhibit 3: Technical Data and Seismic Cross Section Highlights Complexity of the Utica Shale



Source: Karlen, G. 2007. Resource Play Potential Utica Shales – Quebec Lowlands, EnCana Corp Poster Session – 2007 CSPG-CSEG Joint Convention, Calgary. Junex Inc. corporate presentation

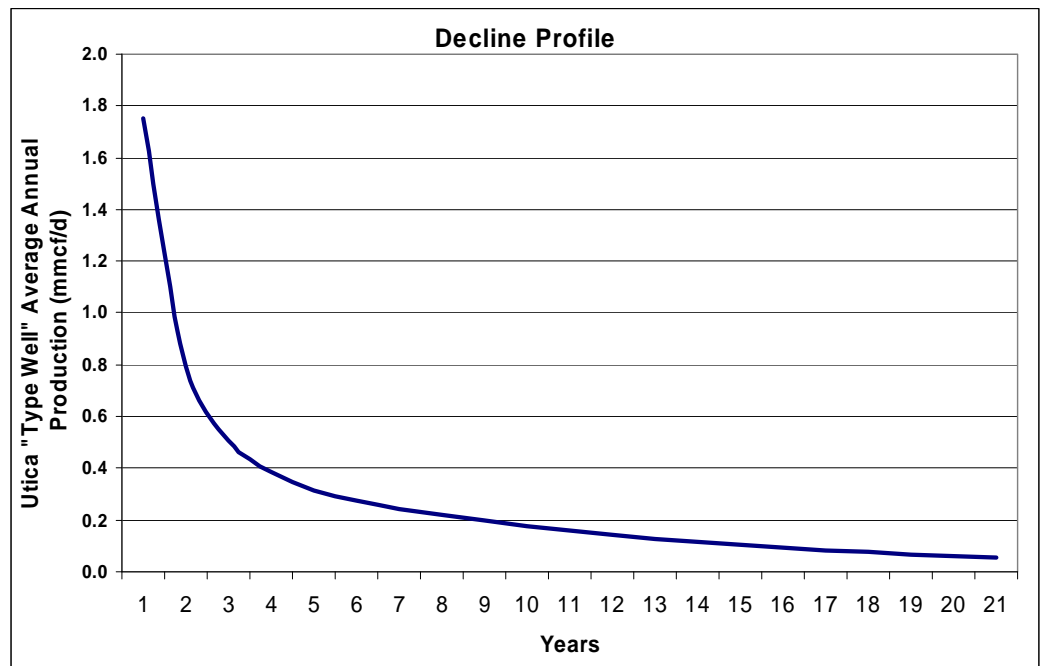
We conclude from our analysis of industry data available on the Utica shales in the St. Lawrence Lowlands and in New York State that the play is prospective in the St. Lawrence Lowlands region for thermogenic and biogenic natural gas reserves. With limited sustained production data available at this point, however, we do not believe we have sufficient data to evaluate the merits of individual project areas within the prospective envelop which covers a large percentage of the lands under lease by the group of companies identified in this report.

Economic Viability of Play

Under the assumption of Barnett shale like production profiles, we model decent economic returns, evident with a calculated IRR of 43% based on field gas prices of \$8/mcf. Initial well drilling and completion costs are expected to drop from \$4mm to \$2.5mm during full field development as drilling services infrastructure are deployed in the area. In our model we assume that all-in costs including tie-in, facilities, infrastructure, and pipeline equate to \$3mm per well. Assuming prices of \$10/mcf, the calculated IRR jumps to 72%, a level which would compete with the Montney shale gas play currently under extensive development in Western Canada. Exhibit 4 on the following page summarizes the expected economic returns of a theoretical well based on the production profile shown assuming a base natural gas realized price of \$8/mcf. We note we have not assumed any leverage in our economics, however, if proven viable the project would likely be easily financeable in view of the expansive development nature of a typical resource play, hence enhancing returns.

Exhibit 4: Economic Assessment of “Type Well” Suggests Strong IRR

Well Parameters:	Type Well Conversion boe @ 6:1	
Well Cost - Drill, Complete & Tie-in (\$mm)	\$3.5	
Initial Production Rate (mmcf/d)	2.5	417
Reserves (Bcf)	2.18	0.363
Reserve Life Index (years) - Life of Project Average	7.7	7.7
Average Success Rate	100%	
Financial Parameters:		
Wellhead Gas Price (CDN \$/mcf)	\$8.00	\$48.00
Royalty Rate (%)	13%	
Operating & Transpo Expense (\$/mcf)	\$1.50	\$9.00
G&A Expense (\$/mcf)	\$0.75	\$4.50
Leverage (\$/mcf)	\$0.00	\$0.00
Interest Rate (%)	6%	
Tax Rate (%)	36%	
PV Discount Rate	10%	
Result:		
F&D Costs (\$/mcf) - Life of Project	\$1.61	\$9.65
Recycle Ratio	3.0x	
Internal Rate of Return (IRR)	42.9%	



Source: Forest Oil Corporation April 2008 Investors Presentation, WWCM

NB: Economic assumptions include maximum production royalty rate of 12.5%

Where the Leverage Lies

The following junior exploration companies have significant acreage positions in what is considered to be the main prospective window for potential commercial Utica shale production. We provide the following exposure summary derived from our more robust reserve model based on prospective sensitivity, covering the company's net interest in the key properties identified in Exhibit 5. As evident, current EV/mcf valuations are in a relatively tight range, with the market currently paying a premium for Junex over Gastem and Questerre. Altai, with a massive acreage position to the Northwest of the highly prospective window has the highest overall leverage to the play, in view of its acreage position and relatively small market capitalization.

Exhibit 5: What if Valuation Sensitivity Using Prospectivity of Core Area Acreage

Company	EV	Property	Acreage (Gross)	% Acreage Prospective	Potential Resource (Bcf)	Current EV/mcf	Implied Value* /Share
Gastem	\$118	Yamaska	113453	75%	489	\$ 0.24	\$ 13.68
		New York	31000	50%	326	\$ 0.36	\$ 9.20
					25%	163	\$ 0.72
Questerre	\$331	Yamaska	113453	75%	2018	\$ 0.16	\$ 17.49
		Yamaska N	719788	50%	1345	\$ 0.25	\$ 11.76
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					25%	401	\$ 0.07

* Implied value based on generic assumption of project NPV of \$1.50/mcf

Source: Forest Oil Corporation April 2008 Investors Presentation, WWCM

Investment Risks

Our fundamental outlook for oil and gas producers and energy services companies remain favorable, however, several industry operating, political and currency risks could impact specific company's ability to achieve our forecasts, including:

- **Commodity price fluctuations** could have a material impact on a company's re-investment capacity, and hence ultimate growth potential. High netback gas reserves and low cost structure, along with a healthy balance sheet helps to mitigate commodity price exposure, coupled periodically with price protection through hedging strategies.
- **Adverse well or reservoir performance** in any one or a number of producing pools could result in abnormally high production decline rates impacting overall corporate volumes. Long life gas reserves, operated under prudent production practices, and more diversity in producing horizons helps mitigate exposure to high decline well/pool exposure.
- **Field operational hazards** such as well blowouts, explosions and fires within pipeline/gathering/facility infrastructure, mechanical equipment failures could lead to sour gas releases, spills, personal injuries and/or damage to the environment. Industry insurance policies, particularly those which include business disruption, help to mitigate financial exposure to such mishaps.
- **Industry capacity constraints** due to high levels of activities can result in shortages of services, products, equipment, or man power in many or all necessary components of the exploration and development drilling cycle. Increased competition leads to escalated land costs, along with other service costs during peak activity levels.
- **Extraordinary hazards** such as unusual swings in weather patterns, changes in regulatory operating or fiscal terms, or actions by certain groups such as industry organizations, local communities, or militant groups could impact the company's ability to re-invest for future growth

Changing Political environments and currency exchange rate fluctuations could have a material impact on a company's ability to operate, retain contractual rights to, and repatriate predictable cash flow from foreign assets. Concentrating on companies operating in more stable political and financial jurisdictions with favorable fiscal terms helps to mitigate some of these risks.

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Gastem Inc.	GMR-V	-
Questerre Energy Corp.	QEC-T	-
Junex Inc.	JNX-V	-
Altai Resources Inc.	ATI-V	-
Forest Oil Corporation	FST-NYSE	-

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