CANADA

OXC CN		Neutral
Price (at 04:00, 16 Jul 2013 GMT)		C$14.25
Valuation - 1.0x RENAV	**C$**	**15.50**
12-month target	**C$**	**15.50**
12-month TSR	**%**	**+8.8**
Volatility Index		**Low**
GICS sector		**Energy**
Market cap	**C$m**	**1,403**
Market cap	**US$m**	**1,350**
30-day avg turnover	**C$m**	**0.1**
Number shares on issue	**m**	**98.46**

Investment fundamentals

Year end 31 Dec		2013E	2014E	2015E	2016E
Revenue	m	0.0	240.8	689.5	985.0
EBITDA	m	-57.6	42.9	194.2	231.8
Recurring profit	m	-65.6	-36.0	-21.8	-70.3
Reported profit	m	-65.8	-36.0	-21.8	-70.3
Gross cashflow	m	-57.0	37.7	169.1	196.3
CFPS	US$	-0.77	0.38	1.71	1.99
CFPS growth	%	nmf	nmf	348.4	16.1
PGCFPS	x	nmf	35.9	8.0	6.9
EPS rec	US$	-0.89	-0.36	-0.22	-0.71
EPS rec growth	%	nmf	58.8	39.4	-221.8
EV/EBITDA	x	-19.2	25.8	5.7	4.8
P/BV	x	1.6	1.6	1.7	1.8

Source: FactSet, Macquarie Research, July 2013
(all figures in USD unless noted)

18 July 2013
Macquarie Capital Markets Canada Ltd.

Oryx Petroleum

Return of the ‘A’ Team

Addax team hits ‘Restart’ with new venture

Oryx Petroleum is led by members of the former management team from Addax Petroleum, a highly successful mid-cap E&P company that was sold to Sinopec in 2009 for an equity value of ~C$7.2bn. Oryx has accumulated seven oil and gas concessions since the company was created in 2010 (in many of the same countries in which Addax operated), and recently went public in a C$251m IPO.

Kurdistan in focus

In the medium-term, we see Oryx as a Kurdistan story. The company announced a successful discovery at Demir Dagh in 1Q13, which it intends to develop into a >100,000 bbl/d project over the next four years. All of Oryx’s currently-booked 2P+2C resources are situated in Kurdistan, as are its most impactful near-term exploration prospects. The company is currently drilling two high-impact exploration wells in Kurdistan, with a third expected to be completed by year-end.

Portfolio approach with ‘home run’ potential

Oryx’s management team has identified nearly 1.3bnbbl in gross unrisked resource potential on its land base. In addition to its Kurdistan drilling, the company is expected to participate in up to seven exploration and appraisal wells in the next twelve months. Each of these wells will expose investors to material resource potential, which we value at C$77.50/sh unrisked. We fully expect Oryx will be a substantial E&P company in five years’ time.

Initiating coverage with C$15.50 target, Neutral rating

Relative to its International E&P peers, Oryx offers impressive long-term production and reserve growth potential. However, we believe much of this growth is priced-in at the current valuation. We suspect that given management’s track record of success, this stock will always attract a premium valuation. But in the current marketplace, where some stocks trade close to Proven reserve value, we see better risk-adjusted returns elsewhere in our coverage universe.

We would become more constructive on Oryx with further successful exploration drilling (which would help backfill a rich valuation), or upon improving clarity on revenue-sharing in Kurdistan. We are initiating coverage of Oryx with a Neutral rating.

Inside

Oryx Petroleum Corporation

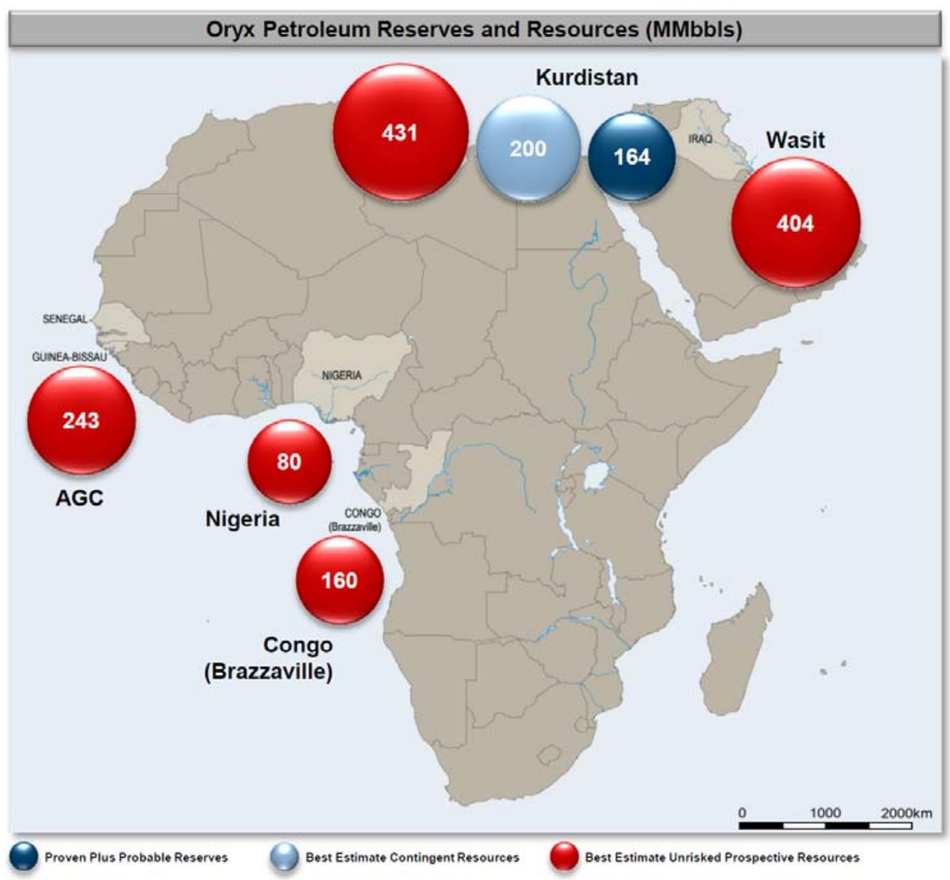
Company profile

- Oryx Petroleum Corporation Ltd. (Oryx) is a Geneva-based E&P company with assets in Kurdistan/Iraq, Congo, Nigeria and Senegal. In May 2013, the company raised C$250.5m through an initial public offering, and now trades on the Toronto Stock Exchange under the ticker symbol "OXC". Oryx has a current market capitalization of C$1.4bn, and is majority-owned (~77% on a fully-diluted basis) by its parent company, The Addax & Oryx Group (AOG).

Strategy

- Like its predecessor company, Addax Petroleum, Oryx has pursued a strategy of targeting material oil resource in countries with low geological risk. The company's founders are able to draw upon a very strong network in Africa and the Middle East, gained through extensive operational history, to identify early-stage opportunities in areas of interest. Whenever possible, management also prefers to secure high working interest and operatorship of assets.

Fig 1 Map of Oryx's Assets & Associated Resource Potential



Source: Company reports, July 2013

Return of the ‘A’ Team

All of Oryx’s 2P+2C resource is located in Kurdistan

We are initiating coverage of Oryx Petroleum with a 12-month target price of C$15.50/sh, which equates to our estimate of a Risked Exploration NAV on current strip oil pricing. Oryx does not currently have any producing reserves, although an independent resource assessment of the company’s asset base, effective 31 March 2013, forms the basis of our valuation. All of the company’s booked 2P reserves and 2C contingent resource are situated in the semi-autonomous Kurdistan region of Iraq, although management has identified 1.3bnbbl of prospective resource (net to the company) across seven licenses in four countries in the Middle East and West Africa.

Oryx has rapidly assembled an impressive asset base, and we fully expect management will draw on its considerable network to expand further over time. The company also offers a solid portfolio of organic growth opportunities, with a relatively clear line of sight to >50,000bbl/d from the Demir Dagh discovery alone. However, we believe much of this growth is priced-in at the current valuation. We suspect that, given management’s track record of success, this stock will always attract a premium valuation. But in the current marketplace, where some stocks trade close to Proven reserve value, we see better investment opportunities elsewhere in our coverage universe. As a result, we are initiating coverage of Oryx with a Neutral rating.

Investment highlights

We fully expect Oryx will be a substantial E&P company in five years’ time

- **Management team has clear track record of success.** In our view, the key selling feature of this stock is the management team. Addax is widely regarded as one of the big E&P ‘wins’ of the past decade, and the team has a clear track record of value creation. This is certainly reflected in the stock’s valuation, which is at a premium to comparable E&Ps in our coverage.
- **Big resource potential, low geological risk.** One could certainly not accuse Oryx’s management team of lacking ambition. The company is actively engaged in a number of projects that could push net production into the 50,000–100,000bbl/d range over the next five years. If things go as planned, this could be a substantial E&P company in five years’ time.
- **Full war chest, active drilling program.** Having recently raised C$237m (net) through its IPO, Oryx is well-capitalized to execute an active drilling program into mid-2014. The company may participate in up to 11 exploration wells and three appraisal wells by that time. We value the unrisked resource potential of this drilling program at ~C$77.31/sh.

Investment risks

- **Exploration and development risk.** As a pre-production E&P company, Oryx’s drilling program will subject shareholders to ongoing exploration risk over the next few years. The company’s resource base is also entirely undeveloped, with appreciable risk that any of this resource may not result in a commercial development.
- **Rich valuation.** We believe that Oryx trades at a substantial premium to other E&P stocks with similar assets. At a time when many stocks trade at a discount to 2P reserve value, we believe Oryx is basically trading at a fair risked value for its entire exploration and development portfolio. We see significant downside risk in the stock should operations not go as planned.
- **Expiry of lockup.** Although the stock remains tightly held post-IPO, we see some risk of selling pressure when the 180-day IPO lockup expires in November. Oryx has also indicated it is evaluating a share exchange whereby AOG shareholders would be able to exchange their shares for Oryx stock. With AOG’s cost base equivalent to ~C$9.30/sh, we see potential for additional selling pressure should this share exchange occur.

Maintaining operational focus on Middle East and West Africa

Oryx currently holds seven oil and gas concessions in four different countries. In keeping with management's historical operational strengths, the company's assets are located entirely in West Africa and the Middle East, both onshore and offshore. Oryx operates or is the designated "technical partner" on four of the seven blocks; its remaining blocks are operated by Perenco, CNOOC and Total.

Fig 2 Summary of Oryx's Assets

Country	License	Area (km²)	Water Depth (metres)	Oryx WI	Partners
Kurdistan	Hawler	1,643	Onshore	65% (Operator)	KNOC (15%); KRG (20%)
	Sindi Amedi	1,574	Onshore	33.75%	Perenco (41.25%, Operator) KRG (25%)
Iraq	Wasit	3,500	Onshore	40% (Operator)	Private co's - 60% WI
Nigeria	OML 141	1,295	0-30	38.67% (Technical Partner)	Emerald (33%) AMNI (27%) BOGI (1.33%)
Senegal	AGC Shallow	1,700	0-100	80% (Operator)	AGC (15%)
Congo (Brazzaville)	Haute Mer A	488	350-1,200	20%	CNOOC (45%, Operator) CPC Corp (20%) SNPC (15%)
	Haute Mer B	402	150-1,075	30%	Total (34.62%, Operator) Chevron (20.38%) SNPC (15%)

Source: Company reports, Macquarie Research, July 2013

Generally speaking, Oryx has stuck with an E&P template that obviously worked quite well at Addax. The company's assets are mainly located in jurisdictions with proven large-scale hydrocarbon production, and low geological risk. We have summarized what we view as the key operational issues that investors will likely be focusing on over the near- to medium-term.

Key opportunities

- **Large scale anchor development at Demir Dagh.** One could argue that in its later days, Addax was more development-oriented (ie, lower-risk growth), whereas Oryx has a clear exploration bent at this point. However, the Demir Dagh discovery gives investors a relatively clear line of sight to a ~50,000bbl/d company within the next five years.
- **Improving clarity on Kurdistan exports.** Kurdistan is currently building a ~300,000bbl/d pipeline from Khurmala to the Turkish border at Fishkabir; industry expectations are that this pipeline will be operational by year-end 2013. We believe the long-running revenue-sharing feud between Iraq and Kurdistan will come to a head in the next 12 months. In our view, a clear sales mechanism for Kurdistan oil producers would likely result in a valuation uplift for all E&Ps with exposure to the region.

Key challenges

- **Marketability of heavy oil in Kurdistan.** Booked reserves at Demir Dagh are classified as Cretaceous heavy crude (20–22° API). This oil is said to flow easily, and is expected to be blended with lighter crude from deeper Jurassic zones (>30° API) for transport. However, should this blending solution not keep pace with growth, it remains to be seen how competitive Oryx's crude will be with other Kurdistan grades.
- **Substantial capex plans.** The conceptual development and marketing plans for Oryx's prospective resource base include total net capex of more than US$16bn (unrisked). Obviously these projects are unlikely to proceed entirely as planned, but the Demir Dagh development alone is expect to cost nearly US$3.8bn (unrisked) net to Oryx. The company will almost certainly require external sources of capital to participate in these projects.

Management bios

Oryx's management team is well known for engineering the sale of Addax to Sinopec for C$7.2bn

Oryx Petroleum was created in September 2010, as the upstream exploration and production arm of The Addax & Oryx Group (AOG), a private investment house based in Geneva, Switzerland. It is run by senior members of the former management team of Addax Petroleum (Addax), a public E&P company that was sold to Sinopec in 2009 for an equity value of C$7.2bn. Oryx has also retained several members of the Board of Directors from Addax; six of the company's eight directors are classified as independent.

Chairman – Jean Claude Gandur. Mr. Gandur is the Chairman and co-founder of AOG, and was previously the Chief Executive Officer of Addax Petroleum from 1994 to 2009. He has a long and diverse track record in the oil and gas business, spanning the entire value chain, and with a particular geographical focus on Africa and the Middle East.

Chief Executive Officer – Michael Ebsary. Mr. Ebsary previously served as the Chief Financial Officer of Addax Petroleum from 1999 to 2009. Prior to joining Addax, Mr. Ebsary held senior financial positions with Elf Petroleum in Paris, managing numerous project financings in Africa.

Chief Operating Officer – Henry Legarre. Mr. Legarre joined Addax Petroleum in 2005, managing the firm's Kurdistan operations until the company's sale in 2009. He was previously employed for 20 years with Chevron, and is a geological engineer by trade.

Chief Financial Officer – Craig Kelly. Mr. Kelly has been Oryx's Chief Financial Officer since the company was founded in September 2010. He served as the Head of Corporate Finance for Addax Petroleum from 2005–09, and is also a Chartered Accountant.

Fig 3 Officers and Directors of Oryx Petroleum

Officers of Oryx Petroleum Corporation Ltd.		
Name	**Role in Oryx Petroleum**	**Recent Experience**
Michael Ebsary	Chief Executive Officer	Chief Financial Officer of Addax Petroleum
Henry Lagarre	Chief Operating Officer	Managing Director, Middle East Business Unit for Addax Petroleum
Craig Kelly	Chief Financial Officer	Head of Corporate Finance for Addax Petroleum
Paul Shillington	Corporate Secretary	Independent legal consultant
Directors of Oryx Petroleum Corporation Ltd.		
Name		**Principal Occupation**
Jean Claude Gandur	Chairman	Chairman, Addax & Oryx Group
Michael Ebsary	Director	Chief Executive Officer, Oryx Petroleum
Richard Alexander	Director	Former President of AltaGas Ltd.
David Codd	Director	Former Chief Legal Officer of Addax Petroleum
Gerald Macey	Director	Former President of International New Ventures Exploration for Encana
Peter Newman	Director	Former partner at Deloitte LLP
Michel Contie	Director	Consultant
Evan Hazell	Director	Former Managing Director at HSBC and RBC Capital Markets

Source: Company reports, Macquarie Research, July 2013

Valuation & RENAV

Kurdistan accounts for 100% of Oryx's 2P + 2C resources, and 33% of its prospective resources

Oryx does not currently have any production, although 2P reserves have been booked for the Hawler license in Iraq's autonomous region of Kurdistan. The Hawler license, and more specifically the Demir Dagh discovery, accounts for all of Oryx's current 2P reserves and 2C contingent resources. Kurdistan as a whole, including exploration prospects identified on the Hawler and Sindi Amedi licenses, accounts for approximately one-third of Oryx's prospective resource. We have summarized Oryx's reserves and resource base in Fig 4 below; all resource figures have been prepared by Oryx's independent reserve evaluator, effective 31 March 2013, and are presented on an unrisked basis.

Outside of Kurdistan, we note high contributions of prospective resource from the Wasit license in Iraq and the AGC Shallow license in Senegal. We would characterize both of these assets as being exploratory-stage at this point, meaning resource estimates should be risked accordingly (which is to say, quite heavily). Resource estimates for Nigeria were prepared prior to Oryx's participation in the unsuccessful Disa-1 exploration well, which reached total depth subsequent to 1Q13. Oryx estimates remaining unrisked prospective resource at OML 141 is closer to 80mmbbl (gross working interest). Oryx's Congo (Brazzaville) assets account for just 6% of the company's prospective resource base; unless drilling results are materially better than expectations, we do not see these as being a major value driver in the near- to medium-term.

Fig 4 Summary of Oryx Reserves and Resource Estimates

Country	Block	Heavy Oil Reserves (Proven, mbbl)			Heavy Oil Reserves (2P, mbbl)		
		Gross (100% WI)	Gross Company	Net	Gross (100% WI)	Gross Company	Net
Kurdistan	Hawler	91,329	59,364	23,395	252,165	163,907	50,766

Country	Block	Unrisked Contingent Oil Resource (Best Estimate, mbbl)			Unrisked Prospective Oil Resource (Best Estimate, mbbl)		
		Gross (100% WI)	Gross Company	Net	Gross (100% WI)	Gross Company	Net
Kurdistan	Hawler	307,188	199,673	63,383	494,145	321,194	88,156
Kurdistan	Sindi Amedi				324,209	109,420	37,415
Iraq	Wasit				1,009,837	403,935	165,311
Nigeria	OML 141				383,870	148,443	121,350
AGC	AGC Shallow				303,474	242,780	182,145
Congo (Brazzaville)	Haute Mer A				179,576	35,915	20,851
Congo (Brazzaville)	Haute Mer B				120,975	36,292	21,750
Total Resource		307,188	199,673	63,383	2,816,086	1,297,979	636,978

Fig 5 Hawler 2P+2C Resource (mmbbl)

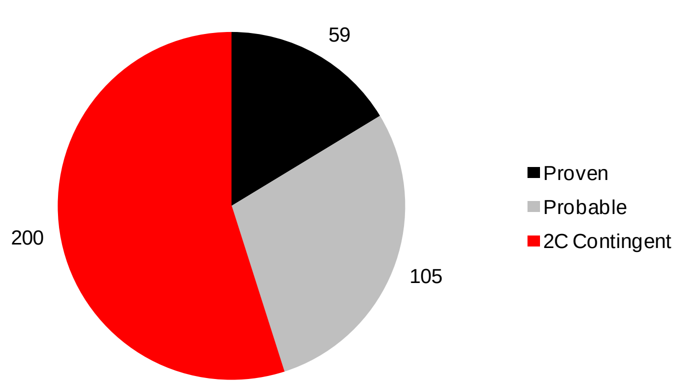
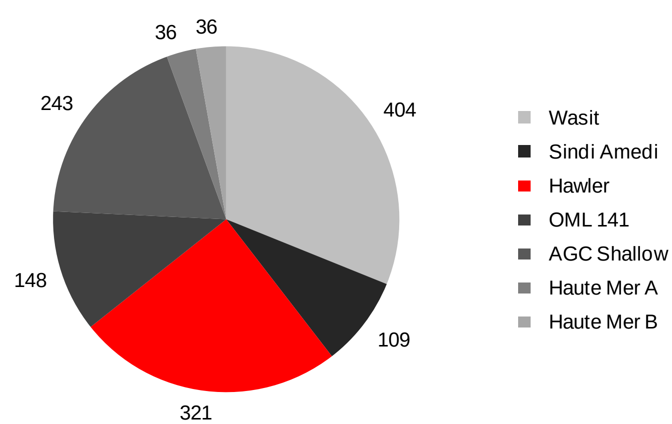


Fig 6 Prospective Resource Estimates by Block (mmbbl)



Source: Company reports, Macquarie Research, July 2013

Stock currently pricing-in significant value for risked exploration

We value booked Demir Dagh 2P+2C resource at ~C$11.00/sh

We have summarized our RENAV valuation for Oryx in Fig 7 below. We estimate Oryx's core NAV at C$5.65/sh; our core NAV is risked, given the early stage of development at Demir Dagh. On an unrisked basis, we estimate Oryx's booked 2P reserves are worth ~C$7.03/sh, with potential to grow further upon the inclusion of Demir Dagh contingent resource (worth another ~C$7.50/sh unrisked) at some point in the future.

In terms of near-term exploration (ie, prior to year-end 2013), we see the most impactful drilling events as Ain Al Safra (worth ~C$4.82/sh unrisked) and Banan (~C$4.18/sh unrisked).
We believe Oryx's exploration drilling offshore Congo is less impactful under the current fiscal terms, although we see potential for this to change should the company be successful in discovering a material heavy oil resource.

Our RENAV includes US$300m (~C$3.00/sh) in value for early-stage exploration projects in Iraq and Senegal

We would characterize Iraq and the AGC as longer-term projects for Oryx, and caution against ascribing too much value to these assets at this time. However, both of these blocks offer significant bluesky resource potential, and could certainly develop into material value drivers for Oryx over time. We currently value the Wasit block at C$2.18/sh on a risked basis (C$23.54/sh unrisked), and the AGC Shallow block at C$1.03/sh (C$15.52/sh unrisked). We estimate a sum of the parts RENAV for Oryx at C$15.67/sh; a full summary of our RENAV assumptions is presented in Fig 8, on the following page.

Fig 7 Oryx Petroleum – RENAV (C$, 10% discount)

		Strip Pricing			Flat Pricing		
	MMBOE	Unit Value ($/BOE)	PV AT $mm	C$/Sh	Unit Value ($/BOE)	PV AT $mm	C$/Sh
Reserves							
Demir Dagh - Proven	53.4	$4.11	219.7	$2.25	$4.89	261.1	$2.66
Demir Dagh - Probable	78.4	$4.06	318.4	$3.26	$4.84	379.1	$3.86
2P Reserve Value (10% AT)	**131.8**	**$4.08**	**538.1**	**$5.51**	**$4.86**	**640.3**	**$6.55**
Net Cash (Debt) ($mm)			380.1	$3.89		380.1	$3.89
1-Year Forward Capex Deficit ($m)			(359.1)	($3.67)		(359.1)	($3.67)
Core Net Asset Value (AT)			**559.1**	**$5.72**		**661.3**	**$6.77**
Price/Core NAV				*249%*			*211%*
Risked Exploration & Development							
Demir Dagh - Cretaceous	78.6	$3.33	261.4	$2.68	$4.03	316.8	$3.22
Demir Dagh - Jurassic	21.2	$2.97	63.1	$0.65	$3.68	78.0	$0.79
Hawler - Ain Al Safra	36.6	$2.87	104.8	$1.07	$3.51	128.2	$1.30
Hawler - Zey Gawra	3.7	$0.79	3.0	$0.03	$1.43	5.3	$0.05
Hawler - Banan	31.9	$2.79	88.8	$0.91	$3.43	109.1	$1.11
Sindi Amedi - Yakmalah	3.4	$2.89	9.9	$0.10	$4.23	14.6	$0.15
Sindi Amedi - Gara	5.9	$4.31	25.3	$0.26	$5.65	33.2	$0.34
Wasit	40.4	$5.27	212.8	$2.18	$6.36	257.1	$2.62
OML 141	8.0	$3.32	26.7	$0.27	$4.27	34.3	$0.35
AGC Shallow	24.3	$4.16	100.9	$1.03	$5.44	132.0	$1.34
Haute Mer A - Xiang	3.4	$1.53	5.3	$0.05	$4.82	16.6	$0.17
Haute Mer A - Ma	2.8	$1.00	2.8	$0.03	$4.28	12.0	$0.12
Haute Mer B - Kaki	7.3	$9.24	67.1	$0.69	$11.38	82.6	$0.84
Option Proceeds ($mm)			-	$0.00		-	$0.00
RENAV			**1,530.9**	**$15.67**		**1,881.1**	**$19.18**
Price/RENAV				*91%*			*74%*

Basic Shares: 98.5 mm Current Price: C$ 14.25

Notes

Reserves evaluated by NSAI as at March 31, 2013 and are presented gross of royalties.

Strip Pricing as at Jul 16/13. Strip pricing to 2016, escalated at 2% thereafter. Costs escalated from 2016. Flat price is US$112/b and US$5.00/mmbtu with flat costs.

Source: Company reports, Macquarie Research, July 2013

Fig 8 Summary of Expected Monetary Value

Country	Project/Prospect	Gross Res. Potential (mmboe)	Working Interest (%)	Costs Paid (%)	C.o.S. (%)1	Est. Prod start-up Date (Year)	Discounted Value/Boe (US$/Boe)2	Net Risked (mmboe)	EMV (US$ mm)3	EMV (C$ mm)3	C$/sh (FD)	Unrisked Value (C$/sh)4
Booked 2P Reserves												
Kurdistan	Demir Dagh - Proven	91.3	65%	65%	90%	2014	$4.08	53	218	219	2.22	2.47
Kurdistan	Demir Dagh - Probable	160.8	65%	65%	75%	2014	$4.08	78	316	317	3.22	4.30
								132	**534**	**535**	**5.44**	**6.77**
Developing Reserves												
Kurdistan	Demir Dagh - Cretaceous	241.9	65%	65%	50%	2015	$3.71	79	259	260	2.64	5.61
Kurdistan	Demir Dagh - Jurassic	65.3	65%	65%	50%	2015	$3.71	21	63	63	0.64	1.44
								99.8	**322**	**323**	**3.28**	**7.05**
Exploration Upside												
Kurdistan	Hawler - Ain Al Safra	225.0	65%	65%	25%	2016	$3.38	37	104	104	1.06	4.82
Kurdistan	Hawler - Zey Gawra	23.0	65%	65%	25%	2016	$3.38	4	3	3	0.03	0.41
Kurdistan	Hawler - Banan	196.0	65%	65%	25%	2016	$3.38	32	88	88	0.90	4.18
Kurdistan	Sindi Amedi - Yakmalah	51.0	34%	45%	20%	2015	$7.03	3	10	10	0.10	1.08
Kurdistan	Sindi Amedi - Gara	174.0	34%	45%	10%	2015	$7.03	6	25	25	0.26	4.04
Iraq	Wasit	1010.1	40%	50%	10%	2015	$5.78	40	211	212	2.15	23.54
Nigeria	OML 141	208.0	39%	39%	10%	2015	$5.37	8	26	26	0.26	4.22
AGC	AGC Shallow	303.5	80%	85%	10%	2018	$6.52	24	101	101	1.03	15.52
Congo (Brazzaville)	Haute Mer A - Xiang	86.0	20%	20%	20%	2017	$3.76	3	5	5	0.05	0.58
Congo (Brazzaville)	Haute Mer A - Ma	70.0	20%	20%	20%	2017	$3.76	3	3	3	0.03	0.45
Congo (Brazzaville)	Haute Mer B - Kaki	121.0	30%	30%	20%	2016	$10.89	7	67	67	0.68	3.90
								168	**642**	**643**	**6.53**	**62.75**
Total Risked Exploration Value		**3,027**						**399**	**1,498**	**1,501**	**15.25**	**76.57**

Notes
1. C.o.S. - Chance of Success - Includes all risk factors such as geological, political etc
2. Value/Boe - Includes proximity to established infrastructure, development capex required & oil quality
3. EMV - Expected Monetary Value - a risk weighted value. EMV= (Reward*C.o.S.) - [Capital at Risk*(1-C.o.S.)]
4. Unrisked Value - Refers to the value that could be potentially realised if success was achieved on prospect.

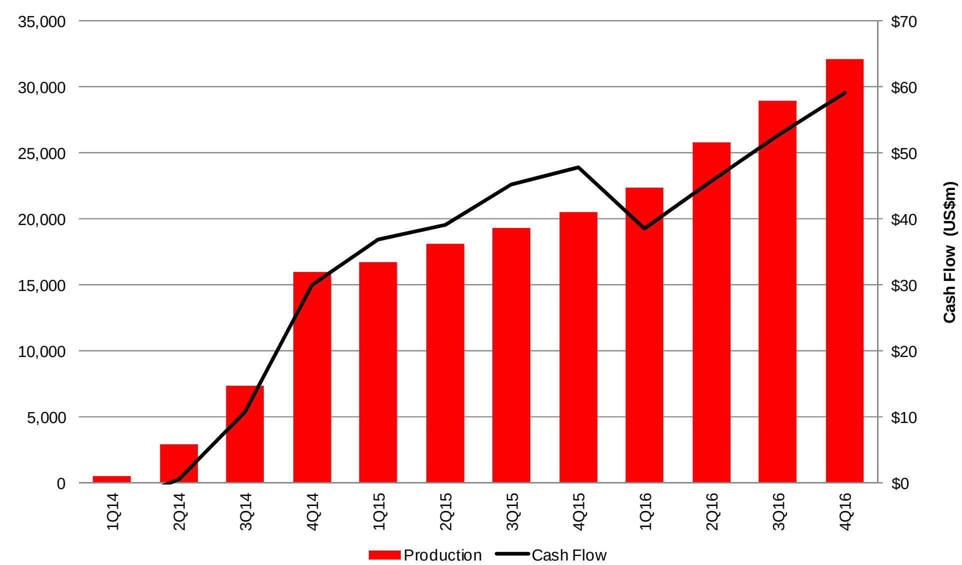
Fully Diluted Shares O/S (mm)	**98.5**
CDN/USD	**1.00**

Source: Company reports, Macquarie Research, July 2013

Production expected to rapidly increase in 2H14

Oryx has recently guided to first production from Demir Dagh in 2Q14, at initial rates of 7,000–9,000bbl/d (gross; OXC 65% WI). With tendering for an early production facility in progress, production is expected to rapidly increase to 25,000bbl/d by 4Q14. At that point, we are forecasting OXC to generate quarterly cash flow in excess of US$30m.

Fig 9 Quarterly production and cash flow estimates through 4Q16



Source: Company reports, Macquarie Research, July 2013

Peer group analysis

We believe Oryx trades at a valuation reflective of a fully-producing Kurdistan E&P

Given its near-term operational focus on Kurdistan, we believe Kurdistan E&Ps are the most valid direct comps for Oryx. We compare the company's reserve and resource metrics against Kurdistan-focused E&Ps in Fig 10 and Fig 11. As illustrated, even on an unrisked basis Oryx looks expensive relative to other non-producing Kurdistan explorers, all of which have conducted more exploration and appraisal activities in the region. The stock actually trades in line with producing Kurdistan E&Ps such as Genel Energy (GENL LN) and DNO (DNO OS).

Compared to a broader group of Canadian and UK-listed International E&Ps, Oryx trades at the highest multiple of Core NAV in our coverage universe. As we have mentioned, the company's Core NAV is entirely undeveloped. In Fig 13, we show that the median Canadian-listed producer's Core NAV is supported ~50% by developed reserves. We believe development risk should not be overlooked when evaluating Oryx's assets, as the company's valuation is not well-supported by developing reserves.

Fig 10 EV/2P + 2C (Unrisked)

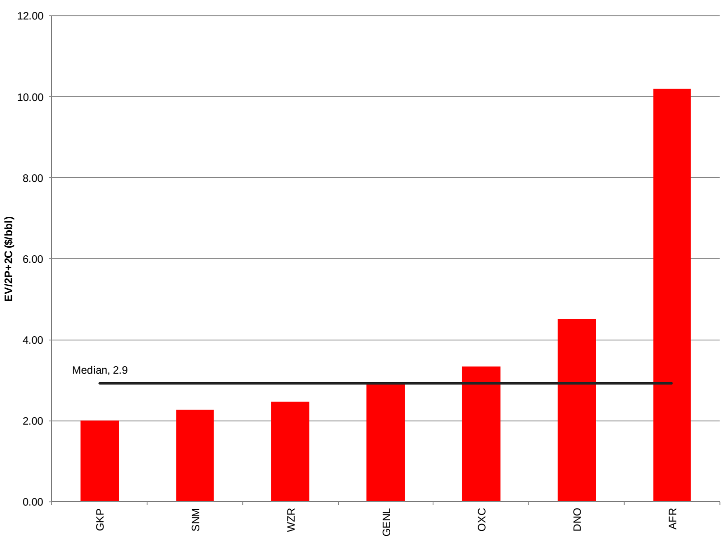


Fig 11 EV/Prospective resource (Unrisked)

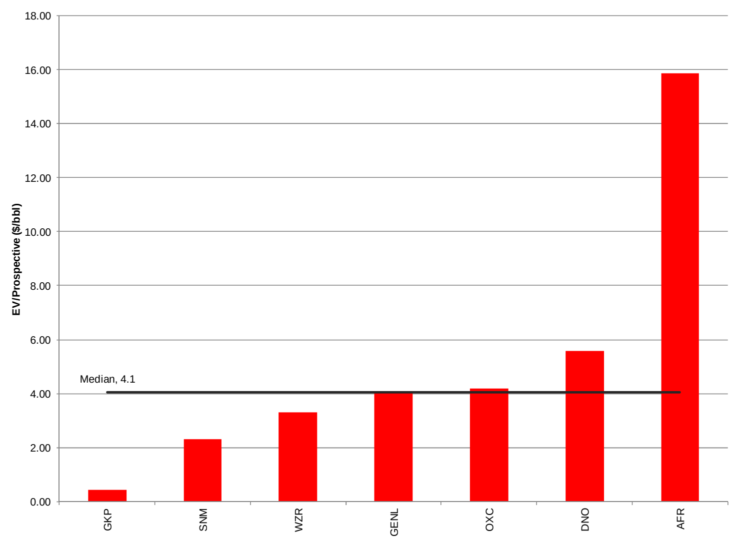


Fig 12 P/Core NAV (Canadian and UK-Listed E&Ps)

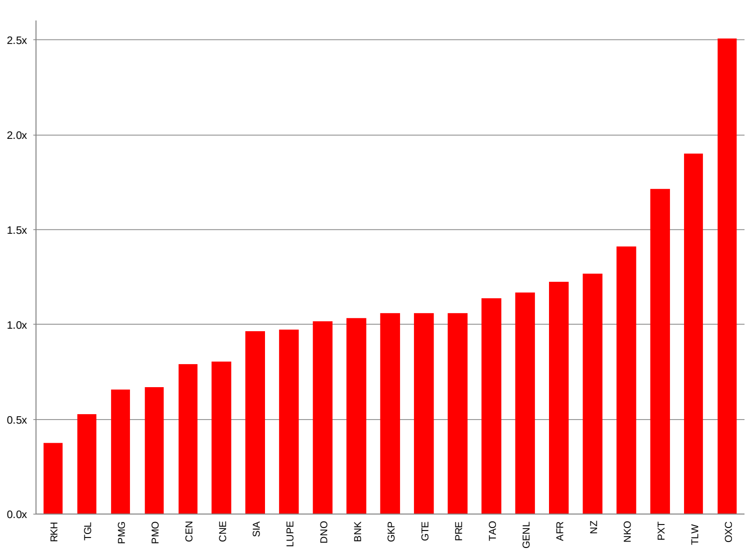
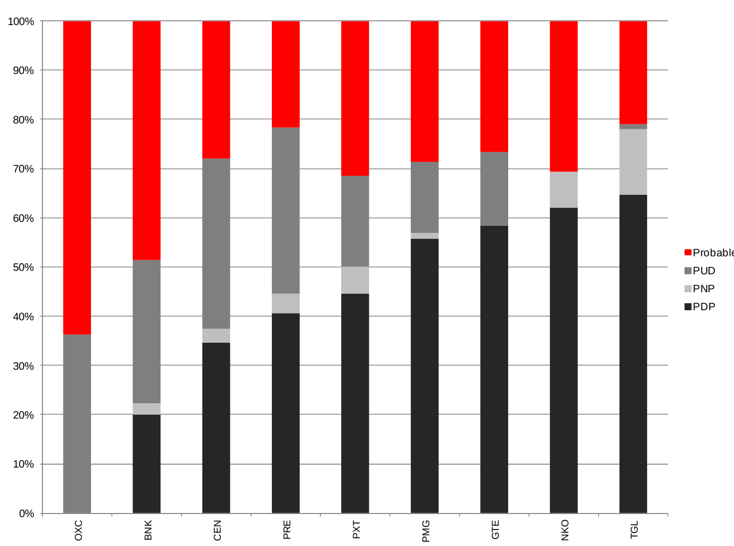


Fig 13 2P Reserves composition (Canadian-listed E&Ps)



Source: Company reports, Macquarie Research, July 2013

Iraq

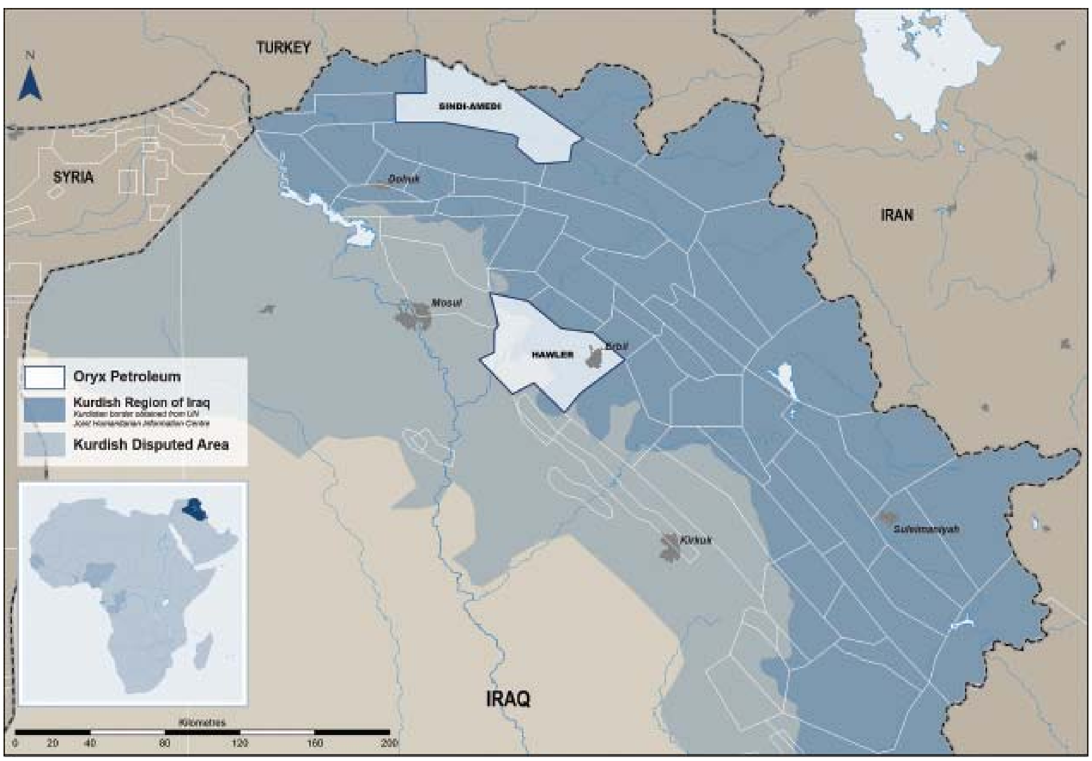
Big opportunity in Kurdistan's heavy oil belt

Oryx's near-term operational focus lies in Kurdistan, a region in which the company's management team has a well-documented track record of success. Addax Petroleum was one of the first entrants into this autonomous region of Iraq when the hydrocarbon sector opened up in 2004, and the company's geologists were responsible for the Taq Taq oil discovery in 2007. At the time of the Addax's sale in 2009, Taq Taq was the second-largest producing oil field in Kurdistan; Taq Taq oil production had risen to ~75,000bbl/d as of 1Q13.

Oryx believes Demir Dagh could become a 220,000bbl/d project over the next four years

Oryx holds interests in two licenses in Kurdistan, both of which are located in the northwest corner of the country (see Fig 14). Practically speaking, this part of Kurdistan accounts for all of the autonomous region's current production. The area is also home to a number of large, undeveloped discoveries, including Shaikan (operated by Gulf Keystone), and Barda Rash (Afren). Oryx participated in the Demir Dagh-2 exploration well in 2H12, successfully flow-testing aggregate rates of more than 10,000bbl/d from four zones. Demir Dagh will be fast-tracked for development, with Oryx targeting first commercial production in 2014, and peak production of 219,000bbl/d from booked 2P+2C resources in 2017.

Fig 14 Map of northwest Kurdistan showing Oryx's blocks



Source: Company reports, July 2013

Hawler Permit

Oryx Petroleum was awarded the Hawler permit in November 2007. The company is currently partnered with the Kurdistan Regional Government (20% carried interest) and the Korean National Oil Company (15% working interest). At the time it was awarded to Oryx, the Hawler license had been penetrated by two previously drilled wells, including one at Demir Dagh. The license is also covered with 2D seismic, most recently collected in 2008.

The Demir Dagh-2 well flowed at aggregate rates of >10,000bbl/d from a total of four zones

Early success at Demir Dagh. Oryx drilled the Demir Dagh-2 exploration well in 2H12, and conducted production testing in 1Q13. Six drill stem tests were conducted across a gross hydrocarbon-bearing interval of 1,540m. Net pay in the primary Cretaceous targets was estimated at 263m, while net pay in the secondary Jurassic targets was 153m. Two prospective zones in the Jurassic flowed at restricted rates of 2,780bbl/d and 2,210bbl/d over short-term tests. One drill stem test over the entire Cretaceous interval resulted in an average flow rate of 6,700bbl/d over an 18-hour period. The two Jurassic tests produced light oil (37 to 42 degree API), while the Cretaceous interval flowed heavy oil (20 to 22 degree API oil).

Fast-track development plan. Oryx has initiated plans for a fast-track development at Demir Dagh, with tendering already underway for a 30,000bbl/d production facility. The present development plan contemplates 38 producing wells for the Cretaceous play, with production facilities ultimately capable of handling 90,000–100,000bbl/d of heavy oil, at a total estimated cost of US$1.1bn (gross). For the deeper Jurassic, Oryx's independent reserve evaluator assumes a total of 67 producing wells, at a total project cost of US$2.7bn.

Near-term appraisal drilling. In keeping with its fast-track development plans, Oryx plans to drill the Demir Dagh 3 and 4 appraisal wells in 2H13 and into 1H14. One of the wells is expected to target the shallower cretaceous only, while the other is expected to drill through the Jurassic as well. Demir Dagh 2 and 3 are expected to be put on long-term production tests commencing in 1Q14, with Oryx targeting 7,000–9,000bbl/d of gross production.

Ongoing high-impact exploration. Oryx is also engaged in exploration drilling continuously throughout 2H13, with two wells currently drilling and a third planned for 3Q13. Ain Al Safra, which is currently drilling, is thought to be the highest-impact location in the program (at least in terms of Prospective resource); AAS is estimated by Oryx management to hold gross Prospective resource of 225mmbbl. However, the Banan location (which is directly on trend with Demir Dagh) appears promising as well. Prior to an extension of the Hawler license boundary, management estimated Banan's gross unrisked Prospective resource at 196mmbbl. With the new license boundaries, and potential for a connection with Demir Dagh, Banan could turn out to be much larger than originally anticipated.

Sindi Amedi Permit

Oryx's second permit in Kurdistan is Sindi Amedi, which is located on the autonomous region's northern border with Turkey. The company is partnered with the private French E&P Perenco (55% WI, Operator), while Oryx retains a 45% WI. The KRG has retained a right to back-in to a 25% participating interest in the block, and has also reserved the right to assign a further 18.75% to a third party. Assuming all back-in rights are exercised, Oryx would hold a 25.31% WI in any commercial discovery.

Frontier exploration in Kurdistan's disturbed belt. Although the Sindi Amedi permit lies directly on trend with DNO's producing Tawke field, Oryx characterizes this block as frontier exploration, given its location in the disturbed belt of the Zagros Mountain range. Perenco drilled and abandoned one exploration well on the permit in 2012; Oryx cites a lack of closure as the likely reason for this well's failure to encounter commercial hydrocarbons. At the time of its initial public offering, Oryx had identified one exploratory prospect and two leads on the permit. Total gross Prospective resource for the three leads identified by Oryx management is 325mmbbl (82mmbbl net to Oryx, assuming all parties exercise their back-in rights).

Hillcorp is currently drilling an exploration well on the Gara structure, just south of Sindi Amedi

Nearby drilling has implications for large lead identified by Oryx. With Perenco as operator, Oryx plans to spud one exploration well (location to be determined) in 2H13, with another exploration well planned for 1H14. We would also note that Hillwood (Private) and Marathon Oil are currently drilling an exploration well at Gara, less than 10km from the southern border of the Sindi Amedi permit. This structure is believed to extend onto Oryx's lands; based on Oryx's initial field work, the company's independent reserve evaluator estimated that the Gara lead contains 174mmbbl of gross unrisked prospective resource on Oryx's lands.

Wasit Province

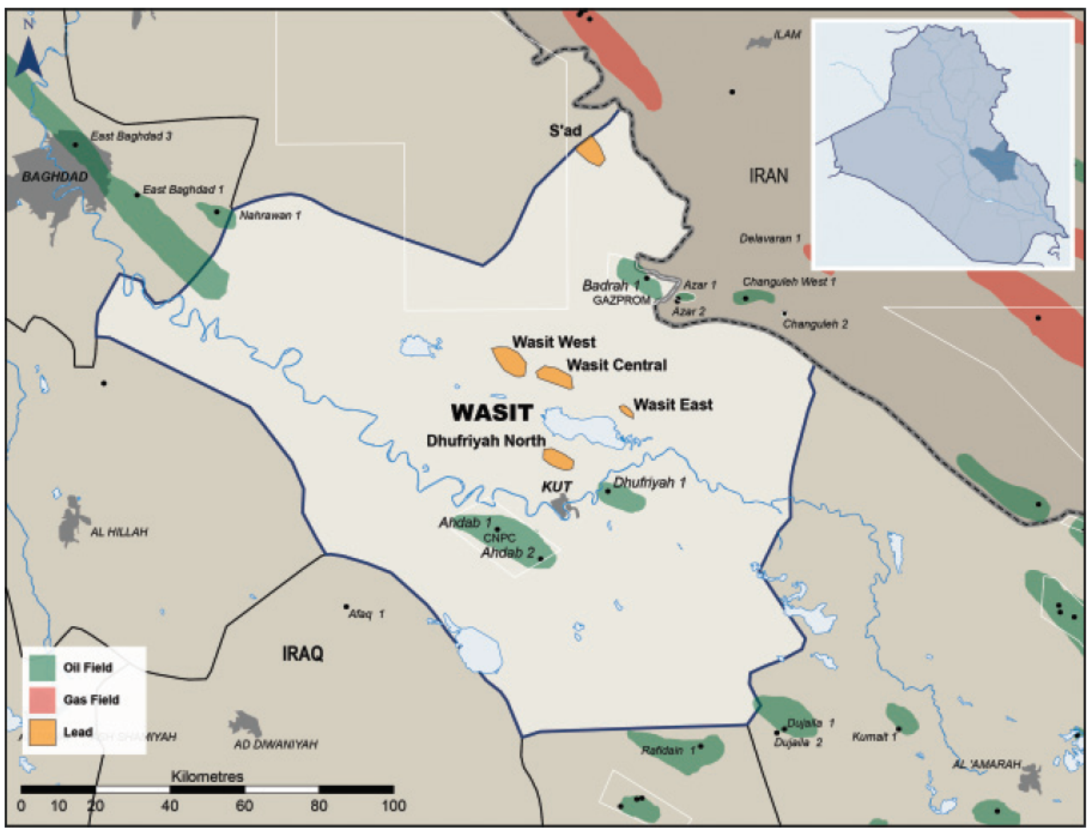
In Iraq proper, Oryx has identified a large opportunity in the Wasit province, located just southeast of Baghdad. Wasit is the eighth-largest (of eighteen) provinces in Iraq, covering an area of more than 17,000sq km. It is vastly underexplored, with just five exploration and appraisal wells having been drilled to date; all five wells were successful, and the three producing fields in the province are now operated by the China National Petroleum Corporation (CNPC), OAO Gazprom, and Pakistan Petroleum, all under contracts with the Iraqi Federal Government. The Super-Giant East Baghdad field is also believed to extend into Wasit province (see Fig 14 below).

There is little established legal framework for oil sales from asphalt contracts in Iraq

Early entrants make use of "Asphalt Exploration Contract" loophole. Like other foreign companies that have gained entry to Iraq proper, Oryx has partnered with a locally-held company to explore for and develop hydrocarbons under an Asphalt Exploration Contract, signed with the province of Wasit (rather than the Iraqi Federal Government). In Iraq, oil with an API gravity of less than 25° is classified as asphalt. Oryx plans to conduct field studies and acquire 2D seismic over parts of Wasit by year-end 2013, with an exploration well planned for mid-2014. The company has agreed to carry its partners for the first US$65m in expenditures under the contract.

Should Oryx exercise all of the rights outlined in its acquisition agreement, it would hold a 40% working interest in a commercial discovery.

Fig 15 Map of Wasit Province



Source: Company reports, July 2013

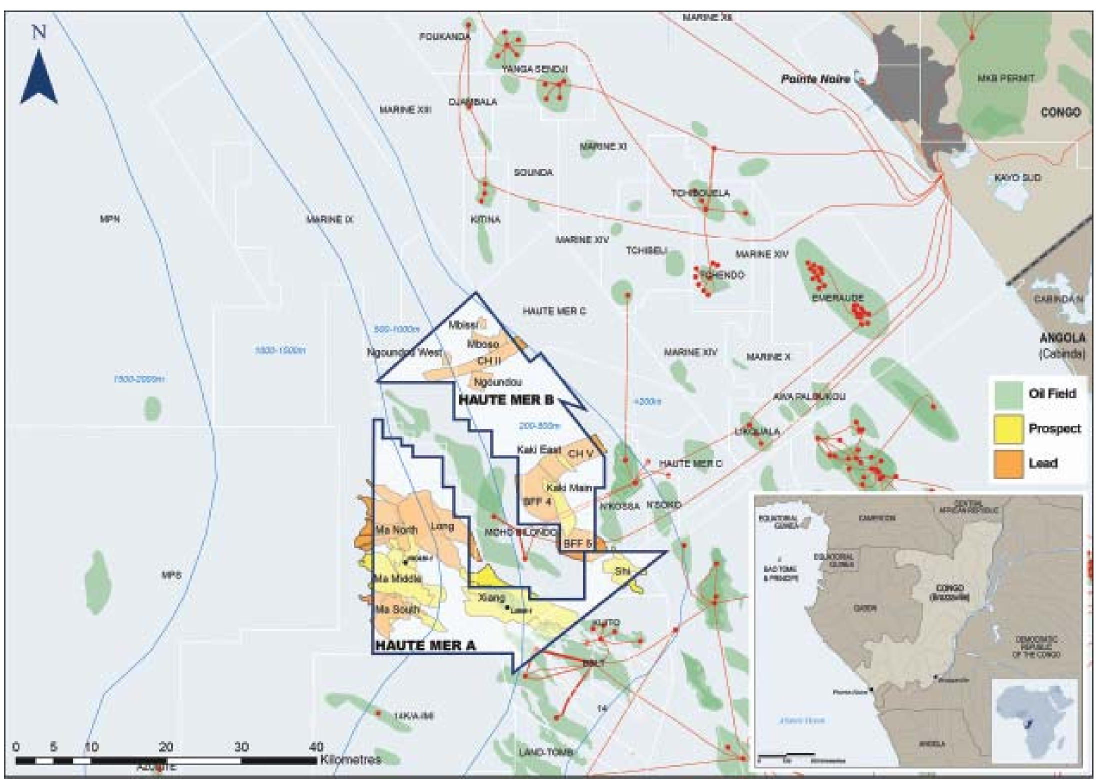
Congo (Brazzaville)

Outside of Kurdistan, the most substantial portion of Oryx's 2013 budget will be devoted to its Congo (Brazzaville) assets, where the company acquired an interest in one offshore license (Haute Mer A; Oryx 20% WI), and has been awarded an interest in another (Haute Mer B; Oryx 30% WI). Both licenses were carved out of acreage relinquished from the adjacent Haute Mer block, which is operated by Total. Haute Mer has yielded a number of significant discoveries which are currently under development; production from this block is expected to increase to ~150,000bbl/d by 2018. As a result of historical exploration in the area, both Haute Mer A and B are covered with modern 2D and 3D seismic, and Haute Mer A is home to two undeveloped discoveries. However, no wells have been drilled to date on the Haute Mer B license. Water depths across the two licenses range from 200–1,200m.

Congo's fiscal terms are generally regarded as unfavourable, particularly for heavy oil development

Big resource potential, tough fiscal terms. Oryx is currently drilling the Xiang-1 exploration well on Haute Mer A, which CNOOC operates. This well is targeting two Tertiary-aged turbidite plays, one of which was penetrated by a previous exploration well, drilled by Total in 1997. That well encountered non-commercial quantities of heavy oil (14° API), in reportedly excellent reservoir quality sands. Oryx is optimistic that the Xiang well could prove up a commercial oil play, with gross unrisked Prospective resource estimated at 86mmbbl. On success at Xiang, Oryx and CNOOC may immediately appraise a discovery, or move to drill a second exploration well at Ma (gross unrisked Prospective resource estimated at 70mmbbl). Development capital associated with a potential discovery is expected to be substantial, with Oryx's independent reserve auditor assuming US$5.7bn for a project that incorporates the Xiang, Ma and Shi prospects. Congo Brazzaville's fiscal terms for hydrocarbon producers are generally regarded as unfavourable, particularly for deepwater (or heavy oil) developments.

Fig 16 Map of Haute Mer A & B licenses



Source: Company reports, July 2013

Nigeria

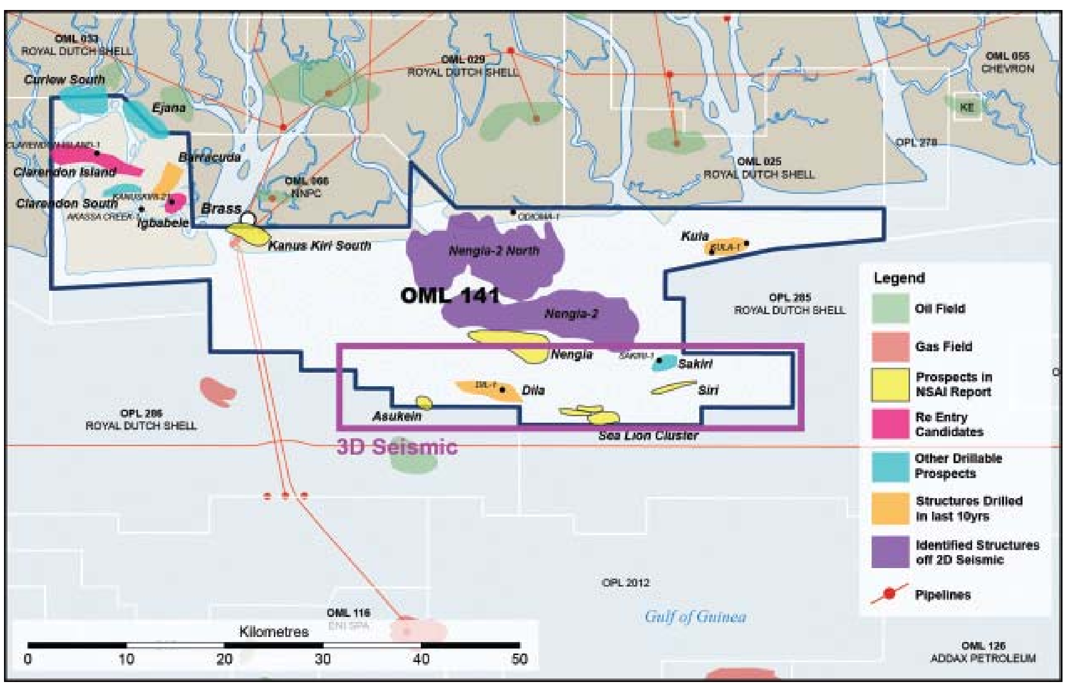
Foothold in one of the world's most prolific oil-producing regions

As it has in Kurdistan, Oryx has returned to Nigeria in an attempt to replicate the success of its predecessor company. At the time of its sale to Sinopec, Addax was producing approximately 103,000bbl/d (gross) in Nigeria, and these assets are still producing ~85,000bbl/d today. Oryx entered Nigeria in September 2011, acquiring a 38.67% WI in OML 141 from two indigenous Nigerian companies. As consideration for the asset, Oryx will carry its partners on the first US$61.5m in capital expenditures on the license (which are reimbursable to Oryx from future oil and gas revenues), and has agreed to contingent payments of up to US$91.5m, should the partners discover 2P reserves in excess of 150mmbbl. The company has budgeted US$62m (out of a total budget of US$325m) to fund its 2013 capital expenditures in Nigeria. As is common in Nigeria, Oryx has been designated the technical partner in the license, while Emerald Energy Resources (an indigenous Nigerian company) is the operator.

Oryx's first well on OML 141 resulted in a non-commercial oil discovery

Under-explored license in shallow water Niger Delta. OML 141 lies in the transition zone between the swamp and the shallow water offshore regions of the central Niger Delta. The license is under-explored relative to other blocks in the area, and is only partially covered by 3D seismic (see Fig 17 below). To date, seven exploration wells have been drilled on the license, all of which encountered hydrocarbons in non-commercial quantities. The most recent well (Dila-1) was drilled and abandoned by Oryx in 1H13. Oryx plans to conduct additional seismic acquisition over the northeast corner of the license in 2H13, with a second exploration well planned for 1H14. A commercial discovery in the southern portion of OML 141 would likely be tied-in to a MOPU, with the oil then transported to shore via pipeline (either through existing pipelines in the area, or a purpose-built pipeline constructed by Oryx). Oryx's independent reserve auditor has assigned 208mmbbl in gross unrisked prospective resource to the company's remaining prospect inventory on OML 141.

Fig 17 Map of OML 141, offshore Niger Delta



Source: Company reports, July 2013

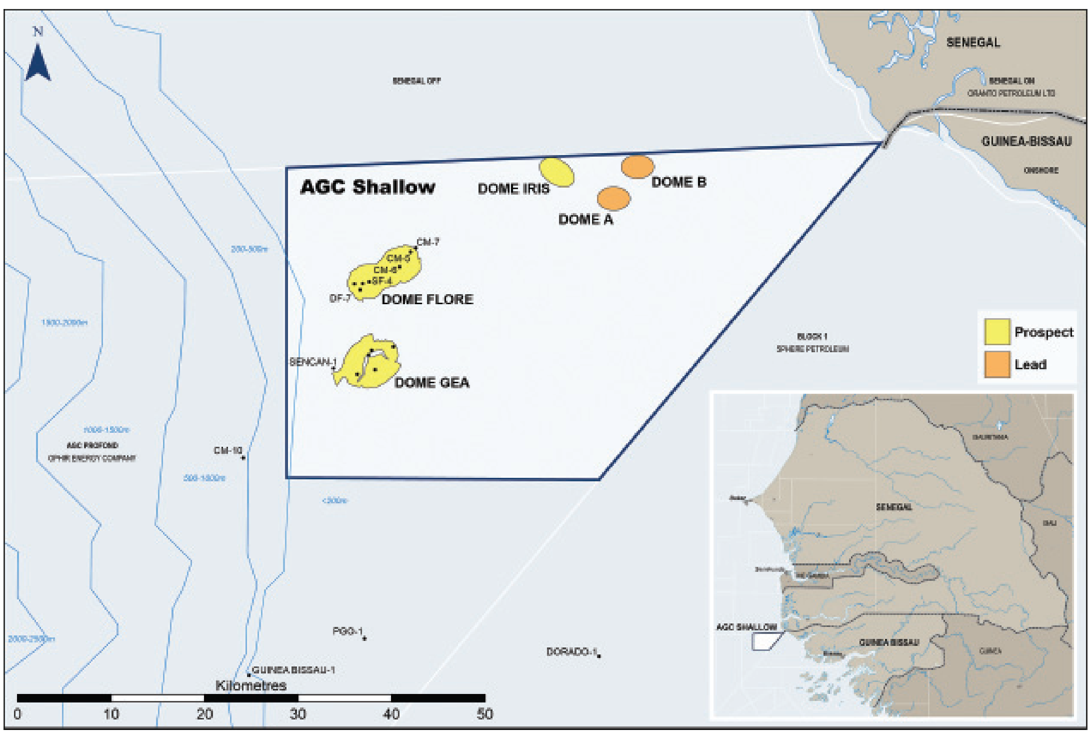
AGC

Taking a new look at an old play

The AGC is an inter-governmental agency set up by neighbouring West African countries Senegal and Guinea-Bissau, for the purpose of regulating fishing and hydrocarbon exploration activities across their shared border. The AGC is divided into a deep zone and a shallow zone for oil and gas purposes; Oryx was awarded an 80% working interest and operatorship of the shallow zone in November 2011, while Ophir Energy (OPHR LN; not rated) operates the deep zone. The companies are partnered with Enterprise, which is effectively a national oil company acting on behalf of the AGC.

Using improved technology to image flanks of salt domes. Several exploration wells have been drilled to date on the AGC Shallow license, mainly in the 1960s. Most of the wells were drilled on top of salt domes, targeting heavy oil in Tertiary-aged carbonates, and light oil in the Cretaceous. Oryx believes new seismic technology may be useful in identifying light oil targets in deeper Cretaceous horizons. The company gathered 800sq km of new seismic data in 4Q12, with an initial exploration well planned for 1H14. Oryx has identified three prospects on the block at this point, all of which are targeting light oil in Maastrichtian reservoirs, with total gross unrisked Prospective resource estimated at 231mmbbl. Although up to 1.0bn barrels of heavy oil (in place) has been identified on the license, Oryx does not believe this would be economic to produce given the high viscosity, and high costs associated with an offshore development.

Fig 18 Map of AGC Shallow Block, offshore Senegal



Source: Company reports, July 2013

Operations update

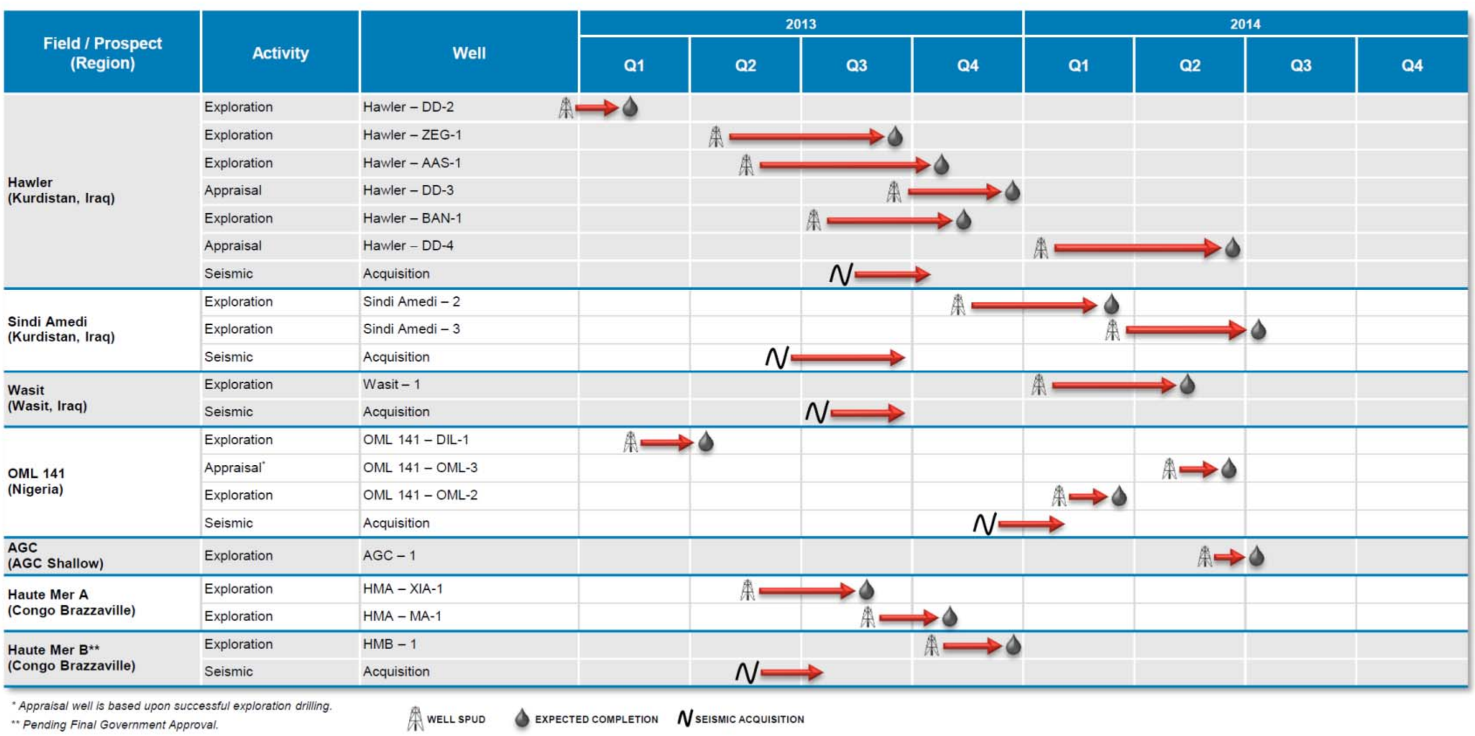
Oryx is fully engaged in an active 2013 capital program, budgeting an annual spend of US$325m this year. The budget includes approximately US$224m for drilling, which should see the company participate in up to ten wells (two of which have already been drilled). We see Kurdistan as the main operational driver, with up to six wells planned.

Kurdistan exploration drilling in progress. Oryx is currently drilling two exploration wells in Kurdistan, both of which are on the Hawler license (OXC 65% WI). The Zey Gawra well was spud in April, and will drill down to the Triassic; total gross Prospective resource is estimated at 23mmbbl, which we value at C$0.41/sh (unrisked) net to Oryx. The Ain Al Safra well was also spud recently; this well is targeting a much larger prospect, which we value at C$4.82/sh on an unrisked basis.

First production expected in 2Q14. Oryx has guided to first production in late 1Q14, when initial heavy oil production commences from Demir Dagh 2 & 3. This is contingent on appraisal success at DD-3, which is currently scheduled to spud by the end of 3Q13. Oryx intends to TD this well in the Cretaceous, enabling a quick completion and tie-in to the early production facility, which will have an initial capacity of 30,000bbl/d (gross).

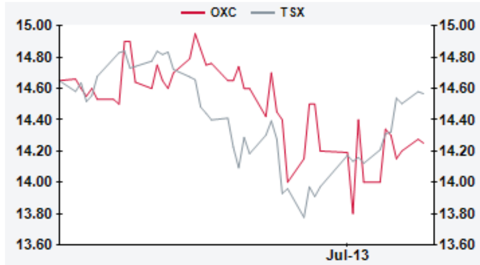
Cashed up into mid-2014. Following its initial public offering, in which the company raised net proceeds of US$237m, we believe Oryx is fully-funded through 1H14. However, we are not expecting the company to be self-sustaining on a quarterly cash flow basis until at least mid-2015. Management has indicated it is in discussions with lenders about potential debt financing solutions for Demir Dagh, although we have not factored this into our estimates.

Fig 19 Timeline of key operational events



Source: Company reports, July 2013

Fig 20 OXC CN vs TSX



Source: FactSet, Macquarie Research, July 2013

(all figures in USD unless noted)

Oryx Petroleum (OXC CN, Neutral, Target price: C$15.50)

Price Assumption		2013E	2014E	2015E	2016E
Oil-WTI	US$/b	94.25	103.50	107.75	112.00
Oil-Brent	$/b	108.23	115.50	117.50	115.00
Gas-Henry Hub	US$/mmbtu	3.90	4.10	4.66	5.00
Gas-AECO	$/mcf	3.55	3.69	4.26	4.60
US$/C$	$	0.99	1.00	1.00	1.00

Income Statement		2013E	2014E	2015E	2016E
Oil & Liquids	kb/d	0.0	6.8	18.7	27.4
Natural Gas	mmcf/d	0.0	0.0	0.0	0.0
Total Production	kboe/d (@ 6:1)	0.0	6.8	18.7	27.4
Gas Production Ratio	%	0.0	0.0	0.0	0.0
Production per Share Growth YoY	%	0.0	0.0	177.0	46.3
Revenue (net of hedging & transp.)	m	0.0	240.8	689.5	985.0
Royalties	m	0.0	(159.3)	(434.2)	(621.0)
Operating Costs	m	0.0	(20.4)	(41.0)	(110.0)
G&A Costs	m	(16.7)	(18.3)	(20.2)	(22.2)
EBITDA	m	-57.6	42.9	194.2	231.8
Interest Costs	m	0.5	(1.5)	(13.4)	(27.5)
DD&A & Other Non-Cash Costs	m	(8.7)	(77.3)	(202.6)	(274.6)
Net Income	m	(65.6)	(36.0)	(21.8)	(70.3)
EPS (basic)		(0.88)	(0.36)	(0.22)	(0.71)
EPS (diluted)		(0.89)	(0.36)	(0.22)	(0.71)
Adjusted EPS (diluted)		(0.89)	(0.36)	(0.22)	(0.71)
Dividend Per Share		0.00	0.00	0.00	0.00
Revenue per Share Growth YoY	%	0%	0%	186%	43%
EBITDA per Share Growth YoY	%	99%	174%	353%	19%
Basic WA Shares OS	m	74.4	98.7	98.7	98.7
Diluted WA Shares OS	m	74.0	98.7	98.7	98.7

Quarterly Forecast		1Q13A	2Q13E	3Q13E	4Q13E
Oil-WTI	US$/b	94.35	94.13	93.00	96.00
Gas-Henry Hub	US$/mmbtu	3.49	4.02	4.15	4.00
US$/C$	$	0.99	0.98	1.00	1.00
Liquids Realization	$/b	na	na	na	na
Gas Realization	$/mcf	na	na	na	na
Oil & Liquids	kb/d	0.0	0.0	0.0	0.0
Natural Gas	mmcf/d	0.0	0.0	0.0	0.0
Total Production	kboe/d (@ 6:1)	0.0	0.0	0.0	0.0
Gas Production Ratio	%	0.0	0.0	0.0	0.0
Revenue (net of hedging & transp.)	m	0.0	0.0	0.0	0.0
EBITDA	m	-45.1	-4.2	-4.2	-4.2
Net Income	m	(46.8)	(6.3)	(6.3)	(6.3)
EPS (basic)		(63.26)	(0.06)	(0.06)	(0.06)
EPS (diluted)		(63.05)	(0.06)	(0.06)	(0.06)
Adjusted EPS (diluted)		(63.05)	(0.06)	(0.06)	(0.06)
Cash Flow from Operations	m	-44.6	-4.2	-4.2	-4.2
CFPS		(60.00)	(0.04)	(0.04)	(0.04)
Production per Share Growth YoY	%	0.0	0.0	0.0	0.0
Production per Share Growth QoQ	%	0.0	0.0	0.0	0.0
CFPS Growth YoY	%	0.0	0.0	0.0	0.0
CFPS Growth QoQ	%	0.0	-99.9	0.0	0.0
Revenue/boe	$/boe	0.00	0.00	0.00	0.00
Royalties/boe	$/boe	na	na	na	na
Operating costs/boe	$/boe	na	na	na	na
Operating Netback/boe	$/boe	0.00	0.00	0.00	0.00
G&A/boe	$/boe	na	na	na	na
Interest/boe	$/boe	na	na	na	na
Cash Netback/boe	$/boe	0.00	0.00	0.00	0.00

Balance Sheet		2013E	2014E	2015E	2016E
Cash	m	212.9	0.0	0.0	0.0
Debt	m	0.0	106.9	331.0	567.3
Net Debt (incl converts)	m	-191.4	128.4	352.5	588.8
Bank Lines	m	100.0	100.0	100.0	100.0
Net Debt as % of Bank Lines	%	-191.4	128.4	352.5	588.8
Total Assets	m	1037	1119	1342	1524
Total Liabilities	m	154	264	500	744
Total S/H Equity	m	883	855	842	780

Cashflow Analysis		2013E	2014E	2015E	2016E
Cash Flow from Operations	m	(57.0)	37.7	169.1	196.3
Chgs in Working Cap	m	37.8	0.0	0.0	0.0
Net Cash Flow from Operations	m	(19.2)	37.7	169.1	196.3
Cash Flow from Investing	m	(326.2)	(357.5)	(393.3)	(432.6)
Cash Flow from Financing	m	485.6	106.9	224.2	236.3
Increase in Cash	m	140.2	(212.9)	0.0	0.0
Free Cash Flow[1]	m	(344.2)	(319.8)	(224.2)	(236.3)
Debt Adjusted Cash Flow (DACF)	m	(57.5)	39.2	182.5	223.7
CFPS		-0.77	0.38	1.71	1.99
Development Capital Expenditures	m	325.0	357.5	393.3	432.6
Capital Expenditures	m	325.0	357.5	393.3	432.6
Capex/Cash Flow	x	-5.7	9.5	2.3	2.2

Ratios Analysis		2013E	2014E	2015E	2016E
ROA	%	-8.1	-3.3	-1.8	-4.9
ROCE	%	-9.9	-3.0	1.4	-2.1
ROE	%	-9.9	-4.1	-2.6	-8.7
Net Debt/Equity	%	-21.7	15.0	41.9	75.5
Net Debt/CF	x	3.4	3.4	2.1	3.0
Price/Book	x	1.6	1.6	1.7	1.8
Book Value		8.9	8.7	8.5	7.9

Valuation		2013E	2014E	2015E	2016E
P/E	x	nmf	nmf	nmf	nmf
P/CF	x	nmf	37.3	8.3	7.2
Enterprise Value	m	1215	1535	1759	1995
EV/DACF	x	-21.1	39.1	9.6	8.9
EV/Reserves[4]	$/boe	9.36			
EV/Production[4]	$k/boe/d	0.0	227.1	94.0	72.8
Reserve/Production (2P)	years	0.0			
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%
Core Net Asset Value (PV10AT)[5]		6.77			
P/CoreNAV	x	2.1			
Core NAV + Risked Exploration Upside (PV10AT)[6]		19.10			
P/RENAV	x	0.7			

Per Boe Statistics		2013E	2014E	2015E	2016E
Revenue/boe	$/boe	na	97.63	100.90	98.50
Royalties/boe	$/boe	na	(64.58)	(63.54)	(62.10)
Operating costs/boe	$/boe	na	(8.25)	(6.00)	(11.00)
Operating Netback/boe	$/boe	0.00	24.80	31.36	25.40
G&A/boe	$/boe	na	(7.43)	(2.95)	(2.22)
Interest/boe	$/boe	na	(0.61)	(1.96)	(2.75)
Capital Tax/boe	$/boe	na	0.00	0.00	0.00
Cash Netback/boe	$/boe	0.00	16.76	26.45	20.44
Depletion and Depreciation/boe	$/boe	na	(25.00)	(25.00)	(25.00)
Stock based compensation/boe	$/boe	na	(3.41)	(1.23)	(0.84)
Other Non-cash/boe	$/boe	na	0.00	0.00	0.00
Cash Taxes/boe	$/boe	na	(1.47)	(1.70)	(0.81)
Deferred Taxes/boe	$/boe	na	(1.47)	(1.70)	(0.81)
Earnings Netback/boe	$/boe	0.00	(14.60)	(3.19)	(7.03)

Sensitivities (Adjusted Cash Flow)		2013E	2014E	2015E	2016E
Oil WTI +/- US$1.00/b	%	na	2.6	1.6	2.0
Gas +/- $0.25/mcf	%	na	0.0	0.0	0.0
Oil +/- 100 b/d	%	na	3.4	0.8	0.6
Gas +/- 1.0 mmcf/d	%	na	na	na	na

Capital Efficiencies		2012A	3-Year
F&D (Proven)[2]	$/boe	8.68	8.68
FD&A (2P)[3]	$/boe	4.53	4.53
Recycle Ratio - (2P)[3]	x	0.0	0.0

All figures USD unless noted and production and reserve figures are gross of royalties
1) Cash flow from Operations (before chg in WC) Less Capex and Dividends; 2) Excludes Revisions; 3) Includes changes in Future Development Capital;
4) Excludes non-producing assets; 6) Risked exploration upside based on LT price of US$6.50/mmbtu HH, US$90/b WTI, and US/C$0.95

Source: Company data, Macquarie Research, July 2013

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 June 2013

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	49.80%	57.68%	48.05%	41.13%	61.75%	47.10%	(for US coverage by MCUSA, 8.12% of stocks followed are investment banking clients)
Neutral	39.85%	24.45%	42.86%	54.70%	34.42%	30.89%	(for US coverage by MCUSA, 6.60% of stocks followed are investment banking clients)
Underperform	10.35%	17.87%	9.09%	4.17%	3.83%	22.01%	(for US coverage by MCUSA, 0.00% of stocks followed are investment banking clients)

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