

Welcome to the Fall 2018 edition of the **PRIVITI ENERGY EXAMINER**, the Newsletter from Priviti Capital Corporation

WHAT'S NEW IN PRIVITI FUNDS

- Quarterly unaudited financial statements for the period ending September 30, 2018 will be sent out to unitholders on November 22, 2018.

PRIVATE COMPANY UPDATES

Mount Bastion Oil & Gas Corp. ("Mount Bastion") – Corporate Sale

On September 5, 2018, Mount Bastion and Surge Energy Inc. ("Surge", TSX Symbol SGY) announced that they entered into an arrangement agreement pursuant to which Surge agreed to acquire all of the issued and outstanding common shares of Mount Bastion. Mount Bastion's assets include 5,500 boepd (98% liquids) of crude oil production with a low decline of 23%.

The aggregate purchase price payable by Surge will be \$320 million, via a combination of cash and Surge shares, with closing expected for late October. Of note, approximately 70% of Mount Bastion's shares will be subject to lock-up for up to nine months following the closing of the transaction. Priviti holds an interest in Mount Bastion through POGO 2014 and is not subject to any lock-up. The projected Return on Investment ("ROI") for POGO 2014 is estimated at 90%. Proceeds are currently expected to be distributed to unitholders in November 2018.

Villanova 4 Oil Corp. ("Villanova4") – Corporate Sale

During Q2, 2018, TORC Oil & Gas Ltd. ("TORC", TSX Symbol TOG) completed the acquisition of Villanova 4, a private oil company with complementary high quality, light oil assets in southeast Saskatchewan. The strategic acquisition of Villanova4 included over 1,000 boepd (~80% light oil and liquids) of high netback, light crude oil production.

POGO 2014 purchased shares and warrants of Villanova 4 in March 2016. The transaction with TORC resulted in a gain of 38% for POGO 2014 unitholders. Importantly, POGO 2014 was one of the few investors in Villanova4 that made money on the sale of the company, given our unique investment mandate and strategy.

Proceeds were distributed to unitholders of POGO 2014 in late August 2018.

Burgess Creek Exploration Inc. (“Burgess Creek”) – Equity Financing and Acquisition

Burgess Creek commenced operations in Southeast Saskatchewan in September 2015. The company, led by Dean Potter (Executive Chairman) and Kory Galbraith (President and CEO), has a history of successful Southeast Saskatchewan ventures in recent years, including Elkhorn Resources (sold to Vermillion Energy Inc. in April 2014) and Medora Resources Inc. (sold to Legacy Oil + Gas in July 2009), both sold for significant gains.

Recently, Burgess Creek closed on a series of private placements totalling up to \$55 million (priced at \$1.00/share, the same price as their initial financing in 2015). Lead investor ARC Financial (Burgess Creek’s largest shareholder) invested an additional \$43 million in the recent financing. Proceeds from the financing were used for the acquisition of a private company in Southeast Saskatchewan with current production of 650 boepd (90% oil). Lands acquired as part of the acquisition totaled 16,000 net acres around Burgess Creek’s existing assets, and are expected to form a significant part of the company’s plans to grow to over 4,000 boepd by year end 2019.

Following the financing, Burgess Creek has now assembled a land position of 75,000 net undeveloped acres through Crown land sales and a freehold land acquisition program. Burgess Creek will continue testing new prospects, allocating approximately 15-20% of its drilling budget to exploration prospects over the next six months.

With our increased commitment through this private placement, POGO 2014 now holds a total of 2.0 million shares in Burgess Creek.

PRIVITI CAPITAL CORPORATION

Priviti is a Calgary, Alberta based private equity firm that specializes in the Canadian energy market. We manage a number of investment funds that invest in quality energy corporations. Priviti is a leading buyer of private oil & gas shares in the secondary market. Since our inception in 2007, we have raised over \$360 million in nine separate funds. For further information, please visit our website at www.priviticapital.com.

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