

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

WHAT'S NEW IN PRIVITI FUNDS

- T5013's for all Priviti Limited Partnerships (except for POGO 2013) were mailed to unitholders in mid-March. T5013's for POGO 2013 can be downloaded from CDS.
- Annual audited financial statements for the period ending December 31, 2017 were sent out to unitholders on March 26, 2018.
- Quarterly unaudited financial statements for the period ending March 31, 2018 will be sent out to unitholders on May 24, 2018.

PRIVATE COMPANY UPDATES

Vesta Energy Corp. ("Vesta") – Year-end Update

Vesta was the first company to establish a sizeable land position in the Duvernay East Shale Basin, with a large contiguous land base of approximately 220,000 acres of land between Calgary and Edmonton and an inventory of over 1,200 wells. Other operators in this new area include Raging River ("RRX"), Paramount Resources ("POU"), Crescent Point ("CPG") and Artis Exploration (private), with Vesta having drilled by far the most wells to date.

Average Peak Monthly Calendar Day Rates by operator



Source: geoSCOUT, Macquarie Research, February 2018

Following a successful equity raise of approximately \$300 million at \$4.50 per share in early 2017, the company drilled a total of 36 wells in 2017, growing reserves and production by 110% and 160%, respectively, over the previous year. The Company entered 2018 with production over 7,000 BOE/day, and they are currently running four drilling rigs and will add a second completion crew this quarter. Production and cash flow is expected to more than double year over year. With a clean balance sheet entering 2018 and \$93 million in cash, current plans will be funded through current working capital, cash flow from operations and a currently untouched \$350 million operating facility.

Priviti holds an interest in Vesta through Priviti Energy LP 2012.

Venturion Oil Ltd. (“Venturion”) – Year-end Update and Corporate Sale Process Initiated

Venturion has successfully grown its production to over 5,700 BOE/day (84% oil) since its founding in 2013. With a focussed land base, nearly 100% owned and operated, the company has drilled 67 wells (mostly in the Boundary Lake, Alberta area). Current production has a relatively low decline rate, due to a significant amount of production currently under waterflood, and the company has developed future waterflood optimization projects to continue to keep its decline rate low.

With a belief that market sentiment should start to improve as the higher oil prices start to impact companies’ financial and operating results, Venturion has retained BMO Capital Markets as an advisor in its recently announced corporate sale process. The company believes they are in a position to receive an attractive proposal. Regardless, Venturion is well positioned both operationally and financially in the event that the strategic sales process fails to result in an acceptable transaction.

Priviti holds an interest in Venturion through POGO LP 2014.

North 40 Resources Ltd. (“North 40”) – Year-end Update

North 40 released their 2017 results and an operations update recently. Since its founding in 2015, the company (lead by President and CEO Darrin Hanik) has built an impressive land position in central Alberta, focussing on Banff oil near Drumheller and Mannville oil near Brooks. Current production from their initial Drumheller property has grown to approximately 1,400 BOE/day (71% oil), resulting from five horizontal wells drilled and completed in Q4, 2017.

The company’s capital plan in 2018 will support drilling of 15 to 20 wells with total capital expenditures of approximately \$47 million. Of the wells drilled this year, six will be focused in their core area of Drumheller, with the remainder testing a number of new play concepts that have been built over the last two years. The company has current cash and equity line of credit on hand of over \$53 million, so they are well funded to continue to grow significantly in 2018.

Priviti holds an interest in North 40 through POGO LP 2014.

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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