

## Welcome to the September edition of the **PRIVITI ENERGY EXAMINER**, the monthly Newsletter from Priviti Capital Corporation.

### WHAT'S NEW IN PRIVITI FUNDS

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- The unaudited financial statements for the Priviti Funds for the six months ended June 30, 2016 were sent out at the end of August. If you have any questions with respect to these financial statements please do not hesitate to contact our office.

### PRIVATE COMPANY UPDATES

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#### **Spur Resources Ltd. ("Spur") – Second Quarter Results**

Spur recently released its second quarter results for 2016 along with a corporate update. Production for the second quarter averaged 6,931 boe/d (51% oil + liquids) and has been steadily climbing in the third quarter of 2016. Management anticipates that production will continue to increase through the fourth quarter and into the New Year. In the second quarter, Spur managed to generate a positive cash flow of \$11.8 million despite a very challenging oil market.

As a result of strengthening oil prices, lower costs and enhanced well performance, the margins in Spur's Viking projects have substantially improved. In June of 2016, Spur increased its capital budget by \$10 million to \$55 million to take advantage of the improved margins and commenced a summer Viking oil drilling program. During the second quarter, Spur successfully drilled a total of 7.9 net Viking wells with 100% success. In light of their success in the Viking and the quality of the asset base, Spur has received overtures from several peers. Management plans to evaluate strategic alternatives for their Viking asset this fall. The capital program is more heavily weighted for the second half of 2016 with \$35 million left to spend. The second half program will focus on adding drilling inventory to their Viking play and de-risking more opportunities that have been identified to their Medium oil play.

Management expects to generate funds from operations of \$50 million for 2016 while maintaining a net debt level of only \$50 million. This will generate an industry leading debt to cash flow ratio of only 1.0x.

Priviti holds an interest in Spur through POGO LP 2011 & 2014.

### **Certarus Ltd. (“Certarus”) – Second Quarter Shareholder Update**

Certarus released a shareholder update with respect to recent corporate development and initiatives. Certarus provides compressed natural gas (“CNG”) across North America as an economical diesel displacement solution for drilling, completion and industrial operations. The company hit three notable milestones in the second quarter of 2016 which will positively impact future growth. First, the company completed an acquisition of the major Canadian competitor Cangas and fully integrated the company under the Certarus brand. The cost of the acquisition was only \$2.7 million, which is well below the replacement cost of the equipment acquired. Second, Certarus completed several new projects in the quarter that diversified outside the traditional oilfield fuel displacement market. Finally, they have commissioned their newest location in Fort Lupton, Colorado and is now delivering CNG to customers.

In Canada, Certarus continues to advance its production enhancement business which has performed above expectations and significantly increased field efficiencies. In the first quarter, Certarus announced that it has started supplying CNG to an asphalt plant. The company has continued to build upon this business line during the recent quarter and has now completed paving projects with three different large paving companies. These new growth opportunities leverage Certarus’ core competence of delivering large volumes of CNG and provide diversification beyond the traditional fuel displacement markets. In the United States, Certarus continues to expand its footprint and has now commissioned and started customer operations at the newest location in Colorado and started construction on a location in Texas. Certarus expects the Texas location to be completed by the fourth quarter of this year and will be its third permanent USA based facility.

Certarus finished the quarter with no debt and a net positive working capital balance of \$20.6 million. Operating cash flows are expected to exceed capital spending in 2016. Management closely monitors industry activity and will adjust capital spending accordingly.

Priviti holds an interest in Certarus through POGO LP 2013.

### **North West Refining Inc. (“NWR”) – Shareholder Update**

NWR recently released a new corporate presentation along with a shareholder update. NWR is a private company that is partnered 50/50 with Canadian Natural Resources Ltd. (“CNRL”) to build and operate a bitumen refinery near Edmonton. The refinery is built to process 80,000 bbls/d of dilbit (diluted bitumen) with the major output being an ultra-low sulphur diesel. The refinery is 80% completed and is expected to be operational by the fourth quarter of 2017. To date, the refinery has incurred \$7.0 billion of the \$8.5 billion cost estimate with the remaining \$1.5 billion already fully financed. NWR currently has no debt and will not require any further capital for the start-up of the refinery.

NWR has signed a 30 year tolling contract with the Province of Alberta for 75% of the refinery capacity, with CNRL taking the remaining 25%. The cash flows received from the contracts are rate based which are independent from commodity prices. This will provide a predictable revenue stream for NWR over the next 30 years. NWR now has the permits in place for a 240,000 bbls/d expansion through two additional construction phases.

Priviti holds an interest in NWR through PELP LP 2011 & 2012.

## PRIVITI CAPITAL CORPORATION

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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](http://www.priviticapital.com).

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