Daily Oil Bulletin

Total Financings Down 31 Per Cent Year-Over-Year

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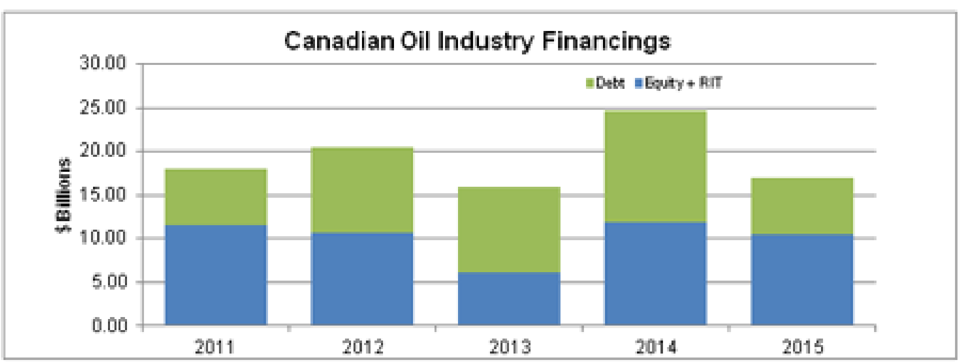
The total amount of capital raised in the Canadian oil and natural gas industry in 2015 decreased 31% from the previous year. In 2015, there was a total of $17.0 billion in combined equity and debt raised, compared to $24.6 billion in 2014. Equity and royalty income trust ("RIT") financings accounted for 61% of the capital raised, with debt financings taking the balance. The split in 2014 was more evenly weighted with 52% from debt and 48% from equity and RIT financings.



The largest contributing factor to the decline in capital raised year-over-year was the 49% fall in debt financings in 2015. There was only $6.6 billion of debt raised in the Canadian oil and natural gas industry in the year, down from the $12.8 billion in 2014. The debt category described herein is comprised of straight and convertible debt. There were 46 debt financings in 2015, down 40% from the 77 in 2014.

The majority of the debt issues in 2015 were straight debt, accounting for 98% of the total debt issued. The amount of straight debt issues was $6.4 billion, down 49% from the $12.7 billion in 2014. Convertible debt also decreased year-over-year, falling 21% to $123 million from the $155 million in 2014.

The top ten debt issues in 2015 were straight debt and as in 2014, **Ecopetrol S.A.** was this year's largest debt issue at USD $1.5 billion (CDN $1.9 billion) debt financing with an 11 year term which closed in June 2015. Ecopetrol is listed on the TSX even though it is Colombia's largest integrated oil & natural gas company, where it accounts for 60% of Colombia's total production. It is one of the top 50 oil companies in the world and the fourth largest oil company in Latin America.

Husky Energy Inc. had the second largest debt offering in 2015, raising $750 million in March to repay outstanding indebtedness. **Paramount Resources Ltd.** raised the third largest amount of debt at USD $450 million (CDN $562 million), which was used to redeem all of its outstanding 8.25% senior unsecured notes due in 2017 with an aggregate principal amount of CDN $370 million, as well as for capital expenditures and for general corporate purposes. Rounding out the top five largest single debt issues were **Seven Generations Energy Ltd.,** which raised USD $425 million (CDN $515 million) in April and **Canadian Natural Resources Limited,** which raised$500 million in June.

Cardinal Energy Ltd. had the largest convertible debt financing, raising $50 million in September concurrent with a $50 million bought deal financing of subscription receipts and the acquisition of assets from **Penn West Petroleum Ltd.** in the Mitsue area of Alberta. **Gear Energy Ltd.** had the second largest convertible debenture financing in 2015, raising approximately $15 million in November. **Primeline Energy Holdings Inc.** raised approximately $23 millionin convertible debentures during 2015 through two closings.

The total amount of equity raised in 2015 was approximately $10.5 billion, dropping 11% from the $11.8 billion in equity raised in 2014. The number of equity issues also decreased year-over-year, falling 37% to 209 issues in 2015, from 334 issues in 2014. Due to the relatively modest decline in the amount of equity raised year-over-year and the more significant drop in the number of issues, the average size of issues was $50 million, up 43% from $35 million in 2014.

Of the $10.5 billion in total equity raised in 2015, $175 million were flow-through dollars from 37 issues. This is down 52% from the $363 million in flow through equity from 56 issues in 2014. In addition, only $13 million or 8% of the flow-through dollars raised in 2015 were in the fourth quarter of the year, a time when investors are typically more inclined to purchase them before year-end.

The largest single equity financing in 2015 was **Cenovus Energy Inc.**'s$1.5 billion bought-deal common share financing in February. Proceeds from the offering were to be used to fund the company's capital expenditure program for 2015, to repay commercial paper as it matures and for general corporate purposes.

Encana Corporation had the second largest equity offering in 2015, raising $1.4 billion to provide Encana with additional financial flexibility by reducing Encana's long-term debt and interest expenses. Encana also looked to use the proceeds, along with cash on hand and other funds available under its credit facilities to redeem all of its US $700 million principal amount of 5.90% Notes due in 2017 and all of its $750 million 5.80% Medium term notes due in 2018.

Rounding out the top three equity issues was **PrairieSky Royalty Ltd.**, which raised $680 million in November to finance the cash portion of the consideration it paid Canadian Natural for the acquisition of the majority of Canadian Natural's royalty interests.

San Angelo Oil Limited completed theonly initial public offering ("IPO") in the Canadian oil and natural gas industry in 2015, raising $1 million, down significantly compared to $1.5 billion raised in five IPOs completed in 2014.

In January 2016, equity financings were almost non-existent with only ten issues for total proceeds of approximately $41 million. **Perpetual Energy Inc.**'s rights offering accounted for 61% or $25 million of the total amount raised. Early in 2016, the global equity markets and crude oil prices plummeted. Since that time both markets continue to be very volatile.

February has seen more life in the equity markets. Some of the more notable equity offerings announced so far this month include Seven Generations, which announced a $300 million bought deal private placement, **Raging River Exploration Inc.** which will raise approximately $95 million through a bought deal financingand **Advantage Oil & Gas Ltd.** which announced an $88 million bought deal financing. Both Seven Generations and Raging River have increased the size of their offerings, Seven Generations by 15% and Raging River by 10%. The three companies hold assets which generate a positive return in the current commodity price environment and because of this their share prices have not deteriorated as much as their peers over the last year.

Investors are being selective on the companies that they are willing to fund, which is understandable. We expect this to continue in 2016 with strong companies with disciplined management teams and assets that are economic in the current commodity price environment to continue to receive investor support. Once the volatility in the commodity and equity markets ease, we should see an increase in capital market activity, possibly coinciding with increased merger and acquisition activity.

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