Total Financings At Lowest Level Since 2001

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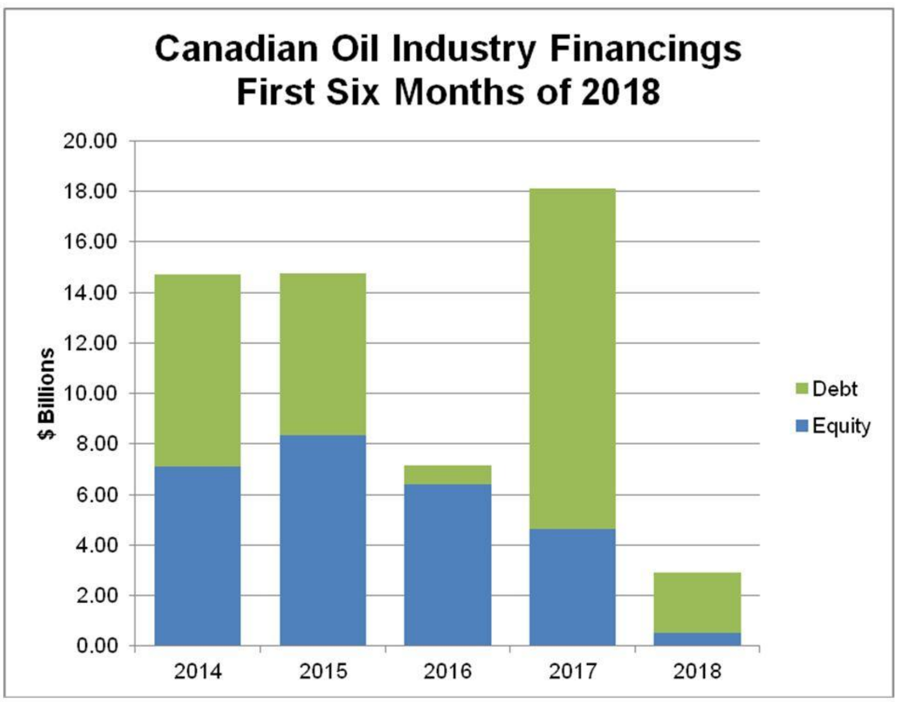
A total of $2.9 billion of capital was raised by the Canadian oil and natural gas industry in the first six months of 2018, down 84% from the $18.1 billion recorded over the same time period in 2017. Financings were down year-over-year in both equity and debt categories. This is the lowest amount of total capital raised in the first six months since 2001, when there was only $2.3 billion in capital raised.

The largest drop in financings occurred in the debt category as there was only approximately $2.4 billion in debt raised in the first six months of 2018, down $11.1 billion or 82% from the $13.5 billion raised during the same time period in 2017.

The equity category plummeted $4.1 billion or 89% to only $526.9 million being raised in the first half of 2018, down from $4.6 billion of equity raised during the same time period in 2017. This is the lowest value of equity financings since 2001 when approximately $312.0 million was raised.



Of the approximately $2.4 billion of debt that was raised in the first six months of 2018, the majority of the debt issues have been comprised of straight debt. Convertible debt accounted for only $2.2 million of the total debt financings in the first half of the year. The top four debt offerings were completed in $US. The top three debt issuances accounted for 58% of the total debt raised in the first half of 2018, or approximately $1.4 billion.

Harvest Operating Corp. had the largest debt issue in the first six months of 2018, completing a US $397.5 million (approximately CDN $511.5 million) offering of 4.20% unsecured senior notes on a five-year term. The proceeds of the notes offering along with a new term loan were used to repay in full Harvest's outstanding 2.125% senior notes due on May 14, 2018.

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The second-largest debt offering in the first half of 2018 was completed by **Frontera Energy Corporation**. The company raised approximately US$350.0 million (approximately CDN $465.6 million) in notes with a 5-year term which bear interest at 9.70%. The proceeds from the offering will be used to repurchase, at a premium, pursuant to a tender offer, Frontera's US$250 million, 10.0% senior secured notes due in 2021, and for general corporate purposes. Frontera is a public exploration and production ("E&P") company with operations focused in Colombia and Peru.

The third-largest debt financing was completed by **Canacol Energy Ltd.**, which raised US$320 million (C$411.2 million) of 7.25% senior unsecured notes due in 2025. Canacol used the net proceeds from the offering to repay all outstanding amounts borrowed under its credit facility. Canacol is a public E&P company with operations focused in Colombia.

Three of the top four debt financings completed in the first six months of 2018 were done by Canadian-based companies with activities in Colombia. Also of note is the fact that the proceeds from the top three debt offerings were used to repay or to repurchase previously-issued debt.

As previously-mentioned, equity financings totaled $526.9 million, accounting for only 18% of the total capital raised in the first six months of 2018. The top three equity issuances, totaling approximately $332.4 million, accounted for 63% of the total of equity raised in the first half of 2018. This is the third consecutive year where equity financings have fallen in the first half of the year. There were no flow-through financings closed in the first half of 2018.

The largest equity financing was completed by **Artis Exploration Ltd.**, which received a $180.0 million equity injection from its new investment partner Warburg Pincus in May. The proceeds from this common share private placement will be used to fund the company's accelerated development program. Artis is a privately held E&P company focused on the Duvernay East Shale Basin of Western Canada, where the company holds a contiguous acreage position of over 260,000 net acres.

The second-largest equity issuance was completed by **PetroShale Inc.** in January. PetroShale raised US $75.0 million (approximately C$92.4 million) by issuing series A preferred shares ("Subsidiary Preferred Shares") in PetroShale's wholly owned subsidiary, PetroShale (US), Inc. to **First Reserve**. The Subsidiary Preferred Shares have a term of five years (subject to extension for an additional year at the election of First Reserve) and entitle First Reserve to a cumulative annual dividend of 9% per year (except that no dividends shall be payable for the extension year, if any). The Subsidiary Preferred Shares are, subject to certain conditions, exchangeable into common voting shares in the capital of PetroShale at an exchange price of C$2.40 per share. As part of the financing, First Reserve also acquired 39,308,176 voting preferred shares of PetroShale Inc. which entitle First Reserve to the "as-exchanged" voting rights of the Subsidiary Preferred Shares. PetroShale intends to use the net proceeds of the financing to fund: (i) capital expenditures; (ii) the non-permanent repayment of its outstanding senior loan balance; (iii) the repayment and retirement of its outstanding subordinated loan; (iv) future potential acquisition opportunities; and (v) general corporate purposes.

Rounding out the top three equity issuances was **Valeura Energy Inc.**, which raised $60.0 million through a bought-deal financing. Valeura indicated that it would use the net proceeds from the offering to fund its 2018 and 2019 capital program which is focused on the continued appraisal of its unconventional, basin-centered natural gas play in Turkey, and for general corporate purposes.

Similar to the debt financings, the majority of the top three equity financings were for Canadian companies with operations outside of Canada, with PetroShale focusing on the Bakken Formation in North Dakota and with Valeura active in Turkey.

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As the year continues, capital should continue to flow to companies with an international focus and also to domestically focused entities active in resource plays. The resource plays which seem to have the most appeal are the ones focused on the Charlie Lake, Duvernay and Montney formations.

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