

Riverstone Energy Limited – Interim Management Statement

London, UK (20 May 2020) - Riverstone Energy Limited (“REL” or the “Company”) is issuing this Interim Management Statement (“IMS”) for the period from 1 January 2020 to 31 March 2020 (the “Period”).

Highlights

- Key Financials (unaudited)
 - NAV as at 31 March 2020 \$424 million (£344 million)¹
 - NAV per share as at 31 March 2020 \$5.31 / £4.30¹
 - Profit/(loss) during Period \$(347.7) million
 - Basic profit/(loss) per share during Period \$(435.19) cents
 - Market capitalisation at 31 March 2020 \$144 million (£117 million)¹
 - Share price at 31 March 2020 \$1.80 / £1.46¹

- Total invested capital during the Period of \$7 million in Onyx Power
- Total realisations during the Period of \$39 million from Aleph Midstream S.A. (\$23 million), Ridgebury H3, LLC (\$8 million), and Castex Energy 2014 (\$8 million)
- Total gross committed capital at 31 March 2020 is \$1,449 million
- Total net committed capital at 31 March 2020 is \$1,089 million or 92 per cent of net capital available²
- Total net capital invested at 31 March 2020 is \$975 million or 82 per cent. of net capital available²
- On 1 May 2020, the Company announced a buyback programme with the intention of returning £50 million to shareholders via on market buybacks. Since the announcement, the Company has purchased 5,656,200 shares, in aggregate, for £13.6 million at an average share price of £2.40. Pro forma for these share buybacks, REL’s aggregate cash balance is \$194 million.
- Potential unfunded commitments at 31 March 2020 are \$114 million, of which \$41 million is not expected to be funded.

Richard Hayden, Chairman of Riverstone Energy Limited, commented:

“Energy markets saw historic declines at the end of the first quarter, with commodity prices and equities dropping dramatically as a result of the COVID-19 pandemic. Recognising the difficulties that REL is facing, the Board and Investment Manager are actively working together to support the portfolio’s ability to navigate these challenging times as well as evaluate other ways to maximise value for shareholders.”

David M. Leuschen and Pierre F. Lapeyre Jr., Co-Founders of Riverstone, added:

“The first quarter of 2020 created unprecedented market conditions that were extremely difficult. As COVID-19 led to significant commodity demand contraction, the potential for a Saudi-Russian price war also weighed on oil markets globally. These dynamics severely impacted valuations in both the public and private markets. As we anticipate a period of continued volatility and uncertainty in the near-term, we are working real-time with each of our portfolio companies to reduce costs and capital expenditures as well as focus on liquidity until the macro environment stabilises.”

Portfolio Update

Below is a summary of material activity in the portfolio during the Period.

Onyx Power (“Onyx”)

REL, through the Partnership, invested \$7 million in Onyx.

Aleph Midstream S.A. (“Aleph”)

REL, through the Partnership, received return of capital proceeds of \$23 million from the unwinding of the commitment to Aleph.

Ridgebury H3, LLC (“Ridgebury”)

REL, through the Partnership, received proceeds of \$7 million from the sale of the Nalini D vessel and income distributions of \$1 million.

Castex Energy 2014 (“Castex 2014”)

REL, through the Partnership, received proceeds of \$8 million from the sale of Castex 2014 to Talos Energy.

1Q20 Quarterly Portfolio Valuations and £50 million Share Buyback Programme

Previously, on 1 May 2020, REL announced its quarterly portfolio summary as of 31 March 2020, inclusive of updated quarterly unaudited fair market valuations:

Current Portfolio

Investment (Initial Investment Date)	Target Basin	Gross Committed Capital (\$mm)	Invested Capital (\$mm)	Gross Realised Capital (\$mm) ³	Gross Unrealised Value (\$mm)	Gross Realised Capital & Unrealised Value (\$mm)	31 Dec 2019 Gross MOIC ⁴	31 Mar 2020 Gross MOIC ⁴
Centennial (6 Jul 2016)	Permian (U.S.)	\$268	\$268	\$172	\$4	\$176	0.9x	0.7x
ILX III (8 Oct 2015)	Deepwater GoM (U.S.)	200	155	5	104	109	1.2x	0.7x
Carrier II (22 May 2015)	Permian & Eagle Ford (U.S.)	133	110	29	15	44	0.7x	0.4x
Onyx (30 Nov 2019)	Europe	66	38	-	38	38	1.0x	1.0x
Liberty II (30 Jan 2014)	Bakken, PRB (U.S.)	142	142	-	28	28	0.4x	0.2x
Hammerhead Resources (27 Mar 2014)	Deep Basin (Canada)	307	295	23	1	24	0.4x	0.1x
Ridgebury (19 Feb 2019)	Global	22	18	9	12	21	1.2x	1.2x
CNOR (29 Aug 2014)	Western Canada	90	90	16	4	20	0.3x	0.2x
Fieldwood (17 Mar 2014)	GoM Shelf (U.S.)	89	88	8	6	14	0.5x	0.2x
Total Current Portfolio⁵		\$1,317	\$1,203	\$261	\$213	\$474	0.7x	0.4x

Realisations

Investment <i>(Initial Investment Date)</i>	Target Basin	Gross Committed Capital (\$mm)	Invested Capital (\$mm)	Gross Realised Capital (\$mm)³	Gross Unrealised Value (\$mm)	Gross Realised Capital & Unrealised Value (\$mm)	31 Dec 2019 Gross MOIC⁴	31 Mar 2020 Gross MOIC⁴
Rock Oil⁶ <i>(12 Mar 2014)</i>	Permian (U.S.)	114	114	231	2	233	2.1x	2.0x
Three Rivers III <i>(7 Apr 2015)</i>	Permian (U.S.)	94	94	204	-	204	2.2x	2.2x
Meritage III⁷ <i>(17 Apr 2015)</i>	Western Canada	40	40	83	-	83	2.1x	2.1x
RCO⁸ <i>(2 Feb 2015)</i>	North America	80	80	79	1	80	1.0x	1.0x
Sierra <i>(24 Sept 2014)</i>	Mexico	18	18	39	-	39	2.1x	2.1x
Aleph <i>(9 Jul 2019)</i>	Vaca Muerta (Argentina)	23	23	23	-	23	1.0x	1.0x
Castex 2014 <i>(3 Sept 2014)</i>	Gulf Coast Region (U.S.)	52	52	8	2	10	0.4x	0.2x
Total Realisations⁵		\$422	\$422	\$668	\$5	\$673	1.6x	1.6x
Withdrawn Commitments and Impairments ⁹		121	121	1	-	1	0.0x	0.0x
Total Investments⁵		\$1,860	\$1,746	\$931	\$218	\$1,148	0.9x	0.7x
Cash and Cash Equivalents					\$211			
Total Investments & Cash and Cash Equivalents					\$429			

Quarterly Performance Commentary

During the first quarter, the West Texas Intermediate (“WTI”) spot prices and S&P Oil & Gas Exploration & Production Index decreased by approximately 67 per cent. and 65 per cent., respectively, largely due to the macro backdrop becoming tumultuous as the confluence of the coronavirus pandemic and geopolitical instability with regards to OPEC+ have created unprecedented challenges within energy markets. Further detail on REL’s five largest positions, which account for 70 per cent. of the portfolio’s gross unrealised value, is set forth below:

ILX III

The Gross MOIC for ILX III was reduced from 1.2x to 0.7x during the first quarter due to the recent downturn in commodity prices which adversely impacted NAV and public market comparables. During the 1Q 2020, the company closed on the sale of its working interest in 18 exploration prospects to Talos Energy (NYSE: TALO, “Talos”). To date, the company has participated in nine commercial discoveries, of which four are currently producing oil. In 2020, ILX III plans to bring one additional asset online, with three others expected to come online in 2021 and 2022. As at 31 March 2020, ILX III had hedged approximately 40% of PDP oil production from March 2020 through September 2023 at a weighted average price of \$56/bbl.

Hammerhead

The Gross MOIC for Hammerhead was reduced from 0.4x to 0.1x during the first quarter to reflect the decline in commodity prices, continued uncertainty regarding macro conditions in Western Canada, and limited liquidity, which has forced the company to curb development activities. The company’s current focus is to preserve liquidity and provide runway to a more favorable commodity price environment, at which point Hammerhead will resume executing on its development program. Hammerhead has a strong hedge book with approximately 100 per cent. of forecasted 2020E oil production hedged at a weighted average price of CAD\$79/bbl.

Centennial

The Gross MOIC for Centennial decreased from 0.9x to 0.7x during the first quarter, reflecting the ending share price as at 31 March 2020, which traded down significantly during the first quarter as energy equities were severely impacted by the macro environment. Notwithstanding the performance of the company’s share price, Centennial’s daily equivalent and oil production volumes increased during 4Q19, outperforming original 2019 FY production guidance. As a result of the decrease in commodity prices, the company has reduced its drilling program to 1 rig and capital expenditures by approximately 50 per cent. for the 2020 fiscal year. Centennial continues to focus on balance sheet strength and liquidity in the current market environment. The company has also increased its hedges to protect against additional near-term commodity price declines, with approximately 25,500 barrels per day of oil hedged through September 2020 at a weighted average price of \$26.08 per barrel.

Liberty II

The Gross MOIC for Liberty II was reduced from 0.4x to 0.2x during the first quarter to reflect the ongoing decline in trading multiples among its publicly traded peers, as a result of the significant decline in oil prices during the quarter. The company continues to evaluate third-party financing alternatives in order to implement a longer-term solution to its existing RBL facility. Absent access to additional liquidity, Liberty will continue to curb its development activities in the near-term to remain within cash flow. As at 31 March 2020, Liberty had

hedged approximately 85 per cent. of forecasted PDP oil production at a weighted average price of \$55/bbl, for the 2020 and 2021 fiscal years.

Carrier II

The Gross MOIC for Carrier II was reduced from 0.7x to 0.4x during the first quarter driven by the recent decline in commodity prices. Carrier's Eagle Ford assets continue to perform strongly, and the company expects to bring 13 additional wells online in 2020. As at 31 March 2020, the company's assets were producing approximately 5,300 boepd and the company had hedged approximately 85 per cent. of forecasted PDP oil production at a weighted average price of \$60/bbl, for the 2020 fiscal year.

Other Investments

In other developments during the quarter, REL agreed to unwind its investment in Aleph by selling its position in the company back to Vista Oil & Gas S.A.B. de CV. REL received \$23.4 million in proceeds through a return of its invested capital at a 1.0x Gross MOIC.

In addition, the Gross MOIC for Ridgebury remained flat at 1.2x. Additionally, Ridgebury sold its spot vessel, the Nalini D, for approximately \$13 million. This sale substantially de-risked REL's investment in the company. To-date, the company has distributed approximately \$10 million net to REL.

On 28 February 2020, Talos closed on the acquisition of Castex 2014 for \$42 million in cash and 1.4 million shares of Talos stock. After adjusting for REL's ownership in the company, and customary purchase price adjustments, REL received approximately \$2 million in net proceeds. The Gross MOIC for Castex 2014 was reduced from 0.4x to 0.2x to reflect the decline in Talos' share price during the first quarter due to the macro environment.

Return of Capital

As advised on 23 April, the Board and the Investment Manager were in discussions around the desirability and method of returning some of the Company's existing uninvested cash to Shareholders. The Board announced on 1 May 2020 that they are initiating a buyback programme with the intention of returning £50 million to shareholders via on market buybacks using the current authority obtained at the 2019 AGM and, on the basis that the authority is renewed at the Company's forthcoming AGM in June, any further authority required.

Riverstone Energy Limited announces, pursuant to the authority granted at its annual general meeting in 2019, that it has authority to repurchase a maximum of 11,976,520 of its ordinary shares (being its outstanding shareholder authority). Such authority lasts until the next shareholder authority granted, or where expressly revoked by shareholders.

The Company has appointed and entered into separate engagements with J.P. Morgan Securities plc and Numis Securities Limited to act as its joint brokers in respect of market purchases of its own shares pursuant to this authority (the "buy backs").

The buy backs will be funded from the Company's resources. No maximum consideration payable has been determined by the Company for any buy back, but the Company is unable to pay a price for any shares pursuant to the buy backs which would equate to a premium on the net asset value.

The buy-backs will be undertaken for the purpose of the Company returning some of its excess uninvested cash to shareholders.

This arrangement is in accordance with Chapter 12 of the UKLA Listing Rules and the Company's general authority to repurchase shares.

About Riverstone Energy Limited:

REL is a closed-ended investment company that invests exclusively in the global energy industry across all sectors. REL aims to capitalise on the opportunities presented by Riverstone's energy investment platform. REL's ordinary shares are listed on the London Stock Exchange, trading under the symbol RSE. REL has 9 active investments spanning oil and gas, midstream, and energy services in the Continental U.S., Western Canada, Gulf of Mexico and Europe.

For further details, see www.RiverstoneREL.com

Neither the contents of Riverstone Energy Limited's website nor the contents of any website accessible from hyperlinks on the websites (or any other website) is incorporated into, or forms part of, this announcement.

Media Contacts

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Note:

The Investment Manager is charged with proposing the valuation of the assets held by REL through the Partnership. The Partnership has directed that securities and instruments be valued at their fair value. REL's valuation policy follows IFRS and IPEV Valuation Guidelines. The Investment Manager values each underlying investment in accordance with the Riverstone valuation policy, the IFRS accounting standards and IPEV Valuation Guidelines. The Investment Manager has applied Riverstone's valuation policy consistently quarter to quarter since inception. The value of REL's portion of that investment is derived by multiplying its ownership percentage by the value of the underlying investment. If there is any divergence between the Riverstone valuation policy and REL's valuation policy, the Partnership's proportion of the total holding will follow REL's valuation policy. There were no valuation adjustments recorded by REL as a result of differences in IFRS and U.S. Generally Accepted Accounting Policies for the period ended 31 March 2020 or in any period to date. Valuations of REL's investments through the Partnership are determined by the Investment Manager and disclosed quarterly to investors, subject to Board approval.

Riverstone values its investments using common industry valuation techniques, including comparable public market valuation, comparable merger and acquisition transaction valuation, and discounted cash flow valuation.

For development-type investments, Riverstone also considers the recognition of appreciation or depreciation of subsequent financing rounds, if any. For those early stage privately held companies where there are other indicators of a decline in the value of the investment, Riverstone will value the investment accordingly even in the absence of a subsequent financing round.

Riverstone reviews the valuations on a quarterly basis with the assistance of the Riverstone Performance Review Team ("PRT") as part of the valuation process. The PRT was formed to serve as a single structure overseeing the existing Riverstone portfolio with the goal of improving operational and financial performance.

The Board reviews and considers the valuations of the Company's investments held through the Partnership.

¹ GBP:USD FX rate of 1.234 as of 31 March 2020

² Net capital available of \$1,186 million is based on total capital raised of \$1,320 million, capital utilised for Tender Offer of \$72 million, realised profits and other income net of fees, expenses and performance allocation. The Board, with consultation by the Investment Manager, does not expect to fully fund all commitments in the normal course of business.

³ Gross realised capital is total gross proceeds realised on invested capital. Of the \$931 million of capital realised to date, \$639 million is the return of the cost basis, and the remainder is profit.

⁴ Gross Unrealised Value and Gross MOIC (Gross Multiple of Invested Capital) are before transaction costs, taxes (approximately 21 to 27.5 per cent. of U.S. sourced taxable income) and 20 per cent. carried interest on applicable gross profits in accordance with the revised terms announced on 3 January 2020, but effective 30 June 2019. Since there was no netting of losses against gains before the aforementioned revised terms, the effective carried interest rate on the portfolio as a whole will be greater than 20 per cent. In addition, there is a management fee of 1.5 per cent. of net assets (including cash) per annum and other expenses. Given these costs, fees and expenses are in aggregate expected to be considerable, Total Net Value and Net MOIC will be materially less than Gross Unrealised Value and Gross MOIC. Local taxes, primarily on U.S. assets, may apply at the jurisdictional level on profits arising in operating entity investments. Further withholding taxes may apply on distributions from such operating entity investments. In the normal course of business, REL may form wholly-owned subsidiaries, to be treated as C Corporations for US tax purposes. The C Corporations serve to protect REL's public investors from incurring U.S. effectively connected income. The C Corporations file U.S. corporate tax returns with the U.S. Internal Revenue Service and pay U.S. corporate taxes on its taxable income.

⁵ Amounts may vary due to rounding.

⁶ The unrealized value of the Rock Oil investment consists of rights to mineral acres.

⁷ Midstream investment.

⁸ Credit investment.

⁹ Withdrawn commitments consist of Origo (\$9 million) and CanEra III (\$1 million), and impairments consist of Eagle II (\$62 million) and Castex 2005 (\$48 million).