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Riverstone Energy Limited Announces 3Q19 Quarterly Portfolio Valuations

London, UK (24 October 2019) - Riverstone Energy Limited ("REL") announces its quarterly portfolio summary as of 30 September 2019, 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) ¹	Gross Unrealised Value (\$mm)	Gross Realised Capital & Unrealised Value (\$mm)	30 Sep 2019 Gross MOIC ²	30 Jun 2019 Gross MOIC ²
Centennial (6 Jul 2016)	Permian (U.S.)	\$268	\$268	\$172	\$68	\$240	0.9x	1.1x
ILX III (8 Oct 2015)	Deepwater GoM (U.S.)	200	155	5	181	186	1.2x	1.3x
Hammerhead Resources (27 Mar 2014)	Deep Basin (Canada)	307	295	23	84	107	0.4x	0.8x
RCO³ (2 Feb 2015)	North America	80	80	79	2	81	1.0x	1.0x
Carrier II (22 May 2015)	Permian & Eagle Ford (U.S.)	133	110	25	52	77	0.7x	0.8x
Liberty II (30 Jan 2014)	Bakken, PRB (U.S.)	142	142	-	71	71	0.5x	0.9x
Fieldwood (17 Mar 2014)	GoM Shelf (U.S.)	89	88	8	46	54	0.6x	0.7x
CNOR (29 Aug 2014)	Western Canada	90	90	16	11	27	0.3x	0.3x
Aleph (7 Sep 2019)	Latin America	100	23	-	23	23	1.0x	n/a
Ridgebury H3 (19 Feb 2019)	Global	22	18	1	21	22	1.2x	1.1x
Castex 2014 (3 Sept 2014)	Gulf Coast Region (U.S.)	67	50	-	15	15	0.3x	0.7x
Total Current Portfolio⁴		\$1,498	\$1,319	\$328	\$575	\$903	0.7x	0.9x

Realisations

Investment (Initial Investment Date)	Target Basin	Gross		Gross Realised Capital (\$mm) ¹	Gross Unrealised Value (\$mm)	Gross Realised Capital & Unrealised Value (\$mm)	30 Sep 2019 Gross MOIC ²	30 Jun 2019 Gross MOIC ²
		Committed Capital (\$mm)	Invested Capital (\$mm)					
Rock Oil⁵ (12 Mar 2014)	Permian (U.S.)	114	114	231	6	237	2.1x	2.1x
Three Rivers III (7 Apr 2015)	Permian (U.S.)	94	94	203	-	203	2.2x	2.2x
Meritage III⁶ (17 Apr 2015)	Western Canada	40	40	83	-	83	2.1x	2.1x
Sierra (24 Sept 2014)	Mexico	18	18	39	-	39	2.1x	2.1x
Total Realisations⁴		\$267	\$267	\$557	\$7	\$564	2.1x	2.1x
Withdrawn Commitments and Impairments ⁷		121	121	1	-	1	0.0x	0.0x
Total Investments⁴		\$1,886	\$1,707	\$886	\$581	\$1,467	0.9x	1.0x
Cash and Cash Equivalents					\$214			
Total Investments & Cash and Cash Equivalents⁴					\$795			

Quarterly Performance Commentary

The environment for energy companies, particularly within the onshore exploration and production (“E&P”) sector, continued to prove challenging as the front-month WTI oil price and S&P Oil & Gas Exploration & Production Index fell by 7 per cent. and 18 per cent. over the quarter, respectively. This has resulted in a further compression in trading multiples for the E&P sector, with many companies trading at historically low valuations.

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 methodologies. The unrealized valuations of REL’s onshore E&P investments have therefore been impacted by the deterioration in public company valuations, as well as the lack of M&A and financing activity in the market. Further detail on REL’s five largest investments, which account for approximately 80 per cent. of the portfolio’s gross unrealized value, is set out below:

ILX III

The Gross MOIC for ILX III was reduced from 1.3x to 1.2x during the third quarter following recent market activity, which resulted in applying higher discount rates and lower reserve multiples when valuing the company. To date, the company has participated in nine commercial discoveries, of which four are currently producing oil. The company intends to bring three additional projects online next year, which would result in total net production of approximately 8.5 mboepd by the end of 2020.

Hammerhead

The Gross MOIC for Hammerhead was reduced from 0.8x to 0.4x as a result of lower future production estimates and the postponement of the contemplated financing of Hammerhead's midstream assets. Specifically, this resulted in a reduction in value for the production and net asset value components of Hammerhead's valuation. The change in valuation is reflective of the continued pullback in capital markets activity and ongoing challenges for Canadian oil producers, resulting in limited access to liquidity for Hammerhead to grow production in the current environment. The Alberta government has extended production curtailment on certain oil and gas producers through year-end 2020, due to delays in the development of takeaway infrastructure. While Hammerhead is no longer impacted by the curtailment regulations given the recent change to exemption levels, the uncertainty regarding macro conditions and infrastructure development in Western Canada continues to weigh on valuations.

The company is focusing its development plan on multi-well pad activity in the Gold Creek and South Karr areas. In Gold Creek, Hammerhead successfully brought online a six-well pad materially below budget this summer, and results have been encouraging to date. Hammerhead is targeting average net production of approximately 29,000 boepd in 2019. During the third quarter, the company signed a farm-out agreement on a portion of its acreage to accelerate development while not impacting near-term liquidity.

Liberty II

The Gross MOIC for Liberty II was reduced from 0.9x to 0.5x during the third quarter reflecting the ongoing decline in trading multiples among its publicly traded peers, as well as challenging capital markets and a lack of strategic buyer interest. Absent access to additional liquidity, Liberty will continue to limit its development activities to remain within cashflow in the near-term. During 2019, the Company has continued to develop its East Nesson acreage, having completed a five-well pad during the third quarter below budgeted cost, with initial well results appearing positive.

Centennial

The Gross MOIC for Centennial was reduced from 1.1x to 0.9x during the third quarter reflecting the decline in its share price. Notwithstanding the performance of its share price, operational performance continues to be strong with Centennial increasing both daily oil and equivalent production volumes in the second quarter. Furthermore, Centennial raised 2019 FY production guidance by 8 per cent. with no expected increase in capital expenditures. As of its second quarter results, Centennial had a strong balance sheet with a net debt to LTM EBITAX ratio of 1.3x, over \$800m of liquidity and no bond maturities until 2026.

Carrier II

The Gross MOIC for Carrier II was reduced from 0.8x to 0.7x during the third quarter reflecting negative investor sentiment within the broader market. The company's Eagle Ford asset continues to perform strongly with 28 wells brought online through August, and continues to generate free cash flow while realizing material reductions in cost structure created through subsurface improvements. At 30 September 2019, the company's assets were producing approximately 6,600 boepd. To-date, Carrier II has made \$25 million in distributions to REL, representing approximately 23 per cent. of REL's cost base.

Recent Sale of Shares

The Investment Manager would like to provide additional clarification regarding the disposal of 55,379 REL shares in August 2019 and 300,000 REL shares in September 2019, in aggregate, by REL Coinvestment, LP and Riverstone Energy Limited Capital Partners, LP, both of which are entities which facilitate the investment in REL shares by Riverstone employees. The entities which disposed of REL shares are deemed "Persons Closely Associated with each of David Leuschen, Pierre Lapeyre, Jr. and Kenneth Ryan," who are directors of REL, for the purposes of applicable share dealing disclosure requirements of the EU Market Abuse Rules. However, the relevant shares were sold on behalf of Riverstone employees other than Mr. Leuschen, Mr. Lapeyre, and Mr. Ryan, each of whose direct and indirect holdings in REL remain unchanged. The Riverstone Directors of REL, employees and related parties, collectively, remain one of the largest shareholders in REL, with ownership totalling 8.35 per cent. of the shares outstanding as of 30 September 2019.

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 is a member of the FTSE 250 and its ordinary shares are listed on the London Stock Exchange, trading under the symbol RSE. REL has 11 active investments spanning oil and gas, midstream, and energy services in the Continental U.S., Western Canada, Gulf of Mexico, Latin America and credit.

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.

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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 30 September 2019 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 Audit Committee reviews the valuations of the Company's investments held through the Partnership, and makes a recommendation to the Board for formal consideration and acceptance.

¹ Gross realised capital is total gross proceeds realised on invested capital. Of the \$886 million of capital realised to date, \$596 million is the return of the cost basis, and the remainder is profit.

² 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 gross profits (without a hurdle rate). Since there is no netting of losses against gains, 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.

³ Credit investment.

⁴ Amounts may vary due to rounding.

⁵ The unrealised value of the Rock Oil investment consists of rights to mineral acres.

⁶ Midstream investment.

⁷ 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).