



BISON INTERESTS LLC

2914 White Oak Dr.
Houston, TX 77007
713-724-5072
carter@bisoninterests.com

Dear Bison Investors,

June 18th, 2018

Another strong month for Bison, meaningfully exceeding the index at 17.4%, net, in May.

As I alluded to in this month's note title, Rudyard Kipling reminds us in his poem, "If", that it's important to "...keep your head, when all about you are losing theirs..." Bison remains focused on the larger prize-material multi-year out performance for our investors.

Bison's capital is deployed in the right place to generate outsized returns, while limiting downside risk.

It's good to have good months and we remind you to not get carried away by monthly statements and rest assured we're keeping our eye on the ball.

Meanwhile, the energy credit market remains white hot and the Bison strategy of owning companies that are trading at discounts to liquidation values and low cash flow multiples with strong management teams, healthy balance sheets, and good assets is ideal.

There have been several primary credit issuances and secondary tack-on offerings at low interest rates and this is positive for companies selling assets as cheap cost of capital drives transactions.

Recently, we've seen transactions across various basins at prices that are particularly attractive to where our public equity portfolio is trading.

Bison owns companies at large discounts relative to their asset values that are increasing their asset values every year and are led by teams that have long track records of achieving success doing exactly this- again and again.

Bison has benefitted as one after another of our portfolio companies get picked up by private equity companies or other larger public companies.

Even when a transaction price for a Bison portfolio company has been lower than the broader market anticipated, it's been at a large premium to our cost basis and to where the shares are trading. This further validates Bison's effectiveness at entering a position with an established margin of safety.

Cheap credit drives higher asset transaction values and higher asset transaction values are helpful to Bison as this translates to higher purchase prices of our portfolio companies.

Since inception, we have shared detailed, real life examples in our portfolio that substantiate our strategy and initial premise and there is no better example than what has taken place within the last 30 days, since our last monthly note.

On May 22nd, Velvet, a Warburg Pincus backed company, made a hostile, unsolicited bid to buy Iron Bridge Resources (IBR) in an all cash deal.

Bison took a control position in IBR in early 2017 and it is the largest position in the fund today. Additionally, IBR is the largest shareholder of IBR today.

The offer made by Velvet was at a 56% premium to where IBR had been trading the week prior and Bison is voting 'no' to the offer.

Bison didn't set out to be an activist strategy and the driving force that compelled us to take a more active approach in IBR was the continued improvement we were seeing in each generation of wells in IBR's core area. We recognized massive potential in IBR and identified a way to unlock value, which led to our refreshing the existing management team and bringing in a world-class management team that had proven performance in IBR's core area.

There are several cases across the Bison portfolio that we are seeing productivity improvements and in the case of IBR we had the unique opportunity to seize a control position without paying a control premium.

Today, IBR is on their fifth generation of well design and there continues to be material improvement in productivity.

Leading 3rd party reserve engineers report that there is approximately 3.2BBL of oil in place (OIP) that is theoretically recoverable just on IBR's 50k net acres in the Montney. While we certainly don't expect that to ever be fully recovered, IBR has gone from recovering 0.5% of this OIP to 2% and might get to 3% in a relatively short period of time. This is a step change for IBR's business as that amount of recovery is a substantial difference in the world of oil and gas production.

It's worth pointing out that Velvet's offer serves as confirmation of IBR's value as Velvet has the most up to date information on the area and they've drilled the most wells in the subject area.

In IBR, Bison owns a company run by a world class management team, with a healthy balance sheet, good assets, improving technology, and at a discount to the company's liquidation value.

For these reasons and given our view on the net asset value of IBR, we like owning this position and, therefore, are not sellers to Velvet at the price offered.

Generally speaking, hostile bids aren't made and executed at the original price offered and we expect there might be an increase in Velvet's offer price and we are committed to considering a higher offer.

As we work in the business and on the business, we're constantly reminded how important it is to step back and gain perspective. Sensationalism more often wins the day in recent times and it's easy to find ourselves overwhelmed by the noise and overlook what is accurate.

We invite you to take a step back, a deep breath, and consider the Bison opportunity-set with clear eyes and a sober mind...

Bison Energy Opportunity Fund, L.P. | www.bisoninterests.com | 713.724.5072

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It is an aberration for public companies to be trading at a discount to private companies. This will change. As has always been the case since the beginning of time, this aberration reverts to the mean. In the interim, Bison continues to pay attention and prudently deploy capital and we're fortunate to own our portfolio companies at such large discounts.

The Bison portfolio will flip from trading at a discount to trading at a premium and as we see a revaluing of assets in our portfolio, we are sellers on the way up and are happily returning profits to our investors.

Remember, money prefers liquidity and transparency and pays up for such fundamental and firmly held principles. Bison provides liquidity and transparency to investors and we are able to deploy significantly more capital right now, in advance of the inevitable shift of capital back into public energy equities.

We are grateful for your trust and confidence in us and thankful to have you as an investor. Please reach out to us directly if you have any questions or if there's something you'd like to discuss further.

Make It Count,
Carter Higley

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