

WATEROUS ENERGY FUND

Waterous Energy Fund announces the combination of Strath Resources Ltd. and Cona Resources Ltd. to create the leading private North American oil producer, Strathcona Resources Ltd.

Calgary – August 14, 2020 – Waterous Energy Fund (“WEF”) today announced the amalgamation of two portfolio companies, Cona Resources Ltd. (“Cona”) and Strath Resources Ltd. (“Strath”), to form Strathcona Resources, Ltd. (“Strathcona”). Strathcona is the largest wholly private equity-owned, oil-weighted producer in North America, with production of ~60,000 Boe / d (67% oil and liquids), a 40-year reserve life index, industry-leading full-cycle margins, a base oil decline rate of approximately 10%, and low carbon emissions per barrel. Strathcona is a uniquely positioned producer with a portfolio of condensate and natural gas production to complement its heavy oil operations. Strathcona is 100% owned by WEF and Strathcona employees.

Strathcona’s leadership team includes executives from both Strath and Cona, with Rob Morgan as President and CEO, Michael Makinson as VP Finance and CFO, Tom Everest as VP Development, Nolan Lerner as VP Production, Connie De Ciancio as VP Corporate, and Mark Teasdale as VP Drilling and Completions. Steve Fagan, founder and former CEO of Strath, will continue to contribute to Strathcona as Vice Chairman.

Adam Waterous, WEF’s CEO, commented, “We believe that the Strath and Cona assets fit perfectly together, with Strath’s condensate and natural gas production closely matching Cona’s condensate and natural gas operational requirements. Together, Strath and Cona create a premier company with sufficient scale and commodity diversity to withstand the current market volatility and generate substantial free cash flow after sustaining capital expenditures. This transaction fits with WEF’s strategy of acquiring companies with trophy properties in special situations and pursuing an action-oriented value creation plan through recapitalizing, restructuring and repositioning the businesses.”

Rob Morgan, CEO of Strathcona, commented, “We believe the combined Strathcona business is financially stronger and better positioned to generate sustainable free cash flow than either Strath or Cona on a standalone basis. I am very excited to be working with the Strath and Cona teams as we continue the excellent work both companies have achieved in optimizing the operational and financial performance of our assets.”

Since 2017, WEF has completed six separate transactions to create Strathcona, investing approximately C\$1.5 billion in equity from WEF’s first private equity fund and co-investors. Strathcona has a simple capital structure with all debt held by a consortium of Canadian banks.

Waterous added, “Technology has disrupted the North American oil and gas industry’s historic M&A dynamics and traditional growth-oriented operating and investing thesis. To capitalize on this new era, we have used an innovative investing model to build Strathcona into a scaled company which can continue to consolidate complementary businesses and/or use its free cash flow to provide dividends.” Waterous went on, “In 2017, we named Strath and Cona in honour of Lord Strathcona, Canada’s greatest industrialist and its most impactful energy investor. Following Lord Strathcona’s trailblazing example, Strathcona Resources is pioneering a new prototype for Canadian oil and gas companies.”

Advisors

RBC Capital Markets acted as exclusive financial advisor to WEF in connection with the transaction.

ATB Capital Markets provided a fairness opinion to Strath in connection with the transaction.

TD Securities, RBC Capital Markets and Scotiabank served as Co-Lead Arrangers and Joint Bookrunners, and ATB Financial served as Documentation Agent, on the expanded Strathcona credit facility.

Stikeman Elliott LLP served as legal advisor to WEF, and Blake, Cassels & Graydon LLP served as legal advisor to Strath and Cona in connection with the transaction.

About Waterous Energy Fund: Waterous Energy Fund is a Calgary-based energy investment firm with offices in Houston and New York. Founded in 2017, the firm is pursuing investments in the North American oil and gas sector. For additional information, see www.waterous.com

For more information, please contact:

Adam Waterous
CEO and Managing Partner Waterous
Energy Fund
info@waterous.com
(403) 930-6048