

WATEROUS ENERGY FUND

Waterous Energy Fund announces the amalgamation of Strathcona Resources Ltd. and Osum Oil Sands Corp. and the closing of a new C\$1.0 billion covenant-based credit facility

Transaction creates the largest private equity-owned oil producer in North America, with ~1.7 BnBoe of 2P reserves, ~80,000 Boe / d of production, and a ~60-year reserve life

Financing marks the first new covenant-based loan issued to a Canadian oil and gas producer since 2018 and the first ever for a private exploration and production company in Canada

CALGARY, AB, June 11, 2021 /CNW/ - Waterous Energy Fund (“WEF”) today announced the closing of the amalgamation of its two portfolio companies, Strathcona Resources Ltd. (“Strathcona”) and Osum Oil Sands Corp. (“Osum”). The amalgamated entity will continue in business under the name Strathcona Resources Ltd. and will remain 100% owned by WEF, WEF co-investors and Strathcona employees. Strathcona is the product of nine separate transactions completed by WEF since 2017, including three take-private transactions and two bankruptcy situations.

Strathcona will have ~80,000 Boe / d (75% oil and liquids) of production, 1.7 BnBoe of proved-plus-probable (2P) reserves, and a ~60-year reserve life index. As measured by 2P reserves, Strathcona is the largest private-equity owned oil producer in North America and the 6th largest oil-weighted company in Canada. Strathcona is comprised of long-life, low-decline, high free cash flow oil assets that are naturally hedged with natural gas and condensate production, across three core operating areas: (1) Cold Lake thermal oil; (2) Montney condensate-rich gas; and (3) Saskatchewan enhanced oil recovery. Strathcona has an industry-leading full-cycle WTI breakeven of ~US\$35/Bbl, a ~10% base oil decline rate, and a large infrastructure footprint that provides optionality to grow production organically.

WEF and Strathcona place a high priority on the health and safety of its employees and on the company’s environmental stewardship. Strathcona has an innovative executive compensation scheme that ties 25% of all incentive compensation to annual health, safety, and environmental goals, a level that is approximately 10x higher than the average public exploration and production company. The combined business’s greenhouse gas emission intensity per barrel of oil is significantly below the world average.

New C\$1.0 Billion Covenant-Based Loan

Concurrent with the amalgamation, Strathcona has secured a new covenant-based C\$1.0 billion credit facility with a syndicate of Canadian, U.S., and international banks. This marks the first new covenant-based loan issued to a Canadian oil and gas producer since 2018 and the first ever for a private exploration and production company in Canada.

Leadership

Strathcona will be led by the existing Strathcona management team and board of directors. Strathcona’s management team includes Rob Morgan (President & CEO), Michael Makinson (Senior VP & CFO), and Steve Fagan (Vice Chairman), and its board is comprised of Strathcona management and WEF investment professionals.

Adam Waterous, CEO of WEF, commented, “Over the past four and a half years we have built Strathcona by consolidating complementary businesses to create a premier energy company with strong ESG fundamentals and the ability to pay substantial dividends to shareholders. Pro forma for the Osum merger, Strathcona is a stronger business that can both defensively withstand market volatility and offensively continue its consolidation strategy.”

Rob Morgan commented, “The merger of Strathcona and Osum provides additional scale and enhanced operational and cost synergies allowing the company to continue to pursue long-term value creation for our shareholders while respecting the interests of all stakeholders.”

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Advisors

ATB Capital Markets and BMO Capital Markets acted as financial advisors to Strathcona in connection with the transaction. CIBC Capital Markets and Scotiabank acted as financial advisors to Osum in connection with the transaction.

TD Securities, RBC Capital Markets, Scotia Capital, CIBC Capital Markets, and BMO Capital Markets served as Co-Lead Arrangers and Joint Bookrunners on Strathcona's new covenant-based credit facility. TD Securities served as Administrative Agent.

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

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.