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These materials are important and require your immediate attention. They require the Shareholders of Pipestone Energy Corp. to make important decisions. If you are in doubt as to how to make such decisions please contact your financial, legal, tax or other professional advisors. Shareholders of Pipestone Energy Corp. who have questions or require assistance with voting their shares may contact Pipestone's strategic shareholder advisor and proxy solicitation agent: Kingsdale Advisors, by telephone at 1-877-659-1824 (North American Toll Free) or 416-623-2514 (Outside North America), or by email at: contactus@kingsdaleadvisors.com. To obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.



**NOTICE OF SPECIAL MEETING OF THE SHAREHOLDERS OF PIPESTONE ENERGY CORP.
TO BE HELD ON SEPTEMBER 27, 2023**

and

**NOTICE OF ORIGINATING APPLICATION
TO THE COURT OF KING'S BENCH OF ALBERTA**

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a

PROPOSED ARRANGEMENT

involving

**PIPESTONE ENERGY CORP., STRATHCONA RESOURCES LTD., PENNANT ENERGY INC.,
THE HOLDERS OF COMMON SHARES OF
PIPESTONE ENERGY CORP. AND THE HOLDERS OF VOTING CLASS A COMMON SHARES AND
VOTING CLASS B COMMON SHARES OF STRATHCONA RESOURCES LTD.**

**The Board of Directors of PIPESTONE recommends that the
Shareholders vote "FOR" the Arrangement.**

August 25, 2023

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS	i
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF PIPESTONE	iv
NOTICE OF ORIGINATING APPLICATION	vii
VOTING INFORMATION	x
 INFORMATION CIRCULAR.....	 1
GLOSSARY OF TERMS	1
GENERAL	13
SUMMARY	21
THE ARRANGEMENT	30
Background to the Arrangement	30
Reasons For and Anticipated Benefits of the Arrangement	37
Financial Advisors and Fairness Opinions	39
Recommendation of the Pipestone Board	40
Procedure for the Arrangement to Become Effective	41
Treatment of Pipestone Securities	41
Consequences of Shareholder Approval Not Being Obtained	42
The Arrangement Agreement	42
Shareholder Approval	57
Support Agreements	57
Court Approval of the Arrangement	58
Pre-Arrangement Reorganization	58
Regulatory Matters	59
Stock Exchange Listings	60
Interests of Certain Persons in the Arrangement	60
Procedure for Exchange of Certificates or DRS Advices by Pipestone Shareholders	61
Canadian Securities Law Matters	64
United States Securities Law Matters	65
RISK FACTORS	66
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	69
Holders Resident in Canada	70
Holders Not Resident in Canada	72
Eligibility for Investment	74
CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO U.S. HOLDERS	75
Scope of Disclosure	75
U.S. Federal Income Tax Consequences of the Arrangement to U.S. Holders	77
Additional Considerations Relevant to U.S. Holders	81
INFORMATION CONCERNING PIPESTONE	82
INFORMATION CONCERNING STRATHCONA	83
INFORMATION CONCERNING AMALCO UPON COMPLETION OF THE ARRANGEMENT	83
DISSENTING SHAREHOLDER RIGHTS	83
INFORMATION CONCERNING THE MEETING	85
LEGAL MATTERS	92
QUESTIONS AND OTHER ASSISTANCE	92
APPROVAL	92
 APPENDIX "A" — ARRANGEMENT RESOLUTION	
APPENDIX "B" — INTERIM ORDER	
APPENDIX "C" — ARRANGEMENT AGREEMENT	
APPENDIX "D" — BMO FAIRNESS OPINION	
APPENDIX "E" — RJL FAIRNESS OPINION	
APPENDIX "F" — SECTION 191 OF THE <i>BUSINESS CORPORATIONS ACT</i> (ALBERTA)	
APPENDIX "G" — INFORMATION CONCERNING PIPESTONE ENERGY CORP.	
APPENDIX "H" — INFORMATION CONCERNING STRATHCONA RESOURCES LTD.	
APPENDIX "I" — INFORMATION CONCERNING AMALCO AFTER GIVING EFFECT TO THE ARRANGEMENT	



LETTER TO THE SHAREHOLDERS OF PIPESTONE ENERGY CORP.

August 25, 2023

Dear Shareholders of Pipestone Energy Corp.:

You are invited to attend the special meeting of the Pipestone Shareholders (the "**Meeting**") to be held at 10:00 a.m. (Calgary time) on September 27, 2023 in a virtual-only format that will be conducted via live audio webcast accessible at <https://web.lumiagm.com/218234565>, password: "pipestone2023" (case sensitive). The "**Pipestone Shareholders**" are the holders of common shares (the "**Pipestone Shares**") of Pipestone Energy Corp. ("**Pipestone**").

At the Meeting, Pipestone Shareholders will be asked to consider, and, if deemed advisable, to pass a special resolution (the "**Arrangement Resolution**"), approving an arrangement (the "**Arrangement**") pursuant to Section 193 of the *Business Corporations Act* (Alberta) ("**ABCA**") which provides for, among other matters, the amalgamation of Strathcona Resources Ltd. ("**Strathcona**") and Pipestone and the continuation of such corporations as one corporation under the name of "Strathcona Resources Ltd." ("**AmalCo**"). Pursuant to the Arrangement, Pipestone Shareholders will receive, in exchange for each Pipestone Share held, 0.067967 of a common share in the capital of AmalCo ("**AmalCo Shares**"). Immediately upon completion of the Arrangement, assuming there are no dissenting shareholders and that no Pipestone Shares or shares of Strathcona are issued between the date of the Information Circular (as defined below) and the completion of the Arrangement, existing Strathcona Shareholders and existing Pipestone Shareholders are expected to collectively own approximately 91.1% and 8.9%, respectively, of the AmalCo Shares.

Provided the Pipestone Shareholders approve the Arrangement, it is anticipated that the Arrangement will be completed on or about October 2, 2023, subject to obtaining approval of the Court of King's Bench of Alberta, approval under the *Competition Act* (Canada), which as of the date hereof has been obtained, and approval of the Toronto Stock Exchange for the listing of the AmalCo Shares and the satisfaction of other customary conditions contained in the arrangement agreement entered into between Pipestone and Strathcona, dated effective as of July 31, 2023 and as amended and restated as of August 22, 2023 (as further supplemented, modified, amended or amended and restated in accordance with its terms, the "**Arrangement Agreement**").

Full details of the Arrangement are set out in the accompanying Notice of Special Meeting of Shareholders of Pipestone and management information circular of Pipestone (the "**Information Circular**"). The Information Circular contains a detailed description of the Arrangement, including certain risk factors relating to the completion of the Arrangement and information concerning each of Pipestone, Strathcona and the combined business upon completion of the Arrangement. You should consider carefully all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisor.

The full text of the Arrangement Resolution is set forth in Appendix "A" to the Information Circular. In order for the Arrangement to be approved at the Meeting, the Arrangement Resolution must be approved by not less than $66\frac{2}{3}\%$ of the votes cast by the Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting.

BMO Nesbitt Burns Inc. ("**BMO Capital Markets**") is acting as financial advisor to the special committee (the "**Pipestone Special Committee**") of the board of directors of Pipestone (the "**Pipestone Board**"), composed of independent directors, in connection with the Arrangement. Raymond James Ltd. ("**RJL**") is

acting as financial advisor to the Pipestone Board in connection with the Arrangement. Each of BMO Capital Markets and RJL have provided a written fairness opinion, to the Pipestone Special Committee and the Pipestone Board, respectively, stating that, based upon and subject to certain assumptions, limitations and qualifications as set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders. The written fairness opinion of BMO Capital Markets to the Pipestone Special Committee is attached as Appendix "D" to the Information Circular and the written fairness opinion of RJL to the Pipestone Board is attached as Appendix "E" to the Information Circular.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the fairness opinion provided by BMO Capital Markets and the terms and conditions of the Arrangement Agreement, the Pipestone Special Committee has unanimously: (i) determined that the Arrangement is fair to the Pipestone Shareholders; (ii) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (iii) recommended that the Pipestone Board approve the Arrangement.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the unanimous recommendation of the Pipestone Special Committee, the RJL Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Board has: (i) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (ii) approved the Arrangement and the entering into of the Arrangement Agreement by Pipestone; (iii) determined that the Arrangement is fair to the Pipestone Shareholders; and (iv) resolved to recommend that the Pipestone Shareholders vote in favour of the Arrangement.

The Pipestone Board recommends that Pipestone Shareholders vote FOR the Arrangement Resolution.

Pipestone Shareholders holding, in the aggregate, approximately 39% of the Pipestone Shares have entered into voting support agreements pursuant to which they have agreed to, among other things, vote in favour of the Arrangement Resolution, and otherwise support the Arrangement.

It is important that your Pipestone Shares be represented at the Meeting. Pipestone Shareholders who are unable to attend the Meeting virtually are requested to complete, date and sign their form of proxy and return it to Pipestone's transfer agent, Odyssey Trust Company, Proxy Dept., Traders Bank Building 702, 67 Yonge Street Toronto, ON M5E 1J8, or by facsimile at 1-800-517-4553, not later than 10:00 a.m. (Calgary time) on September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened or held, as the case may be. Registered Pipestone Shareholders may also use the internet site at <https://login.odysseytrust.com/pxlogin> to transmit their voting instructions. Non-registered or beneficial Pipestone Shareholders (collectively, the "Beneficial Pipestone Shareholders") who do not hold Pipestone Shares in their own name but rather through a broker, financial institution, trustee, nominee or other intermediary must complete and return the voting instruction form provided to them or follow the telephone or internet-based voting procedures described therein in advance of the deadline set forth in the voting instruction form in order to have such Pipestone Shares voted at the Meeting on their behalf. A proxyholder need not be a Pipestone Shareholder. If a Pipestone Shareholder receives more than one proxy form because such Pipestone Shareholder owns Pipestone Shares registered in different names or addresses, each proxy form should be completed and returned.

Beneficial Pipestone Shareholders will receive the AmalCo Shares in exchange for their Pipestone Shares through their nominee. Only registered Pipestone Shareholders are required to complete a letter of transmittal (the "**Letter of Transmittal**") in accordance with the instructions included, sign and return it to Odyssey Trust Company, in the envelope provided, together with the certificates or direct registration statement advices ("**DRS Advice**") representing the Pipestone Shares and any other required documents

in order to receive the AmalCo Shares. The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) or DRS Advice(s) representing your AmalCo Shares under the Arrangement. You will not receive your AmalCo Shares under the Arrangement until after the Arrangement is completed and you have returned your properly completed documents, including the Letter of Transmittal, the certificate(s) or DRS Advice(s) representing your Pipestone Shares and any other required documentation to Odyssey Trust Company.

If you are a Pipestone Shareholder and you have any questions about the information contained in the Information Circular or require assistance in completing your form of proxy, please contact your financial, legal, tax or other professional advisors or Kingsdale Advisors, by telephone at 1-877-659-1824 (North American Toll Free) or 416-623-2514 (Outside North America), or by email at: contactus@kingsdaleadvisors.com. To obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.

On behalf of the Pipestone Board, I would like to thank all Pipestone Shareholders for their ongoing support as we work towards completion of this important transaction. We would also like to thank our employees who have worked very hard in assisting us throughout this process.

Yours very truly,

(Signed) "*Dustin Hoffman*"

Chief Operating Officer and Interim President and Chief Executive Officer
Pipestone Energy Corp.

PIPESTONE ENERGY CORP.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF PIPESTONE ENERGY CORP.

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of King's Bench of Alberta (the "**Court**") dated August 25, 2023, a special meeting (the "**Meeting**") of the holders ("**Pipestone Shareholders**") of common shares ("**Pipestone Shares**") of Pipestone Energy Corp. ("**Pipestone**") shall be held at 10:00 a.m. (Calgary time) on September 27, 2023 in a virtual-only format that will be conducted via live audio webcast accessible at <https://web.lumiagm.com/218234565>, password: "pipestone2023" (case sensitive). The Meeting shall be held for the following purposes:

1. to consider, and if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix "A" to the accompanying management information circular of Pipestone (the "**Information Circular**"), to approve an arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving among others, Pipestone, Strathcona Resources Ltd. ("**Strathcona**"), Pennant Energy Inc., the Pipestone Shareholders and the holders of voting class A common shares and voting class B common shares of Strathcona, whereby, among other things, Strathcona will amalgamate with Pipestone, and Pipestone Shareholders will receive shares in the combined entity for their Pipestone Shares, all as more particularly described in the Information Circular; and
2. to transact such other business, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof.

Full details of the Arrangement are set out in the Information Circular, which accompanies this Notice of Special Meeting. The full text of the Arrangement Resolution is set out in Appendix "A" to the Information Circular and the Interim Order is attached as Appendix "B" to the Information Circular.

The board of directors of Pipestone (the "Pipestone Board") recommends that Pipestone Shareholders vote FOR the Arrangement Resolution. It is a condition to the completion of the Arrangement that the Arrangement Resolution be approved by Pipestone Shareholders at the Meeting. If the Arrangement Resolution is not approved by Pipestone Shareholders, the Arrangement will not be completed.

The Pipestone Board has set the close of business on August 25, 2023 (the "**Record Date**") as the record date for determining Pipestone Shareholders who are entitled to receive notice of the Meeting.

Pipestone Shareholders of record as at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote those Pipestone Shares included in the list of Pipestone Shareholders entitled to vote at the Meeting prepared as at the Record Date, unless, any such Pipestone Shareholder transfers Pipestone Shares after the Record Date and the transferee of those Pipestone Shares, having produced properly endorsed certificates evidencing such Pipestone Shares or having otherwise established that he, she or it owns such Pipestone Shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of Pipestone Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Pipestone Shares at the Meeting.

The Arrangement Resolution must be approved by not less than 66⅔% of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting.

It is important that your Pipestone Shares be represented at the Meeting. If you are unable to attend (virtually) the Meeting, we urge you to complete, sign and mail the applicable enclosed form(s) of proxy to, or deposit it with, Odyssey Trust Company, Proxy Dept., Traders Bank Building 702, 67 Yonge Street Toronto, ON M5E 1J8, or by facsimile at 1-800-517-4553, not later than 10:00 a.m. (Calgary time) on

September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened or held, as the case may be.

Non-registered or beneficial Pipestone Shareholders who do not hold Pipestone Shares in their own name but rather through a broker, financial institution, trustee, nominee or other intermediary must complete and return the voting instruction form provided to them or follow the telephone or internet-based voting procedures described therein in advance of the deadline set forth in the voting instruction form in order to have such Pipestone Shares voted at the Meeting on their behalf.

A proxyholder has discretion under the accompanying form of proxy in respect of amendments or variations to matters identified in this Notice of Special Meeting and with respect to other matters which may properly come before the Meeting, or any adjournment thereof. As of the date hereof, management of Pipestone knows of no amendments, variations or other matters to come before the Meeting other than the matters set forth in this Notice of Special Meeting. Pipestone Shareholders who are planning on returning the form of proxy or voting information form, as applicable, are encouraged to review the Information Circular carefully before submitting the proxy form or voting information form, as applicable.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote FOR the Arrangement Resolution.

Pursuant to the Interim Order, registered Pipestone Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Pipestone Shares in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A registered Pipestone Shareholder wishing to exercise the right of dissent with respect to the Arrangement must send to Pipestone a written objection to the Arrangement Resolution, which written objection must be received by Pipestone c/o McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont (email: ldelamont@mccarthy.ca) by no later than 4:00 p.m. (Calgary time) on September 20, 2023 or, if the Meeting is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five business days immediately preceding the date on which the Meeting is reconvened or held, and must otherwise strictly comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A registered Pipestone Shareholder's right to dissent is more particularly described in the Information Circular, and a copy of the Interim Order and the text of Section 191 of the ABCA are set forth in Appendix "B" and Appendix "F", respectively, to the Information Circular.

Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right of dissent. Persons who are beneficial owners of Pipestone Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Pipestone Shares are entitled to dissent. Accordingly, a beneficial owner of Pipestone Shares desiring to exercise this right must make arrangements for the Pipestone Shares beneficially owned by such Pipestone Shareholder to be registered in the Pipestone Shareholder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Pipestone or, alternatively, make arrangements for the registered holder of such Pipestone Shares to dissent on the Pipestone Shareholder's behalf. It is strongly suggested that any Pipestone Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the ABCA, as modified by the Interim Order and the Plan of Arrangement, may prejudice such Pipestone Shareholder's right to dissent.

DATED at Calgary, Alberta, this 25th day of August, 2023.

**BY ORDER OF THE BOARD OF DIRECTORS
OF PIPESTONE ENERGY CORP.**

(Signed) "*Dustin Hoffman*"
Chief Operating Officer and Interim President
and Chief Executive Officer

IN THE COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*,
R.S.A. 2000, C. B.9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
PIPESTONE ENERGY CORP., STRATHCONA RESOURCES LTD., PENNANT ENERGY INC., THE
HOLDERS OF COMMON SHARES OF
PIPESTONE ENERGY CORP. AND THE HOLDERS OF VOTING CLASS A COMMON SHARES AND
VOTING CLASS B COMMON SHARES OF STRATHCONA RESOURCES LTD.

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "**Application**") has been filed with the Court of King's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Pipestone Energy Corp. ("**Pipestone**") and Strathcona Resources Ltd. ("**Strathcona**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving, among others, Pipestone, Strathcona, Pennant Energy Inc. ("**Pennant**"), the holders (the "**Pipestone Shareholders**") of common shares (the "**Pipestone Shares**") of Pipestone and the holders (the "**Strathcona Shareholders**") of voting class A common shares and voting class B common shares of Strathcona. The Arrangement is described in greater detail in the management information circular of Pipestone dated August 25, 2023 (the "**Information Circular**"), accompanying this Notice of Originating Application.

At the hearing of the Application, Pipestone and Strathcona intend to seek:

- (a) a declaration that the applicable statutory procedures for the Arrangement have been met;
 - (b) a declaration that the application has been put forward in good faith;
 - (c) a declaration that the Arrangement is fair and reasonable to the Pipestone Shareholders, the Strathcona Shareholders, and other persons affected by the Arrangement;
 - (d) an order approving the Arrangement pursuant to Section 193(4) of the ABCA;
 - (e) a declaration that the Arrangement will, upon filing the Articles of Arrangement pursuant to Section 193(4.1) of the ABCA and the issuance of the proof of filing of Articles of Arrangement pursuant to Section 193(11) of the ABCA, become effective in accordance with its terms and will be binding on all persons affected by the Arrangement; and
 - (f) such other and further orders, declarations and directions as the Court may deem just,
- (collectively, the "**Final Order**").

AND NOTICE IS FURTHER GIVEN that the Application is directed to be heard before a Justice of the Court of King's Bench of Alberta, via Webex video conference in Virtual Courtroom 60 (<https://albertacourts.webex.com/meet/virtual.courtroom60>), on September 28, 2023 at 12:45 p.m. (Calgary time) or as soon thereafter as counsel may be heard. **Any Pipestone Shareholder, Strathcona Shareholder, or other interested party desiring to appear (virtually) and make submissions at the Application is required to file with the Court and serve upon Pipestone and Strathcona, on or before 4:00 p.m. (Calgary time) on September 21, 2023 (or the day that is five Business Days prior to the date of the hearing if it is not held on September 28, 2023), a notice of intention to appear including the interested party's address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by email), indicating whether such interested party intends**

to support or oppose the Application or make submissions at the Application, together with a summary of the position such interested party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on Pipestone and Strathcona is to be effected by delivery to their solicitors at the addresses set forth below.

AND NOTICE IS FURTHER GIVEN that, at the hearing and subject to the foregoing, Pipestone Shareholders, Strathcona Shareholders and any other interested parties will be entitled to make representations as to, and the Court will be requested to consider, the fairness of the Arrangement. If you do not attend, either in person (virtually) or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve the Arrangement subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by Pipestone or Strathcona and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing, or who have filed a notice of intention to appear as described above, shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of the Meeting for the purposes of such Pipestone Shareholders voting upon the resolution to approve the Arrangement and, in particular, has directed that registered Pipestone Shareholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions that: (i) Strathcona shall not be required to seek further approval of the Arrangement from the Strathcona Shareholders; (ii) Strathcona need not call or hold a special meeting of Strathcona Shareholders in relation to the Arrangement; and (iii) Strathcona Shareholders shall not be afforded a right to dissent.

AND NOTICE IS FURTHER GIVEN that the Final Order approving the Plan of Arrangement will, if granted, constitute the basis to rely upon an exemption from the registration requirements of the *United Securities Act* of 1933, as amended, pursuant to Section 3(a)(10) thereof, and exemptions under applicable state securities laws, with respect to the issuance of: (i) common shares of the corporation resulting from the amalgamation of Pipestone and Pennant ("**Pipestone AmalCo**") to Pipestone Shareholders upon such amalgamation; and (ii) common shares of the corporation resulting from the amalgamation of Pipestone AmalCo and Strathcona to former Pipestone Shareholders and Strathcona Shareholders upon such amalgamation, in each case pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any Pipestone Shareholder, Strathcona Shareholder, or other interested party requesting the same by the undermentioned solicitors for Pipestone upon written request delivered to such solicitors as follows:

Address for Service on Pipestone:

McCarthy Tétrault LLP
Attention: Lyndsey Delamont
Suite 4000, 421 – 7th Avenue S.W.
Calgary, AB T2P 4K9
Email: ldelamont@mccarthy.ca
Facsimile: (403) 260 3501

Address for Service on Strathcona:

Blake, Cassels & Graydon LLP
Attention: Renee Reichelt

Suite 3500, 855 – 2nd Street S.W.
Calgary, AB T2P 4J8
Email: renee.reichelt@blakes.com
Facsimile: (403) 260-9700

DATED at the City of Calgary, in the Province of Alberta, this 25th day of August, 2023.

**BY ORDER OF THE BOARD OF DIRECTORS OF
PIPESTONE ENERGY CORP.**

(Signed) "*Dustin Hoffman*"
Chief Operating Officer and Interim President
and Chief Executive Officer

VOTING INFORMATION

Capitalized terms used but not specifically defined in this Voting Information section shall have the meanings ascribed thereto in the "Glossary of Terms" section of the Information Circular in which this Voting Information section is included.

Who is soliciting my proxy?

The management of Pipestone is soliciting your proxy for use at the Meeting.

What will I be voting on?

You will be voting on the Arrangement Resolution to approve the Arrangement, as more particularly described in the Information Circular in which this Voting Information section is included.

Which stakeholders of Pipestone are voting?

The Pipestone Shareholders will be voting at the Meeting.

How many votes do I have?

Each Pipestone Shareholder is entitled to one vote for each Pipestone Share owned by such Pipestone Shareholder at the close of business on August 25, 2023, which is the Record Date for the Meeting.

How many Pipestone Shares are eligible to vote?

There were 279,708,062 Pipestone Shares outstanding on August 25, 2023.

How do I vote my Pipestone Shares?

If you are eligible to vote and your Pipestone Shares are registered in your name, you can vote your Pipestone Shares in person (virtually) at the Meeting or be represented by proxy, as explained below. Please also see further instructions under "*Information Concerning the Meeting – How do I attend and participate at the Meeting?*" in the Information Circular.

If your Pipestone Shares are held in the name of an Intermediary such as a broker or financial institution, please see the instructions below under "*How can a non-registered Pipestone Shareholder vote by proxy?*" and "*How can a non-registered Pipestone Shareholder vote in person (virtually) at the Meeting?*" below, as well as under "*Information Concerning the Meeting – Advice to Beneficial Holders of Pipestone Shares*" in the Information Circular.

It is important that your Pipestone Shares be represented at the Meeting. If you are able to attend (virtually) the Meeting, we urge you to complete, sign and mail the applicable enclosed form(s) of proxy or VIF, as applicable, to, or deposit it with, Odyssey Trust Company, Proxy Dept., Traders Bank Building 702, 67 Yonge Street Toronto, ON M5E 1J8, or by facsimile at 1-800-517-4553, not later than 10:00 a.m. (Calgary time) on September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened or held, as the case may be.

Voting by proxy

Pipestone Shareholders may appoint someone else to vote for them as their proxyholder at the Meeting. You can use the enclosed applicable form of proxy, VIF, or any other proper form of proxy to appoint your proxyholder. The persons named in the enclosed form of proxy, or VIF, as applicable, are officers of Pipestone. **However, you can choose another person to be your proxyholder, including**

someone who is not a Pipestone Shareholder. You may do so by crossing out the names printed on the applicable form of proxy and inserting another person's name in the blank space provided.

How will my proxy be voted?

On the applicable form of proxy, you can indicate how you want your proxyholder to vote your Pipestone Shares, or you can let your proxyholder decide for you.

All Pipestone Shares represented by proxy at the Meeting will be voted in accordance with the instructions of the Pipestone Shareholder. If you have specified on the form of proxy or VIF, as applicable, how you want your Pipestone Shares to be voted in respect of the Arrangement Resolution (by marking FOR or AGAINST) then your proxyholder must vote your Pipestone Shares accordingly.

If you have not specified on the applicable form of proxy how you want your Pipestone Shares to be voted, then your proxyholder can vote your Pipestone Shares as they see fit.

Unless contrary instructions are provided, Pipestone Shares represented by proxies received by Pipestone will be voted FOR the Arrangement Resolution.

What if there are amendments or if other matters are brought before the Meeting?

The enclosed forms of proxy give the persons named on them authority to use their discretion in voting on other business, including amendments or variations to the matters identified in the Notice of Special Meeting, as may properly be brought before the Meeting.

As of the date of the Information Circular, management of Pipestone is not aware that any other matter is to be brought before the Meeting. If, however, other matters properly come before the Meeting, the persons named in the enclosed forms of proxy will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy or VIF, as applicable, with respect to such matters.

What if I change my mind and want to revoke my proxy?

A registered Pipestone Shareholder who has submitted a form of proxy may revoke it at any time prior to the exercise thereof. If a registered Pipestone Shareholder attends (virtually) the Meeting and casts a vote at the Meeting, such registered Pipestone Shareholder will revoke a previously submitted proxy. Pipestone Shareholders who do not wish to revoke a previously submitted proxy, should not vote during the Meeting. Registered Pipestone Shareholders who have submitted a proxy may also revoke such proxy by depositing an instrument in writing executed by such holder or his or her authorized representative at the registered office of Pipestone at any time up to and including the last Business Day before the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting, or any other manner prescribed by Law.

Only registered Pipestone Shareholders have the right to revoke a proxy. If you are a non-registered Pipestone Shareholder who has voted by proxy and you want to revoke such proxy, contact your Intermediary to discuss whether this is possible and the procedure to follow.

Who counts the votes?

Proxies are counted by our transfer agent, Odyssey Trust Company, the registrar and transfer agent for the Pipestone Shares. Odyssey Trust Company will act as scrutineer at the Meeting.

How are proxies solicited?

Management of Pipestone requests that you sign and return the enclosed applicable form of proxy to ensure your votes are exercised at the Meeting. The solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers,

employees and/or agents of Pipestone, including Kingsdale Advisors who has been retained by Pipestone as its strategic shareholder advisor and proxy solicitation agent in connection with the Meeting. All costs of solicitation for the Meeting will be borne by Pipestone, and Pipestone will reimburse Broadridge and Intermediaries for the reasonable fees and costs incurred by them in mailing solicitation materials to Beneficial Pipestone Shareholders. Strathcona, on behalf of Pipestone, will pay the cost of Kingsdale Advisors' services and any related expenses, which are estimated to be \$120,000 plus disbursements. Kingsdale will be entitled to receive additional fees if the Arrangement Resolution is approved by the Pipestone Shareholders. Strathcona is also entitled to solicit proxies in favour of the Arrangement Resolution, either directly or through a proxy solicitation firm. All costs of any solicitation by Strathcona shall be borne by Strathcona.

How can a Beneficial Pipestone Shareholder vote?

If your Pipestone Shares are not registered in your own name, they will be held in the name of an Intermediary, which is usually a trust company, securities broker or other financial institution. Your Intermediary is required to seek your instructions as to how to vote your Pipestone Shares. For that reason, you have received the Information Circular from your Intermediary together with a VIF. Each Intermediary has its own signing and return instructions, which you should follow carefully to ensure your Pipestone Shares will be voted.

Non-registered shareholders who do not object to their name being made known to Pipestone may be contacted by Kingsdale Advisors to assist in conveniently voting their Pipestone Shares directly by telephone. Pipestone may also utilize the Broadridge QuickVote service to assist such shareholders with voting their Pipestone Shares.

How can a Beneficial Pipestone Shareholder vote in person (virtually) at the Meeting?

Since Pipestone may not have access to the names of its non-registered Pipestone Shareholders, if you attend the Meeting (virtually), Pipestone will have no record of your holdings or of your entitlement to vote, unless your Intermediary has appointed you as the proxyholder. Therefore, If you are a Beneficial Pipestone Shareholder and wish to attend (virtually), participate and vote at the Meeting, you have to insert your own name in the space provided on the VIF sent to you by your Intermediary, follow the applicable instructions provided by your Intermediary and register yourself as your proxyholder. By doing so, you are instructing your Intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your Intermediary. See *"Information Concerning the Meeting - Appointment of a Third Party as Proxy"*.

Who can help answer my questions?

If you have any questions about the Information Circular or the matters described in the Information Circular, please contact your professional advisors. Pipestone Shareholders who would like additional copies of the Information Circular, without charge, or have additional questions about the procedures for voting their Pipestone Shares, should contact their Intermediary or Kingsdale Advisors by email or at one of the numbers below:

North American Toll-Free Number: 1-877-659-1824

Outside of North America Collect Calls Number: 416-623-2514

Email: contactus@kingsdaleadvisors.com

To keep current with and obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.

What to do if a Pipestone Shareholder is having technical difficulties accessing the Meeting?

If Pipestone Shareholders (or their proxyholders) encounter any difficulties accessing the Meeting during the check-in, they may attend the Meeting by clicking "Guest" and completing the online form. The virtual platform is fully supported across Internet browsers and devices (desktops, laptops, tablets, and smartphones) running the most updated version of applicable software and plugins. Pipestone Shareholders (or their proxyholders) should ensure that they have a strong Internet connection if they intend to attend and/or participate in the Meeting. Participants should allow plenty of time to log-in and ensure that they can hear streaming audio prior to the start of the Meeting. Technical support can also be accessed at: support-ca@lumiglobal.com.

INFORMATION CIRCULAR

GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Information Circular the following terms shall have the meanings set forth below. Other than in the case of Appendix "G" – "*Information Concerning Pipestone Energy Corp.*", Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" and Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*", terms and abbreviations used in the Appendices to this Information Circular are defined separately therein.

"ABCA" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder;

"Acquisition Proposal" means, other than the transactions contemplated by the Arrangement Agreement, any inquiry or the making of any proposal to Pipestone or the Pipestone Shareholders from any person or group of persons "acting jointly or in concert" (within the meaning of National Instrument 62-104 — *Take-Over Bids and Issuer Bids*) (other than Strathcona, any affiliate of Strathcona or any person or group of persons acting jointly or in concert with Strathcona or its affiliates), whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (a) any direct or indirect sale, issuance or acquisition of shares or other securities of Pipestone, including securities convertible, exchangeable or exercisable for such shares or other securities, that, when taken together with the securities of Pipestone held by the proposed acquiror and any person or persons acting jointly or in concert with the acquiror, would constitute 20% or more of the outstanding voting or equity securities of Pipestone, or rights or interests therein and thereto (whether or not such person or persons held 20% or more of the outstanding voting or equity securities of Pipestone prior to such sale, issuance or acquisition);
- (b) any direct or indirect acquisition, sale or disposition (or any lease, long-term supply agreement, joint venture or other arrangement having the same economic effect as a purchase or sale) of assets of Pipestone representing, individually or in the aggregate, 20% or more of the consolidated assets of Pipestone or contributing 20% or more of the consolidated revenue or net income of Pipestone (based on the most recently filed Pipestone Financial Statements (as defined in the Arrangement Agreement));
- (c) any amalgamation, arrangement, merger, combination, share exchange, consolidation or similar transaction involving Pipestone;
- (d) any direct or indirect take-over bid, issuer bid, tender offer, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Pipestone; or
- (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or which would or could reasonably be expected to materially reduce the benefits to Strathcona pursuant to the Arrangement,

except that, for the purpose of the definition of **"Superior Proposal"**, the references in the definition of **"Acquisition Proposal"** to: (A) "20% or more of the outstanding voting or equity securities" shall be deemed to be references to "all of the outstanding voting or equity securities"; (B) "20% or more of the consolidated assets" shall be deemed to be references to "all or substantially all of the assets"; and (C) "20% or more of the consolidated revenue or net income" shall be deemed to be references to "all or substantially all of the consolidated revenue or net income";

"affiliate" has the meaning set forth in the *Securities Act* (Alberta);

"Agreement Date" means July 31, 2023;

"AmalCo" means the corporation resulting from the Second Amalgamation and all references to the "combined business" herein are in reference to the combined business and operations of Pipestone and Strathcona to be carried on by AmalCo following completion of the Arrangement;

"AmalCo Options" means the options to acquire AmalCo Shares to be issued to holders of Options in exchange for the Options pursuant to the Plan of Arrangement;

"AmalCo Shares" means the common shares in the capital of AmalCo immediately following the Effective Time;

"ARC" means an advance ruling certificate pursuant to Section 102 of the Competition Act;

"Arrangement" means the arrangement, pursuant to Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of Pipestone and Strathcona, each acting reasonably;

"Arrangement Agreement" means the arrangement agreement dated effective July 31, 2023, as amended and restated on August 22, 2023 between Pipestone and Strathcona with respect to the Arrangement, as further supplemented, modified, amended or amended and restated in accordance with its terms;

"Arrangement Resolution" means, as applicable, the resolution in respect of the Arrangement to be considered by the Pipestone Shareholders at the Meeting, in the form attached as Appendix "A" to this Information Circular;

"Articles of Arrangement" means the articles of arrangement of Pipestone in respect of the Arrangement (which shall include the Plan of Arrangement) required under Section 193(4.1) of the ABCA to be sent to the Registrar after the Final Order has been granted and all other conditions precedent to the Arrangement set forth in the Arrangement Agreement have been satisfied or waived, giving effect to the Arrangement;

"associate" has the meaning ascribed to such term in the *Securities Act* (Alberta);

"Beneficial Pipestone Shareholder" means Pipestone Shareholders who hold their Pipestone Shares through an Intermediary or who otherwise do not hold their Pipestone Shares in their own name;

"BMO Capital Markets" means BMO Nesbitt Burns Inc., financial advisor to the Pipestone Special Committee;

"BMO Fairness Opinion" means the opinion of BMO Capital Markets that, as of the date of such opinion and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders;

"Broadridge" means Broadridge Financial Solutions, Inc.;

"Business Day" means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for the transaction of commercial business;

"Canada-U.S. Treaty" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dividends on AmalCo Shares"*;

"Canadian Securities Regulators" means, collectively, the securities commission or other securities regulatory authority of each province of Canada;

"Canadian Securities Laws" means, collectively, the securities Laws of each province of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings and published policies, policy statements and notices of the Canadian Securities Regulators;

"Cash Settlement Amount" means the volume weighted average trading price of the Pipestone Shares on the TSX for the five trading days immediately preceding the date of the Meeting;

"Certificate" means the certificate or proof of filing to be issued by the Registrar pursuant to Section 193(11) of the ABCA in respect of the Articles of Arrangement giving effect to the Arrangement;

"Change in Recommendation" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Strathcona Damages"*;

"Commissioner" means the Commissioner of Competition appointed under Section 7(1) of the Competition Act and includes any person designated by the Commissioner to act on their behalf;

"Competition Act" means the *Competition Act* (Canada);

"Competition Act Approval" means, with respect to the transactions contemplated by the Arrangement Agreement, that:

- (a) the Commissioner shall have issued (and not rescinded or amended) to Strathcona an ARC under Section 102(1) of the Competition Act; or
- (b) (A) the waiting period under Section 123 of the Competition Act shall have expired or been terminated or the notification requirement shall have been waived pursuant to Section 113(c) of the Competition Act; and (B) unless such requirement is waived in writing by Strathcona, the Commissioner shall have issued (and not rescinded or amended) a No-Action Letter;

"Confidentiality Agreement" means the confidentiality agreement dated June 27, 2023, among Watrous Energy Fund Management Corp., Strathcona and Pipestone;

"Contaminant" means any pollutant, contaminant, waste, material or other substance of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, or that is prohibited, listed, defined, designated, regulated, classified, judicially interpreted, controlled or identified in any applicable Environmental Laws, including petroleum and all derivatives thereof, by-products and other hydrocarbons and synthetic substitutions therefor;

"Continuance" means the continuance of the Pipestone Subsidiary out of the Province of British Columbia under the *Business Corporations Act* (British Columbia) and into the Province of Alberta under the ABCA;

"Controlling Individual" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"Counsel" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations"*;

"Court" means the Court of King's Bench of Alberta;

"CRA" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations"*;

"Depository" means Odyssey Trust Company or such other person who may be appointed to act as depository under the Arrangement as agreed upon by the Parties, acting reasonably;

"Dissent Rights" means the right of a Dissenting Shareholder pursuant to Section 191 of the ABCA (as modified by the Interim Order) and the Interim Order and Article 4 of the Plan of Arrangement to dissent to the Arrangement Resolution and to be paid the fair value of the holder's Pipestone Shares, in accordance with Section 191 of the ABCA (as modified by the Interim Order), the Interim Order and Article 4 of the Plan of Arrangement;

"Dissenting Non-Resident Holder" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holders"*;

"Dissenting Resident Holder" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders"*;

"Dissenting Shareholder" means a registered Pipestone Shareholder who has duly and validly exercised its Dissent Rights in respect of its Pipestone Shares and has not withdrawn or been deemed to have withdrawn such exercise of its Dissent Rights;

"Dividend Share Unit" means a "Dividend Share Unit" as such term is defined in the Pipestone LTIP;

"DPSP" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"DRS Advice" means direct registration statement advice;

"Effective Date" means the date the Arrangement becomes effective under the ABCA, being the date shown on the Certificate;

"Effective Time" means 12:01 a.m. on the Effective Date or such other time on the Effective Date as may be agreed to in writing by Pipestone and Strathcona;

"Encumbrance" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, right of third parties or other charge, encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with any similar effect whatsoever;

"Environmental Laws" means, with respect to any person or its business, activities, property, assets or undertaking, all applicable Laws relating to environmental or health and safety matters in the jurisdictions applicable to such person or its business, activities, property, assets or undertaking, including Laws governing the reduction of greenhouse gas emissions and the use, transportation, treatment, disposal, labelling, distribution, emission, storage and release of Contaminants;

"Fairness Opinions" means, collectively, the BMO Fairness Opinion and the RJL Fairness Opinion;

"Final Order" means the final order of the Court approving the Arrangement pursuant to Section 193(4) of the ABCA, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction (with the consent of Pipestone and Strathcona, each acting reasonably) at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, amended or modified (provided that such amendment or modification is acceptable to both Pipestone and Strathcona, each acting reasonably) on appeal;

"FHSA" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"First Amalgamation" means the amalgamation of Pipestone and the Pipestone Subsidiary pursuant to Section 2.2(e) of the Plan of Arrangement;

"Foreign Tax Credit Regulations" has the meaning ascribed thereto in *"Certain United States Federal Income Tax Considerations – Additional Considerations Relevant to U.S. Holders – Foreign Tax Credit"* of this Information Circular;

"Governmental Authority" means the government of any country, province, state, county, territory, municipality or other political subdivision thereof, or any government, quasi-government, administrative or regulatory authority (including the TSX), agency, board, body, commission, instrumentality, court or tribunal or any central bank (or similar monetary or regulatory authority) thereof, any tax authority, any ministry or department or agency of the foregoing or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing;

"Holder" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations"*;

"In-the-Money Option" means an AmalCo Option in respect of which the Cash Settlement Amount is, at the relevant time, greater than the exercise price of the corresponding Option;

"Information Circular" means this Management Information Circular, including all appendices, schedules and exhibits thereto, to be sent by Pipestone to the Pipestone Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified;

"Interim Order" means the interim order of the Court concerning the Arrangement pursuant to section 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction with the consent of Pipestone and Strathcona, each acting reasonably;

"Intermediary" means, collectively, a broker, investment dealer, bank, trust company, nominee or other intermediary;

"IRS" means the U.S. Internal Revenue Service;

"Laws" means all laws, including the common law, by-laws, statutes, rules, regulations, principles of law, orders, ordinances, protocols, codes, guidelines, policies, instruments, notices, directions and judgments or other requirements and the terms and conditions of any grant of approval, permit, authority or license of any Governmental Authorities or self-regulatory authority, including Canadian Securities Laws, Environmental Laws and U.S. Securities Laws; and the term **"applicable"**, with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

"Letter of Transmittal" means the letter of transmittal forwarded to Pipestone Shareholders pursuant to which Pipestone Shareholders are required to deliver certificates or DRS Advices representing Pipestone Shares in connection with the Arrangement;

"Matching Period" has the meaning set forth under *"The Arrangement – the Arrangement Agreement – Covenants of Pipestone Regarding Non-Solicitation"*;

"Material Adverse Change" or **"Material Adverse Effect"** means, with respect to any Party, any fact or state of facts, circumstance, change, effect, occurrence or event that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, capitalization, condition (financial or otherwise), assets, properties, obligations, liabilities (whether absolute, accrued, conditional or otherwise), results of operations, cash flows or prospects of such Party and its subsidiaries

(on a consolidated basis), other than any fact or state of facts, circumstance, change, effect, occurrence or event relating to or resulting from:

- (a) any changes in general economic, financial, currency, securities, credit or commodity market conditions in Canada, the U.S. or elsewhere;
- (b) conditions affecting the oil and gas exploration, development and production industry as a whole or generally in the jurisdiction in which the Party carries on a material portion of its business, and not specifically relating to any Party and/or its subsidiaries, including any changes in Laws (including Tax Laws) or generally accepted accounting principles or the interpretation, application or non-application thereof by any Governmental Authority;
- (c) any decline in crude oil, natural gas or related hydrocarbon prices on a current or forward basis;
- (d) any change in global, national or regional political conditions (including the outbreak or escalation of war or acts of terrorism);
- (e) any natural disaster;
- (f) the failure of any Party to meet any internal or published projections, forecasts or estimates of revenues, earnings, cash flows, or other financial or operating metrics (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Change or Material Adverse Effect has occurred);
- (g) in the case of Pipestone, any change in the market price or trading volume of the Pipestone Shares (it being understood that the causes underlying such change may be taken into account in determining whether a Material Adverse Change or Material Adverse Effect has occurred);
- (h) any matter which has been publicly disclosed prior to the Agreement Date or expressly disclosed in writing by Strathcona to Pipestone or by Pipestone to Strathcona, as applicable;
- (i) any actions taken (or omitted to be taken) at the written request or with the prior written approval of the other Party; or
- (j) the announcement of the Arrangement Agreement or any action taken (or omitted to be taken) by such person that is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement (excluding any obligation to act in the ordinary course of business),

provided, however, that: (A) with respect to clauses (a) to (e) above, such matter does not have a materially disproportionate effect on the business, operations, capitalization, condition (financial or otherwise), assets, properties, obligations, liabilities (whether absolute, accrued, conditional or otherwise), results of operations, cash flows or prospects of such Party and its subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the oil and gas exploration, development and production industry (in which case the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect will not be applicable); and (B) references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for the purposes of determining whether a "Material Adverse Change" or "Material Adverse Effect" has occurred;

"McDaniel" means McDaniel & Associates Consultants Ltd., independent oil and natural gas reservoir engineers of Calgary, Alberta;

"Meeting" means the special meeting of the Pipestone Shareholders, including any adjournment or postponement thereof, that is to be convened virtually as provided by the Interim Order to consider, and if deemed advisable approve, the Arrangement Resolution;

"MT" means McCarthy Tétrault LLP;

"MI 61-101" means Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*;

"No-Action Letter" means written confirmation from the Commissioner confirming that the Commissioner does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by the Arrangement Agreement;

"Non-Resident Holder" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada"*;

"Notice of Special Meeting" means the Notice of the Meeting accompanying this Information Circular;

"Notification" has the meaning set forth under *"The Arrangement – Regulatory Matters – Competition Act Approval"*;

"Notifiable Transaction" has the meaning set forth under *"The Arrangement – Regulatory Matters – Competition Act Approval"*;

"Option" means an outstanding stock option, whether or not vested, to acquire Pipestone Shares granted pursuant to the Pipestone LTIP;

"Other Support Agreement" has the meaning set forth under *"The Arrangement – Support Agreements"*;

"Outside Date" means November 30, 2023, subject to the right of Strathcona to postpone the Outside Date for up to an additional 90 days (in 30 day increments) if the Competition Act Approval or the TSX Approval has not been obtained, by giving written notice to Pipestone to such effect no later than 5:00 p.m. on the date that is not less than five days prior to the original Outside Date (and any subsequent Outside Date), or such later date as may be agreed to in writing by the Parties;

"Parties" means, collectively, Strathcona and Pipestone and **"Party"** means any one of them;

"Permitted Acquisition Agreement" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Covenants of Pipestone Regarding Non-Solicitation"*;

"Person" includes any individual, firm, partnership, joint venture, association, trust, trustee, executor, administrator, legal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

"Permitted Confidentiality Agreement" means a confidentiality and standstill agreement entered into between Pipestone and a third party pursuant to Section 3.4 of the Arrangement Agreement that is substantially similar to the Confidentiality Agreement, but which: (i) allows for disclosure thereof, along with all information provided thereunder, to Strathcona as set out in Section 3.4 of the Arrangement Agreement; (ii) allows for disclosure to Strathcona of the making and terms of any Acquisition Proposal made by the third party; and (iii) does not conflict with the terms of the Arrangement Agreement (including restricting Pipestone from complying with Section 3.4 of the Arrangement Agreement);

"PFIC" means a "passive foreign investment company" as defined under Section 1297(a) of the U.S. Tax Code;

"Pipestone" means Pipestone Energy Corp., a corporation existing under the ABCA;

"Pipestone AIF" means the annual information form of Pipestone dated March 8, 2023 for the year ended December 31, 2022;

"Pipestone AmalCo" means the corporation resulting from the First Amalgamation;

"Pipestone AmalCo Shares" means the common shares in the capital of Pipestone AmalCo;

"Pipestone Annual Financial Statements" means the audited comparative consolidated financial statements of Pipestone as at and for the years ended December 31, 2022 and 2021, together with the notes thereto and the report of the auditors thereon;

"Pipestone Award Termination Agreements" means, collectively, the agreements entered into between Pipestone and each Pipestone Awardholder pursuant to which each Pipestone Awardholder has agreed, among other things, that any Pipestone Incentive Securities held by the Pipestone Awardholder immediately prior to the Effective Time shall be surrendered to Pipestone and terminated in accordance with and conditional upon the completion of the Arrangement;

"Pipestone Awardholder" means a holder of any Pipestone Incentive Securities;

"Pipestone Board" means the board of directors of Pipestone as it may be comprised from time to time;

"Pipestone Board Recommendation" means, collectively, (i) the determination by the Pipestone Board that (A) the Arrangement is fair to the Pipestone Shareholders; and (B) the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (ii) the recommendation of the Pipestone Board that the Pipestone Shareholders vote in favour of the Arrangement Resolution at the Meeting;

"Pipestone Change of Control Payment" means the severance payments in the amounts and to the full-time or part-time employees of Pipestone or the Pipestone Subsidiary, including any such employee on disability (long-term or short-term), workers' compensation, pregnancy, parental or other statutory or approved leave, payable to such individuals in connection with the termination of their employment and the Arrangement;

"Pipestone Damages Event" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Pipestone Damages"*;

"Pipestone Exchange Ratio" means, subject to adjustment in accordance with Section 2.15 of the Arrangement Agreement, 0.067967 of an AmalCo Share for each Pipestone AmalCo Share;

"Pipestone Incentive Securities" means, collectively, the Options, the PSUs and the RSUs;

"Pipestone Interim Financial Statements" means the unaudited comparative consolidated financial statements of Pipestone as at and for the three and six months ended June 30, 2023 and 2022, together with the notes thereto;

"Pipestone LTIP" means the amended and restated long-term incentive plan of Pipestone approved by the Pipestone Shareholders on May 11, 2021 and as further amended by the Pipestone Board on August 24, 2023, as amended or restated from time to time;

"Pipestone Preferred Shares" means the preferred shares in the capital of Pipestone;

"Pipestone Reserves Report" means the report prepared by McDaniel dated February 13, 2023 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to Pipestone's properties as at December 31, 2022;

"Pipestone Shareholders" means the holders of Pipestone Shares prior to the Effective Time;

"Pipestone Shares" means the common shares in the capital of Pipestone, as constituted on the Agreement Date and following completion of the First Amalgamation, all references to "Pipestone Shares" shall be deemed to refer to the Pipestone AmalCo Shares as the context requires;

"Pipestone Special Committee" means the independent committee of the Pipestone Board comprised of independent directors (within the meaning of Canadian Securities Laws) of Pipestone;

"Pipestone Subsidiary" means Pennant Energy Inc., a corporation existing under the laws of the Province of British Columbia and to be continued under the laws of the Province of Alberta prior to the Effective Time pursuant to the Continuance;

"Pipestone Subsidiary Shares" means the common shares in the capital of the Pipestone Subsidiary;

"Plan of Arrangement" means the plan of arrangement attached as Schedule "A" to the Arrangement Agreement, which is attached as Appendix "C" to this Information Circular, and as may be subsequently supplemented, modified or amended from time to time in accordance with Article 6 of the Plan of Arrangement, or at the direction of the Court in the Final Order with the consent of Pipestone and Strathcona, each acting reasonably;

"Pre-Arrangement Reorganization" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Pre-Arrangement Reorganization"*;

"Proposed Amendments" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations"*;

"PSU" means a performance share unit issued by Pipestone under the Pipestone LTIP, including any related Dividend Share Units;

"RDSP" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"Record Date" means the record date for the Meeting, being the close of business on August 25, 2023;

"Registered Plan" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"Registrar" means the Registrar of Corporations for the Province of Alberta appointed under Section 263 of the ABCA;

"Reorganization" has the meaning ascribed thereto in *"Certain United States Federal Income Tax Considerations – U.S. Federal Income Tax Consequences of the Arrangement to U.S. Holders – Exchange of Pipestone Shares for the AmalCo Shares under the Second Amalgamation"* of this Information Circular;

"Representatives" means, in respect of any person, any officer, director, employee, representative (including any financial, legal or other advisor) or agent of such person;

"Resident Holder" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations"*;

"RESP" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"RJL" means Raymond James Ltd., financial advisor to the Pipestone Board;

"RJL Fairness Opinion" means the opinion of RJL that, as of the date of such opinion and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders;

"RDSP" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"RRIF" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"RRSP" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"RSU" means a restricted share unit issued by Pipestone under the Pipestone LTIP, including any related Dividend Share Units;

"Second Amalgamation" means the amalgamation of Strathcona and Pipestone AmalCo pursuant to Section 2.2(f) of the Plan of Arrangement;

"Securities" has the meaning set forth under *"Certain Canadian Income Tax Considerations"*;

"Shareholder Approval" means the approval of the Arrangement Resolution by not less than 66⅔% of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting;

"Significant Shareholder" means, collectively, Riverstone Pipestone L.P. and Riverstone V REL CNOR LP;

"Strathcona" means Strathcona Resources Ltd., a corporation existing under the ABCA and following completion of the Second Amalgamation, all references to "Strathcona" shall be deemed to refer to AmalCo as the context requires;

"Strathcona Class A Share Exchange Ratio" means, subject to adjustment in accordance with Section 2.15 of the Arrangement Agreement, 0.089278 of an AmalCo Share for each Strathcona Class A Share;

"Strathcona Class A Shares" means the voting class A common shares in the capital of Strathcona;

"Strathcona Class B Share Exchange Ratio" means, subject to adjustment in accordance with Section 2.15 of the Arrangement Agreement, 0.089278 of an AmalCo Share for each Strathcona Class B Share;

"Strathcona Class B Shares" means the voting class B common shares in the capital of Strathcona;

"Strathcona Damages Event" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Strathcona Damages"*;

"Strathcona Preferred Shares" means the preferred shares in the capital of Strathcona;

"Strathcona Shareholders" means the holders of Strathcona Shares prior to the Effective Time;

"Strathcona Shares" means, collectively, Strathcona Class A Shares and Strathcona Class B Shares;

"Strathcona USA" means the unanimous shareholder agreement of Strathcona dated effective as of March 15, 2022, as amended, supplemented or restated in accordance with its terms from time to time;

"Subject Securities" has the meaning set forth under *"The Arrangement – Support Agreements"*;

"subsidiary" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"Superior Proposal" has the meaning set forth under *"The Arrangement – The Arrangement Agreement – Covenants of Pipestone Regarding Non-Solicitation"*;

"Supplementary Information Request" has the meaning set forth under *"The Arrangement – Regulatory Matters – Competition Act Approval"*;

"Support Agreements" means the voting support agreements between Strathcona and each of the Supporting Shareholders pursuant to which each Supporting Shareholder has agreed, among other things, to vote the Pipestone Shares beneficially owned or controlled, directly or indirectly, by such Supporting Shareholder in favour of the Arrangement Resolution and to otherwise support the Arrangement and other related matters to be considered at the Meeting, in each case subject to the terms and conditions set forth in the applicable Support Agreement;

"Supporting Shareholders" means those Pipestone Shareholders that entered into a Support Agreement with Strathcona concurrently with the Parties entering into the Arrangement Agreement;

"Tax" or **"Taxes"** means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Governmental Authority, which taxes shall include, all income or profits taxes (including, federal income taxes, provincial income taxes, territorial income taxes, and foreign income taxes), payroll and employee withholding taxes, employment insurance premiums, Canada Pension Plan contributions, social insurance taxes, sales and use taxes, goods and services and harmonized sales taxes, *ad valorem* taxes, excise taxes, franchise taxes, gross receipt taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which a Party is required to pay, withhold, remit or collect;

"Tax Act" means the *Income Tax Act* (Canada), including the regulations promulgated thereunder;

"Termination Fee" means \$25,000,000;

"TFSA" has the meaning set forth under *"Certain Canadian Federal Income Tax Considerations – Eligibility for Investment"*;

"Third Party Proxyholder" has the meaning set forth under *"Information concerning the Meeting – Appointment of a Third Party as Proxy"*;

"TSX" means the Toronto Stock Exchange;

"TSX Approval" means the conditional approval of the TSX for the listing and posting for trading of the AmalCo Shares, including confirmation from the TSX that the AmalCo Shares will be listed and posted for trading not later than the third Business Day following the Effective Date, subject only to compliance with customary requirements of the TSX, including customary post-closing deliveries for transactions of a nature similar to the Arrangement;

"U.S." or **"United States"** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"U.S. Exchange Act" means the *United States Securities Exchange Act of 1934*, as amended, and the rules and regulations thereunder;

"U.S. Holder" has the meaning ascribed thereto in *"Certain United States Federal Income Tax Considerations – Scope of Disclosure – U.S. Holders"* of this Information Circular;

"U.S. Securities Act" means the *United States Securities Act of 1933*, as amended, and the rules and regulations thereunder;

"U.S. Securities Laws" means federal and state securities Laws of the U.S. and all rules, regulations and orders promulgated thereunder;

"U.S. Tax Code" means the U.S. Internal Revenue Code of 1986, as amended;

"U.S. Treasury Regulations" means the U.S. treasury regulations issued under the U.S. Tax Code;

"VIF" means voting instruction form; and

"WEF Shareholders" means the limited partnerships forming Waterous Energy Fund and its affiliates.

GENERAL

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Pipestone for use at the Meeting. Other than as set forth herein, no person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement, which is attached as Appendix "C" to this Information Circular and the Plan of Arrangement, which is attached as Schedule "A" to the Arrangement Agreement. You are urged to carefully read the full text of the Arrangement Agreement and the Plan of Arrangement.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*". The terms and abbreviations used in the Appendices are defined separately therein. Information contained in this Information Circular is given as of August 25, 2023 unless otherwise specifically stated.

The information concerning Strathcona and its affiliates contained in this Information Circular has been provided by Strathcona for inclusion in this Information Circular. Although Pipestone has no knowledge that any statements contained herein taken from or based on such information provided by Strathcona are untrue or incomplete, Pipestone assumes no responsibility for the accuracy of such information.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase securities in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. The delivery of this Information Circular does not under any circumstances, imply or represent that there has been no change in the information set forth herein since the date of this Information Circular.

Pipestone Shareholders should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Information Circular. Pipestone Shareholders who have questions or require assistance with voting their shares may contact Pipestone's strategic shareholder advisor and proxy solicitation agent: Kingsdale Advisors, by telephone at 1-877-659-1824 (North American Toll Free) or 416-623-2514 (Outside North America), or by email at: contactus@kingsdaleadvisors.com. To obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.

If you hold Pipestone Shares through an Intermediary, you should contact your Intermediary for instructions and assistance in voting and surrendering the Pipestone Shares that you beneficially own.

Information for Pipestone Shareholders in the United States

The: (i) Pipestone AmalCo Shares issuable to Pipestone Shareholders in exchange for their Pipestone Shares; and (ii) the AmalCo Shares issuable to former Pipestone Shareholders and Strathcona Shareholders in exchange for their Pipestone AmalCo Shares, Strathcona Class A Shares and Strathcona Class B Shares, as applicable, in each case pursuant to the Arrangement, have not been and will not be registered under the U.S. Securities Act or any state securities laws, and will be issued in reliance upon the exemption from the registration requirement of the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions under applicable state securities laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is authorized by Law to grant such approval, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at

which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on August 25, 2023 and, subject to the approval of the Arrangement Resolution by Pipestone Shareholders and satisfaction of certain other conditions, a final hearing on the Arrangement is expected to be held on September 28, 2023 by the Court. All Pipestone Shareholders and Strathcona Shareholders are entitled to appear and be heard at this hearing, provided they satisfy the applicable conditions set forth in the Interim Order. See "*The Arrangement – Court Approval of the Arrangement*". The Final Order of the Court will, if granted, constitute the basis for an exemption from the registration requirement of the U.S. Securities Act, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the securities described in the first sentence of this paragraph, and Pipestone and Strathcona intend to rely upon the Final Order for such purpose.

Pipestone is a corporation existing under the Laws of the Province of Alberta. Pipestone and this solicitation of proxies and the transactions contemplated in this Information Circular are not subject to the requirements of Section 14(a) of the U.S. Exchange Act, and therefore this solicitation is not being effected in accordance with U.S. Securities Laws. Accordingly, the solicitation and transactions contemplated in this Information Circular are made in the U.S. for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared in accordance with disclosure requirements applicable in Canada. Pipestone Shareholders in the U.S. should be aware that disclosure requirements under Canadian laws are different from those of the U.S. applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act. Specifically, information concerning the operations of Pipestone and Strathcona contained herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The unaudited pro forma and audited and unaudited historical financial statements of Pipestone, Strathcona and AmalCo included, or incorporated by reference, in this Information Circular have been prepared in accordance with Canadian generally accepted accounting principles (being International Financial Reporting Standards) and are subject to Canadian auditing and auditor independence standards, which differ from United States generally accepted accounting principles and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies. In addition, data on oil and gas reserves and resources contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. Pipestone Shareholders in the U.S. should also be aware that other requirements under Canadian Laws may differ from those required under U.S. corporate laws and U.S. Securities Laws.

The U.S. Securities Act imposes restrictions on the resale of securities received pursuant to the Arrangement by persons who are "affiliates" of Pipestone or Strathcona within 90 days prior to the completion of the Arrangement, or "affiliates" of AmalCo after completion of the Arrangement. See "*The Arrangement — United States Securities Law Matters*" in this Information Circular.

The enforcement by investors of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that Pipestone and Strathcona are each organized under the laws of the Province of Alberta, their officers and directors are residents of countries other than the U.S., that certain experts named in this Information Circular are residents of countries other than the U.S., and that all or substantial portions of the assets of Pipestone, Strathcona and such other persons are, or will be, located outside the U.S. You may not be able to obtain judgment against a Canadian company or its officers or directors in a Canadian court for violations of U.S. Securities Laws. In addition, the courts of Canada may not enforce judgments of U.S. courts obtained in actions against such persons predicated upon civil liabilities under the federal or state securities laws of the U.S.

Pipestone Shareholders who are subject to United States federal taxation should be aware that the Arrangement described herein may have tax consequences both in the United States and in Canada. Such consequences for Pipestone Shareholders are not described fully herein. For a general discussion of the principal Canadian federal income tax considerations to investors who are resident in the United States, see "*Certain Canadian Federal Income Tax Considerations— Holders Not Resident in Canada*" and of certain United States federal income tax considerations to U.S. Holders, see "*Certain United States Federal*

Income Tax Considerations to U.S. Holders". Pipestone Shareholders who are subject to United States federal taxation are urged to consult their own tax advisors with respect to such Canadian and U.S. federal income tax consequences and the applicability of any federal, state, provincial, local, foreign and other tax laws.

THE ARRANGEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH AUTHORITY PASSED ON THE FAIRNESS OR THE MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Forward-Looking Statements

This Information Circular contains forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian Securities Laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "will", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "project", "should" and variations of such words and similar expressions are intended to identify forward-looking statements. Specifically, and without limiting the generality of the foregoing, all statements included in this Information Circular and the documents incorporated by reference herein that address activities, events or developments that Pipestone expects or anticipates will or may occur in the future, including, but not limited to:

- statements with respect to the Arrangement;
- the anticipated timing of the Meeting and receipt of the Shareholder Approval;
- the anticipated application for and content, timing and filing of the Final Order and Articles of Arrangement with the Registrar under the ABCA;
- the considerations of the Court in granting the Final Order and the effect of the Final Order;
- the possible exercise of Dissent Rights by registered Pipestone Shareholders in respect of the Arrangement Resolution;
- the timing of the Effective Date;
- the benefits of the Arrangement;
- the treatment of Pipestone Shareholders under Tax Laws;
- the satisfaction of the conditions precedent for the implementation of the Arrangement and the timing thereof;
- the anticipated timing of receipt of the requisite approvals under the Competition Act;
- the listing of the AmalCo Shares on the TSX and the timing thereof;
- the expected expenses associated with the Arrangement;

- the expected attributes of AmalCo, including the *pro forma* production, reserves and financial information for AmalCo after giving effect to the Arrangement and the expectation that AmalCo will be the fifth largest liquids producer in Canada;
- the ability of AmalCo to successfully integrate the business of Strathcona and Pipestone;
- the anticipated development and growth of AmalCo and the plans and strategies to realize such expectations;
- the expectation that AmalCo shall have substantial excess infrastructure and egress capacity, as well as debottlenecking, brownfield and greenfield growth opportunities;
- the expectation that AmalCo will have higher operating netbacks and lower capital intensity than Pipestone as a standalone entity, leading to improved free cash flow generation;
- expectations with respect to AmalCo's tax pools and tax horizon;
- expectations with respect to the effect of the Arrangement on Pipestone securities;
- the anticipated number of outstanding AmalCo Shares and the holdings of former Pipestone Shareholders and former Strathcona Shareholders following completion of the Arrangement;
- the combined production, reserves and financial information for AmalCo after giving effect to the Arrangement;
- business plans, business prospects and performance, growth potential, financial strength, market profile, revenues, working capital, costs, capital expenditures, investment valuations, income, margins, access to capital, shareholder return and overall strategies and assessments of future plans and operations of AmalCo; and
- commodity prices and anticipated sensitivity to commodity price fluctuations.

In addition, statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Any such statement may constitute forward-looking statements under applicable Canadian Securities Laws and necessarily involve known risks and uncertainties, most of which are beyond Pipestone's control. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements.

Although Pipestone believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Such risks and uncertainties include, but are not limited to:

- the conditions precedent to the completion of the Arrangement, including receiving the Court approval, the Shareholder Approval and the TSX Approval may not be satisfied or waived by the Outside Date and may result in the Arrangement not being completed in a timely manner or at all;
- the timing of the Meeting and the Final Order and the anticipated Effective Date may be changed or delayed;
- Strathcona, Pipestone and AmalCo may fail to realize, or may fail to realize in the expected timeframes, the anticipated benefits resulting from the Arrangement;

- risks related to the integration of Strathcona's and Pipestone's existing businesses, including that Pipestone Shareholders may be exposed to additional business risks not previously applicable to their investment, as the business mix and operations of AmalCo will be different than that of Pipestone;
- the accuracy of the combined production, reserves and financial information of AmalCo after giving effect to the Arrangement;
- Pipestone and Strathcona will incur significant costs relating to the Arrangement, regardless of whether the Arrangement is completed or not completed;
- the Arrangement Agreement could be terminated by either Party under certain circumstances;
- if the Arrangement is not completed, Pipestone may be required to pay the Termination Fee to Strathcona in certain circumstances;
- if the Arrangement is not completed, Pipestone Shareholders will not realize the anticipated benefits of the Arrangement and Pipestone's future business and operations could be adversely affected;
- litigation relating to the Arrangement may be commenced which may prevent, delay or give rise to significant costs or liabilities on the part of Pipestone and Strathcona or AmalCo;
- changes in income or other Tax Laws or actions taken by taxing authorities could have adverse implications on Pipestone and the Pipestone Shareholders;
- the Parties may discover previously undisclosed liabilities following the Effective Date;
- the focus of management's time and attention on the Arrangement may detract from other aspects of the respective businesses of Pipestone and Strathcona;
- the loss of key employees and the risk that AmalCo may not be able to retain key employees of Pipestone or Strathcona;
- AmalCo being unable to access the necessary sources of debt and equity capital on acceptable terms or at all;
- AmalCo's ability to finance growth and sustaining capital expenditures;
- the successful consolidation of AmalCo's functions and integration of operations, procedures and personnel in a timely and efficient manner;
- AmalCo's ability to realize the anticipated growth opportunities and synergies from integrating the respective businesses of Strathcona and Pipestone following completion of the Arrangement;
- the ability of the combined business to utilize and apply, or carry forward, tax losses and other tax attributes in the future;
- changes in the regulatory framework in any of the locations in which Pipestone and Strathcona operate, including changes to the regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon, climate change and other Laws or regulations, or changes to the interpretation of such Laws and regulations, as adopted or proposed, the negative impact thereof and the costs associated with compliance;

- discrepancies between actual and estimated production of AmalCo;
- increased costs, delays, suspensions and technical challenges associated with the construction of capital projects;
- risk of loss and increased cost due to acts of war, terrorism, sabotage, civil disturbances, fires, explosions, blow-outs, equipment failures, transportation incidents, extreme weather events, technological changes and resource shortages, related to climate change or similar events;
- the global economic climate;
- competition, and the effects of competition and pricing pressures;
- industry overcapacity; and
- the speculative nature of the oil and gas industry, including risks and uncertainties involving the geology and geophysics of oil and gas exploration and production.

Although the forward-looking statements contained in this Information Circular are based upon assumptions which management of Pipestone believes to be reasonable, Pipestone cannot assure the Pipestone Shareholders that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Information Circular, Pipestone has made assumptions regarding, but not limited to:

- the perceived benefits of the Arrangement and expected attributes of AmalCo are based upon a number of factors, including the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions (see "*The Arrangement – Background to the Arrangement*", "*The Arrangement – Reasons for and Anticipated Benefits of the Arrangement*" and "*The Arrangement – Recommendation of the Pipestone Board*");
- the completion of certain steps in, and timing of, the Arrangement and the Effective Date are based upon the terms of the Arrangement Agreement and advice received from counsel to Pipestone and Strathcona relating to timing expectations (see "*The Arrangement Agreement*");
- the treatment of Pipestone Shareholders under Tax Laws is subject to the statements under "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations to U.S. Holders*";
- the structure and expected effects of the Arrangement on Pipestone are based on a number of factors, including Pipestone's management's current expectations regarding the intentions of Strathcona and current industry, economic and market conditions;
- the satisfaction of the conditions to closing of the Arrangement in a timely manner and completion of the Arrangement on the expected terms;
- the expected adherence to the terms of the Arrangement Agreement and agreements related to the Arrangement Agreement, including the Support Agreements, and the expected timing and termination of such agreements;
- the ability of management of AmalCo to successfully integrate the businesses of Pipestone and Strathcona as one entity continuing as AmalCo;
- variation in forecast commodity prices and other assumptions used to develop the forward-looking statements or identified in the guidance of Pipestone;

- the projected capital investment levels, the flexibility of capital spending plans and associated sources of funding; the achievement of further cost reductions and sustainability thereof;
- applicable royalty regimes, including expected royalty rates;
- future improvements in availability of product transportation capacity;
- increases to AmalCo's share price and market capitalization over the long term;
- cash flows, cash balances on hand and access to credit and demand facilities being sufficient to fund capital investments;
- the terms and anticipated closing of the amendments to the AmalCo Credit Facilities (as defined in Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"*);
- the future use and development of technology and associated expected future results;
- AmalCo's ability to obtain necessary regulatory and partner approvals;
- the successful and timely implementation of capital projects or stages thereof;
- the ability to generate sufficient cash flow to meet current and future obligations;
- the estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto;
- AmalCo's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner;
- AmalCo's ability to carry out transactions on the desired terms and within the expected timelines;
- forecast commodity prices, inflation and other assumptions inherent in the current expectations of Pipestone and Strathcona regarding performance of the combined business;
- AmalCo's ability to access and implement all technology necessary to efficiently and effectively operate its assets; and
- other risks, uncertainties and assumptions described from time to time in the filings made by Pipestone with securities regulatory authorities and elsewhere in this Information Circular.

Management of Pipestone has included the above summary of assumptions and risks related to forward-looking statements provided in this Information Circular in order to provide Pipestone Shareholders with a more complete perspective in respect of the Arrangement and such information may not be appropriate for other purposes. Actual results, performance or achievement of Pipestone and the combined business, as applicable, could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Pipestone will derive therefrom.

The information contained in this Information Circular identifies additional factors that could affect the completion of the Arrangement. We urge you to carefully consider those factors. Accordingly, Pipestone gives no assurance nor makes any representations or warranty that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Information Circular. All of the forward-looking statements made in this

Information Circular are qualified by these cautionary statements. Pipestone undertakes no obligation to publicly update or revise any forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable Canadian Securities Laws. See also "*Cautionary Statement Regarding Forward-Looking Statements and Information*" contained in Appendix "G" – "*Information Concerning Pipestone Energy Corp.*", Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" and Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*".

SUMMARY

The following is a summary of certain information contained in this Information Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Information Circular and the attached Appendices, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings ascribed to them in the Glossary of Terms or elsewhere in this Information Circular.

Date, Time and Place of Meeting

The Meeting will be held at 10:00 a.m. (Calgary time) on September 27, 2023 in a virtual-only format that will be conducted via live audio webcast accessible at <https://web.lumiagm.com/218234565>, password: "pipestone2023" (case sensitive), for the purposes set forth in the accompanying Notice of Special Meeting. The sole purpose of the Meeting is for the Pipestone Shareholders to consider and, if deemed advisable, approve the Arrangement Resolution.

Pipestone Shareholders of record as at the close of business on August 25, 2023, the Record Date for the Meeting, are entitled to receive notice of the Meeting and to vote their Pipestone Shares at the Meeting. The Pipestone Shareholders entitled to vote at the Meeting will be entitled to one vote for each Pipestone Share held by them in respect of the Arrangement Resolution.

See "*Information Concerning the Meeting – Date, Time and Place of Meeting*".

The Parties

Pipestone

Pipestone is a corporation existing under the laws of the Province of Alberta that is engaged in the exploration for, and development and production of, oil and natural gas liquids (including condensate, pentane, butane, propane and ethane) and natural gas in Western Canada, with substantially all of its activities and assets focused in the Montney resource play in Alberta. Pipestone is a reporting issuer or the equivalent under the Canadian Securities Laws of each of the provinces of Canada. The Pipestone Shares are listed and posted for trading on the TSX under the symbol "PIPE". See "*Information Concerning Pipestone*" and Appendix "G" – "*Information Concerning Pipestone Energy Corp.*".

Strathcona

Strathcona is a private corporation existing under the laws of the Province of Alberta. Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in Western Canada.

See "*Information Concerning Strathcona*" and Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*".

AmalCo

Pursuant to the Plan of Arrangement, among other things, Pipestone and the Pipestone Subsidiary will be amalgamated pursuant to the First Amalgamation, following which Pipestone AmalCo will be amalgamated with Strathcona pursuant to the Second Amalgamation. The entity resulting from the Second Amalgamation, AmalCo, will carry on the businesses of Strathcona and Pipestone in all respects. Immediately upon completion of the Arrangement, assuming there are no Dissenting Shareholders and that no Pipestone Shares or Strathcona Shares are issued between the date of this Information Circular and the Effective Date, existing Strathcona Shareholders and existing Pipestone Shareholders are expected to collectively own approximately 91.1% and 8.9%, respectively, of the AmalCo Shares.

See *"Information Concerning AmalCo Upon Completion of the Arrangement"* and Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"*.

The Arrangement

The Arrangement will be implemented by way of a court-approved arrangement under Section 193 of the ABCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which, among other things, the following transactions will occur:

- notwithstanding the terms of the Pipestone LTIP or any applicable agreements in relation thereto, each Pipestone Incentive Security (other than an Option) that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall be, and shall be deemed to be, surrendered to Pipestone (free and clear of all Encumbrances) and terminated, and all instruments and agreements relating to the Pipestone Incentive Securities (other than Options) shall be terminated in its entirety and shall cease to have any further force or effect;
- subject to Article 4 of the Plan of Arrangement, each issued and outstanding Pipestone Share held by a Dissenting Shareholder immediately prior to the Effective Time shall be, and shall be deemed to be, transferred to and acquired by Pipestone (free and clear of all Encumbrances) and cancelled, and upon such transfer:
 - the holders of such Pipestone Shares shall cease to be the holders thereof or to have any rights as holders of Pipestone Shares other than the right to be paid the fair value of such Pipestone Shares in accordance with Article 4 of the Plan of Arrangement; and
 - such holders' names shall be removed from the register of holders of Pipestone Shares maintained by or on behalf of Pipestone;
- the Strathcona USA will be terminated in its entirety and shall cease to have any further force or effect;
- the stated capital in respect of the Pipestone Subsidiary Shares shall be reduced to \$1.00;
- the First Amalgamation between Pipestone and the Pipestone Subsidiary shall be completed, pursuant to which, each issued and outstanding Pipestone Subsidiary Share shall be cancelled, without any repayment of capital in respect of such Pipestone Subsidiary Share, and each issued and outstanding Pipestone Share (excluding Pipestone Shares held by Dissenting Shareholders) shall remain unaffected and issued and outstanding;
- the Second Amalgamation between Strathcona and Pipestone AmalCo shall be completed and in connection therewith:
 - each issued and outstanding Pipestone AmalCo Share (excluding Pipestone AmalCo Shares held by Dissenting Shareholders) shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to the Pipestone Exchange Ratio and, upon such exchange, the names of the holders of such Pipestone AmalCo Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo;
 - each issued and outstanding Strathcona Class A Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to Strathcona Class A Share Exchange Ratio and, upon such exchange, the names of the holders of such Strathcona Class A Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo; and

- each issued and outstanding Strathcona Class B Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to Strathcona Class B Share Exchange Ratio and, upon such exchange, the names of the holders of such Strathcona Class B Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo; and
- each Option outstanding immediately prior to the Effective Time shall be exchanged for an AmalCo Option, and following such exchange, the Pipestone LTIP shall be terminated in its entirety, and each AmalCo Option shall be surrendered to AmalCo (free and clear of any encumbrances) and terminated in exchange for the right to receive, in the case of In-the-Money Options, a cash payment equal to the Cash Settlement amount per AmalCo Option, less the exercise price of such corresponding Option, and, in the case of all other outstanding Options, nil consideration.

The Arrangement Agreement is attached as Appendix "C" to this Information Circular and the Plan of Arrangement is attached as Schedule "A" to the Arrangement Agreement. Pipestone encourages you to read the Arrangement Agreement and the Plan of Arrangement in their entirety. See "*The Arrangement – The Arrangement Agreement*".

Background to the Arrangement

The Arrangement Agreement is the result of the arm's length negotiation between Pipestone and Strathcona, which follows an extensive strategic review process undertaken by management of Pipestone, the Pipestone Board and the Pipestone Special Committee, with assistance from their respective financial advisors and Pipestone's external legal counsel. This Information Circular contains a summary of the events leading up to the negotiation of the Arrangement Agreement and the meetings, negotiations, discussions and actions between the Parties that preceded the execution and public announcement of the Arrangement Agreement. See "*The Arrangement – Background to the Arrangement*".

Reasons For and Anticipated Benefits of the Arrangement

In reaching its determination, approval and recommendation in respect of the Arrangement and the Arrangement Resolution, the Pipestone Board considered many factors, including, among other things, the unanimous recommendation of the Pipestone Special Committee, the RJL Fairness Opinion, including the terms and conditions of the Arrangement Agreement and a number of strategic, financial, operational and other factors, including the financial metrics of the Arrangement and the long-term prospects for growth of Pipestone, both on a stand-alone basis and in combination with Strathcona.

See "*The Arrangement – Reasons For and Anticipated Benefits of the Arrangement*" and "*The Arrangement – Background to the Arrangement*".

Financial Advisors and Fairness Opinions

BMO Capital Markets is acting as a financial advisor to the Pipestone Special Committee and RJL is acting as a financial advisor to Pipestone in connection with the Arrangement. Each of BMO Capital Markets and RJL has provided the Pipestone Special Committee and the Pipestone Board, respectively, with an opinion that, as of the date of such Fairness Opinion, and based upon and subject to certain assumptions, limitations and qualifications as set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders.

The full text of the BMO Fairness Opinion and the RJL Fairness Opinion, which set forth assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the applicable Fairness Opinion, are attached as Appendix "D" and Appendix "E" to this Information Circular, respectively. BMO Capital Markets provided the BMO Fairness Opinion for the benefit of the Pipestone Special Committee and RJL provided the RJL Fairness Opinion for the benefit of the Pipestone Board, in connection with, and for the purpose of, their respective consideration of the Arrangement. The Fairness Opinions are not intended to be and do not constitute a recommendation to any Pipestone Shareholder on whether to vote in favour of the Arrangement Resolution. Pipestone Shareholders are encouraged to read the opinions carefully and in their entirety. The descriptions of the Fairness Opinions in this Information Circular are qualified in their entirety by reference to the full text of the applicable Fairness Opinion.

Each of BMO Capital Markets and RJL will be paid a fixed fee for delivery of the BMO Fairness Opinion and the RJL Fairness Opinion, respectively, regardless of the outcome of the Arrangement. BMO Capital Markets will also be paid a fee that is contingent on the completion of the Arrangement. If the Arrangement is completed, the BMO Fairness Opinion fee will be credited against any fee payable upon completion of the Arrangement. Pipestone has also agreed to reimburse both of BMO Capital Markets and RJL for reasonable out-of-pocket expenses and to indemnify each of BMO Capital Markets and RJL in respect of certain liabilities that might arise in connection with the Arrangement. See "*The Arrangement – Financial Advisors and Fairness Opinions*".

Recommendation of the Pipestone Board

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the BMO Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Special Committee has unanimously: (i) determined that the Arrangement is fair to the Pipestone Shareholders; (ii) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (iii) recommended that the Pipestone Board approve the Arrangement.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the unanimous recommendation of the Pipestone Special Committee, the RJL Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Board has: (i) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (ii) approved the Arrangement and the entering into of the Arrangement Agreement by Pipestone; (iii) determined that the Arrangement is fair to the Pipestone Shareholders; and (iv) resolved to recommend that the Pipestone Shareholders vote in favour of the Arrangement.

The Pipestone Board recommends that Pipestone Shareholders vote FOR the Arrangement Resolution.

See "*The Arrangement – Recommendation of the Pipestone Board*".

Support Agreements

The Arrangement has the support of the Supporting Shareholders, who collectively hold approximately 39% of the Pipestone Shares. Each of the Supporting Shareholders has entered into a Support Agreement pursuant to which they have agreed, among other things, to vote in favour of the Arrangement and otherwise support the Arrangement, subject to the terms and conditions set forth in the applicable Support Agreement.

See "*The Arrangement – Support Agreements*".

Procedure for the Arrangement to Become Effective

General

The Arrangement will be implemented by way of a court approved arrangement under Section 193 of the ABCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement Resolution must be approved by the Pipestone Shareholders at the Meeting in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar.

There is no assurance that the conditions set out in the Arrangement Agreement will be satisfied or waived on a timely basis or at all.

Pursuant to the Arrangement Agreement, no later than the third Business Day following the satisfaction or waiver of the conditions precedent to the Arrangement (other than those that are to be satisfied as of the Effective Date), Pipestone is required to file the Final Order and the Articles of Arrangement with the Registrar, together with such other material as may be required in connection therewith under the ABCA, to give effect to the Arrangement.

See "*The Arrangement – Procedure for the Arrangement to Become Effective*".

Shareholder Approval

Pursuant to the Interim Order, the Arrangement Resolution must, subject to further order of the Court, be approved by not less than 66⅔% of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy FOR the Arrangement Resolution set forth in Appendix "A" to this Information Circular.

The receipt of the Shareholder Approval is a mutual condition precedent of Pipestone and Strathcona to the completion of the Arrangement. Both Parties have a right to terminate the Arrangement Agreement in the event that the Shareholder Approval is not obtained at the Meeting. In such a circumstance, Pipestone would not be entitled to receive the Termination Fee. In certain circumstances, if the Shareholder Approval is not obtained at the Meeting, Strathcona will be entitled to the Termination Fee.

See "*The Arrangement – Shareholder Approval*" and "*The Arrangement – The Arrangement Agreement – Strathcona Damages*".

Court Approval

The Arrangement requires the approval of the Court. Pipestone and Strathcona made an application to the Court for the Interim Order on August 25, 2023 at which the Court granted the Interim Order. A copy of the Interim Order is attached as Appendix "B" to this Information Circular.

Subject to the terms of the Arrangement Agreement and Pipestone obtaining the Shareholder Approval, Pipestone and Strathcona will make an application to the Court for the Final Order. An application for the Final Order approving the Arrangement is expected to be made via Webex video conference on September 28, 2023 at 12:45 p.m. (Calgary time). On the application for the Final Order, the Court will consider, among other things, the fairness of the Arrangement on the parties affected thereby. See "*The Arrangement – Court Approval of the Arrangement*".

Pre-Arrangement Reorganization

Pursuant to the Arrangement Agreement, Pipestone has agreed to use commercially reasonable efforts to complete certain Pre-Arrangement Reorganization actions in accordance with and on the conditions specified in the Arrangement Agreement. The Continuance involving the Pipestone Subsidiary will be effected pursuant to these provisions and is expected to be completed immediately before completion of the Arrangement. See "*The Arrangement – The Arrangement Agreement – Pre-Arrangement Reorganizations*".

Conditions Precedent

The implementation of the Arrangement is subject to a number of conditions being satisfied or waived by one or each of Pipestone or Strathcona at or prior to the Effective Time. See "*The Arrangement – The Arrangement Agreement – Conditions to Closing*". There is no assurance that conditions to the completion of the Arrangement will be satisfied or waived on a timely basis or at all.

Regulatory Matters

In addition to the approval of Pipestone Shareholders and the Court, it is a condition to the implementation of the Arrangement that the Competition Act Approval and TSX Approval be obtained. On August 16, 2023, the Commissioner issued an ARC under Section 102(1) of the Competition Act in respect of the Arrangement, which constitutes the Competition Act Approval. See "*The Arrangement – Regulatory Matters*".

Effective Time

Closing of the Arrangement will occur on the date on which the Articles of Arrangement are filed with the Registrar, or such other date as may be agreed to in writing by Strathcona and Pipestone.

Currently it is anticipated that the Effective Date will occur on or about October 2, 2023. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be earlier than anticipated or could be delayed for a number of reasons, including failure to satisfy one or more conditions to close. See "*The Arrangement – The Arrangement Agreement – Effective Date of the Arrangement*".

The Arrangement Agreement

The Arrangement will be effected pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement Agreement contains covenants, representations and warranties of and from each of Pipestone and Strathcona and various conditions precedent to completion of the Arrangement, both mutual and with respect to each of Pipestone and Strathcona. See "*The Arrangement – The Arrangement Agreement*".

The Arrangement Agreement provides that a Termination Fee may be payable by Strathcona or Pipestone in the event of the termination of the Arrangement Agreement following the occurrence of certain events. See "*The Arrangement – The Arrangement Agreement – Termination Fee*".

This Information Circular includes a summary of certain terms of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, which is attached as Appendix "C" to

this Information Circular, and to the more detailed summary under "*The Arrangement – The Arrangement Agreement*".

Procedure for Exchange of Certificates or DRS Advices by Pipestone Shareholders

Enclosed with this Information Circular is a Letter of Transmittal which, when properly completed and duly executed and returned, together with the certificate(s) or DRS Advice(s) representing Pipestone Shares and all other required documents, will enable Pipestone Shareholders (other than Dissenting Shareholders) to obtain the AmalCo Shares to which they are entitled in respect of such Pipestone Shares.

The Letter of Transmittal contains instructions on how to exchange the certificate(s) or DRS Advice(s) representing your Pipestone Shares for the AmalCo Shares under the Arrangement. You will not receive your AmalCo Shares under the Arrangement until after the Arrangement is completed and you have returned your properly completed documentation, including the Letter of Transmittal, the certificate(s) or DRS Advice(s) representing your Pipestone Shares and any other required documentation to the Depository.

Subject to any applicable Laws relating to unclaimed personal property, any certificate or DRS Advice formerly representing Pipestone Shares that is not deposited, together with all other required documents, on or before the last Business Day before the third anniversary of the Effective Date shall cease to represent a claim by or interest of any former Pipestone Shareholder of any kind or nature against Strathcona, Pipestone or AmalCo. In such case, all consideration and other property (including any interest, dividends or other distributions) to which such former Pipestone Shareholders were entitled to receive pursuant to the Arrangement shall be surrendered to AmalCo.

See "*The Arrangement – Procedure for Exchange of Certificates or DRS Advices by Pipestone Shareholders*".

Treatment of Pipestone Securities

The Arrangement will result in: (i) each Pipestone Shareholder (other than Dissenting Shareholders) receiving 0.067967 of an AmalCo Share for each Pipestone Share held immediately prior to the Effective Time; and (ii) each Strathcona Shareholder receiving 0.089278 of an AmalCo Share for each Strathcona Share held immediately prior to the Effective Time.

Pursuant to the Pipestone Award Termination Agreements, in accordance with and subject to the completion of the Arrangement, each outstanding PSU and RSU will be surrendered to Pipestone for cancellation in consideration for a cash payment equal to the Cash Settlement Amount per PSU and RSU (after, in the case of PSUs, application of the applicable performance multiplier). Pursuant to the Pipestone Award Termination Agreements and the Plan of Arrangement, each Option outstanding immediately prior to the Effective Time shall be exchanged for an AmalCo Option and, immediately following the Effective Time and subject to completion of the Arrangement, each outstanding AmalCo Option will be surrendered to AmalCo for cancellation in consideration for: (i) in the case of In-the-Money Options, a cash payment equal to the Cash Settlement Amount per AmalCo Option, less the exercise price of such corresponding Option; and (ii) in the case of all other outstanding AmalCo Options, nil consideration.

In addition, the Pipestone Award Termination Agreements provide that each vested Option may be exercised by the holder thereof prior to the later of: (a) September 25, 2023 and (b) the date which is the fifth trading day immediately preceding the Effective Date, in consideration for a cash payment, per Option, equal to the difference between the volume weighted average trading price of the Pipestone Shares on the TSX for the five trading days immediately preceding the exercise thereof and the exercise price of the Option.

See "*The Arrangement – Treatment of Pipestone Securities*" and "*The Arrangement – Interests of Certain Persons in the Arrangement*".

Dissent Rights

Pursuant to the Interim Order, registered Pipestone Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Pipestone Shares in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A registered Pipestone Shareholder wishing to exercise Dissent Rights must send to Pipestone a written objection to the Arrangement Resolution, which written objection must be received by Pipestone c/o McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont (email: ldelamont@mccarthy.ca) by no later than 4:00 p.m. (Calgary time) on September 20, 2023 or, if the Meeting is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five Business Days immediately preceding the date on which the Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A registered Pipestone Shareholder's right to dissent is more particularly described in this Information Circular, and a copy of the Interim Order and the text of Section 191 of the ABCA are set forth in Appendix "B" and Appendix "F", respectively, to this Information Circular.

Shareholders who are Beneficial Pipestone Shareholders and wish to dissent should be aware that only the registered holder of such Pipestone Shares is entitled to dissent. Accordingly, a Pipestone Shareholder that is a Beneficial Pipestone Shareholder desiring to exercise its Dissent Rights must make arrangements for the Pipestone Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Pipestone or, alternatively, make arrangements for the registered holder of such Pipestone Shares to dissent on such holder's behalf. A registered Pipestone Shareholder may dissent only with respect to all of the Pipestone Shares held by the Dissenting Shareholder or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name and Pipestone Shareholders who have voted in favour of the Arrangement Resolution shall not be entitled to exercise the Dissent Rights.

It is a condition in favour of Strathcona that holders of not more than 20.0% of the outstanding Pipestone Shares, in the aggregate, have validly exercised Dissent Rights that have not been withdrawn as of the Effective Date. Such condition may be waived by Strathcona in its sole discretion.

It is important that registered Pipestone Shareholders who wish to exercise Dissent Rights comply strictly with the dissent procedures described in this Information Circular. See "*Dissenting Shareholder Rights*".

Stock Exchange Listings

Pipestone Shares

Pipestone is a reporting issuer under the securities Laws of each province of Canada. The Pipestone Shares are listed and posted for trading on the TSX under the symbol "PIPE". It is anticipated that the Pipestone Shares will be delisted from the TSX promptly following the completion of the Arrangement.

For Information with respect to the trading history of the Pipestone Shares, see Appendix "G" – "*Information Concerning Pipestone Energy Corp.*"

AmalCo Shares

Under the Arrangement Agreement, it is a condition to the completion of the Arrangement that the conditional approval of the TSX for the listing and posting for trading of the AmalCo Shares on the TSX, not later than the third Business Day following the Effective Date, subject only to compliance with the customary requirements of the TSX, has been obtained. There can be no assurance that the AmalCo Shares will be listed on the TSX or any other stock exchange.

See "*Risk Factors – Trading Access*".

Certain Income Tax Consequences of the Arrangement

Canada

This Information Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Pipestone Shareholders in connection with the Arrangement and the receiving and holding of AmalCo Shares received pursuant to the Arrangement. See the discussion under the section entitled "*Certain Canadian Federal Income Tax Considerations*".

United States

This Information Circular contains a summary of certain United States federal income tax considerations generally applicable to certain U.S. Holders of Pipestone Shares in connection with the Arrangement and the receiving and holding of AmalCo Shares received pursuant to the Arrangement. See the discussion under the section entitled "*Certain United States Federal Income Tax Considerations to U.S. Holders*".

Other

This Information Circular does not contain a summary of the non-Canadian income tax considerations of the Arrangement for Pipestone Shareholders who are subject to income tax outside of Canada other than certain United States federal income tax considerations to certain U.S. Holders. Such holders should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions.

Risk Factors

Pipestone Shareholders should carefully consider the risk factors concerning the Arrangement and the business of Pipestone described under "*Risk Factors*". See also additional risk factors contained under the heading "*Risk Factors*" in each of Appendix "G" – "*Information Concerning Pipestone Energy Corp.*", Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" and Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

THE ARRANGEMENT

Background to the Arrangement

The Arrangement is the result of an extensive review of strategic alternatives by Pipestone followed by lengthy arm's length negotiations between Pipestone (led by the Pipestone Special Committee) and Strathcona. The following is a summary of key meetings, negotiations, discussions and actions involving the various parties that led to Pipestone executing the Arrangement Agreement with Strathcona on July 31, 2023.

Over the last approximately 18 months, the Pipestone Special Committee and the Pipestone Board, together with the assistance of Pipestone management, financial advisors and legal counsel, undertook a comprehensive evaluation of strategic alternatives available to Pipestone. This evaluation resulted in, among other things, numerous negotiations with several credible counterparties, the assessment of Pipestone's standalone plan with management of Pipestone, execution of several non-disclosure agreements, discussions with various stakeholders, the receipt of numerous non-binding written proposals and verbal proposals for a number of potential transactions, including the acquisition of Pipestone or a combination of Pipestone with other transaction counterparties, with a range of cash and equity consideration mixes, which proposals included those solicited by Pipestone and unsolicited inbound approaches, all of which the Pipestone Special Committee and Pipestone Board carefully considered and assessed with a view of maximizing and unlocking long-term value for the Pipestone Shareholders and considering the interests of Pipestone's other stakeholders.

In total, BMO Capital Markets assisted the Pipestone Board in reviewing over 75 potential counterparties, including acquisition, combination and acquiror candidates. Five potential candidates, including Strathcona, expressed varying degrees of interest at various points in time, in pursuing a transaction with Pipestone, and in certain cases, by submitting more than one proposal throughout this time period. At the relevant times, the submitted proposals from each of these five candidates were evaluated and compared both relative to any other proposal open at that time, if any, and to Pipestone's status quo business plan, and input was confidentially sought from significant shareholders about the proposal(s) under consideration and terms applicable to them, always with a view to determining the best interests of Pipestone. The foregoing occurred with assistance from Pipestone's financial and legal advisors and management.

The Pipestone Board and management of Pipestone, as part of their ongoing mandate to act in the best interests of Pipestone, continuously consider and assess Pipestone's performance, growth prospects, capital requirements, overall corporate strategy and long-term strategic plans with a view to strengthening its business and enhancing value for the Pipestone Shareholders and considering the interests of its other stakeholders. In the context of this ongoing mandate, management of Pipestone regularly reviewed potential acquisition and disposition opportunities with the Pipestone Board.

At the quarterly meeting of the Pipestone Board held on March 8, 2022, management of Pipestone and the Pipestone Board had a strategy discussion which included a broad discussion on potential paths to achieving relevant scale, and the importance thereof, as well as corporate sale opportunities. Based on market conditions and the stage of development of Pipestone, management recommended that Pipestone consider corporate sale opportunities. A discussion followed with the Pipestone Board on a potential combination candidate ("**Party A**") with whom the Pipestone Board wished to explore a potential opportunity. The Pipestone Board also discussed the formation of a special committee and retaining advisors to assist Pipestone with its consideration of opportunities.

Also in March 2022, Pipestone invited BMO Capital Markets to provide an overview of general market conditions, perspectives regarding Pipestone's standalone plan, and preliminary observations regarding potential strategic alternatives for Pipestone, which BMO Capital Markets subsequently provided to and reviewed with the Pipestone Board in April 2022. As part of the Pipestone Board's continued evaluation of strategic alternatives, BMO Capital Markets assisted the Pipestone Board in reviewing over 75 potential acquisition, combination and acquiror candidates, which list was then narrowed to 14 potential transaction counterparties, including Party A. The Pipestone Board then authorized BMO Capital Markets to, on a no-

names basis, contact the other 13 potential transaction counterparties identified (not including Party A), to solicit their feedback on their willingness to evaluate a potential combination or an acquisition transaction with a Montney-focused producer.

On March 21, 2022, Pipestone and Party A entered into a confidentiality agreement and commenced a mutual due diligence review process.

At the quarterly meeting of the Pipestone Board held on May 10, 2022, management provided the Pipestone Board with an update on the ongoing due diligence process and presented its initial views with respect to Party A. Following a detailed discussion at the meeting, including an overview provided by MT, Pipestone's legal counsel, of the Pipestone Board's duties and responsibilities in their review and evaluation of any potential transaction, the Pipestone Board decided to continue discussions with Party A and to continue pursuing a review of other potential strategic alternatives available to Pipestone. The Pipestone Board also discussed establishing a special committee to assist the Pipestone Board with its strategic alternatives review process and the appropriate timing and composition thereof.

On May 23, 2022, the Pipestone Board established the Pipestone Special Committee composed solely of independent directors to, among other things, review, consider and evaluate the business, financial condition and opportunities of Pipestone and its strategic direction and objectives, together with any reasonable alternatives to the status quo that may be available to Pipestone (including, without limitation, seeking transactions that would enhance value to the Pipestone Shareholders) and any proposals of interested parties that may be received in connection with such review and, in conjunction therewith, to consider and evaluate any proposed transactions that may be available to Pipestone. The Pipestone Special Committee is currently composed of Ms. Kimberly Anderson and Messrs. Garth Braun, Gordon Ritchie and John Rossall.

The Pipestone Special Committee first met on May 27, 2022 and received the feedback that BMO Capital Markets had received from the no-names outreach to the 13 potential transaction counterparties. On June 7, 2022, the Pipestone Special Committee formally engaged BMO Capital Markets as its exclusive financial advisor in connection with Pipestone's review of strategic alternatives.

Following the preparation of relevant documentation and finalization of the proposed process with the input of management and the Pipestone Board, and taking into consideration, among other things, the feedback received from the 13 potential transaction counterparties as part of the previously conducted no-names outreach, the Pipestone Special Committee authorized BMO Capital Markets to commence contacting eight such parties (not including Party A) for a confidential auction process (the "**2022 Process**") to solicit interest in a potential transaction involving an acquisition of, or a business combination with, Pipestone. One additional party was admitted to the 2022 Process subsequent to the commencement of the initial outreach as a result of such party expressing unsolicited interest in evaluating a potential transaction with Pipestone. Interested parties were sent a form of non-disclosure and standstill agreement (each, an "**NDA**") for review and execution prior to receipt of any confidential information with respect to Pipestone. All nine of the participants in the 2022 Process executed an NDA, received access to a virtual data room of Pipestone and participated in presentations conducted by Pipestone management, which allowed each participant to evaluate the opportunity to submit a non-binding proposal by no later than July 20, 2022.

On June 13, 2022 and June 22, 2022, the Pipestone Special Committee met with representatives of BMO Capital Markets and management to receive a presentation on a potential transaction with Party A as well as an update on the 2022 Process.

On July 18, 2022, Party A submitted a written non-binding proposal to Pipestone ("**Party A Proposal 1**"). The Pipestone Special Committee carefully considered Party A Proposal 1 and evaluated it with the assistance of BMO Capital Markets and MT. After such consideration, Party A Proposal 1 was determined, among other things, not to be of sufficient value to warrant further discussion with Party A.

As part of the 2022 Process, both verbal and written non-binding proposals were received from three interested parties. While Strathcona signed an NDA and was provided access to the virtual data room, it did not submit a proposal as part of the 2022 Process.

On July 22, 2022, the Pipestone Board met to consider the non-binding proposals received. To assist in its review, BMO Capital Markets presented a summary of the non-binding proposals received to the Pipestone Board and the Pipestone Special Committee who then discussed the merits of the proposals based on comparative factors. Following the discussion, BMO Capital Markets was instructed to further engage and negotiate with two of the parties ("**Party B**" and "**Party C**", respectively).

A key condition of Party B's written non-binding proposal ("**Party B Proposal 1**") required that Pipestone's three significant shareholders enter into "hard" lock-up agreements with Party B. As a result, concurrent with further engagement with Party B, Pipestone confidentially shared Party B Proposal 1 with its three significant shareholders and began engaging with their representatives to determine their willingness to enter into a "hard" lock-up agreement with Party B in respect of the proposed transaction with Party B.

On July 27, 2022, Party B submitted a revised non-binding proposal ("**Party B Proposal 2**"), which provided for an increase in the value of the offer made in Party B Proposal 1. Also on July 27, 2022, Party C submitted a written non-binding proposal ("**Party C Proposal 1**").

On July 28, 2022, the Pipestone Board met to consider Party B Proposal 2 and Party C Proposal 1. To assist in its review, BMO Capital Markets presented a summary of the received non-binding proposals and the Pipestone Board and Pipestone Special Committee who discussed the merits of the non-binding proposals based on comparative factors. Following discussion, the Pipestone Special Committee and Pipestone Board determined Party B Proposal 2 to be superior to Party C Proposal 1 and instructed BMO Capital Markets to further engage and negotiate with Party B.

On August 1, 2022, the Pipestone Special Committee met to further consider Party B Proposal 2. A representative of one of Pipestone's significant shareholders was invited to attend the meeting to provide his initial views on the potential transaction with Party B, including his views in respect of the "hard" lock-up condition. Management of Pipestone was also invited to attend the meeting to provide their view of the proposal as well as certain considerations with respect to the forward-looking business plan and operations of Pipestone. An *in-camera* session was held at the end of the meeting with members of the Pipestone Special Committee and BMO Capital Markets and MT.

Immediately following the Pipestone Special Committee meeting, the Pipestone Board met to consider Party B Proposal 2. At the meeting, management of Pipestone provided their then current assessment of the go-forward business plan, representatives of BMO Capital Markets reviewed the material financial terms of the proposal and the nominee directors of two significant Pipestone Shareholders presented their positions in respect of the proposed transaction. MT also reviewed the fiduciary duties and responsibilities of the Pipestone Board in connection with the consideration of Party B Proposal 2.

On August 3, 2022, the Pipestone Special Committee and the Pipestone Board met to consider feedback it had received from Pipestone's significant shareholders as well as the proposed response to Party B's proposal. Prior to the meeting, one of Pipestone's significant shareholders had indicated that it was not satisfied with the nature of the consideration being offered in Party B Proposal 2.

In the days following, various discussions with Party B occurred with respect to the terms of Party B Proposal 2 and the terms of the letter of intent that Party B proposed to enter into with Pipestone as a condition to continuing negotiations. A written revised non-binding proposal was provided by Party B on August 5, 2022 ("**Party B Proposal 3**").

On August 8, 2022, the Pipestone Board met to consider Party B Proposal 3. A representative of one of Pipestone's significant shareholders was again invited to attend the meeting and such representative requested that he be permitted to discuss the proposal directly with Party B. The significant shareholder

representative and its nominee director left the meeting and following discussion, including a consideration of Party B's hard lock-up condition, the Pipestone Board authorized BMO Capital Markets to facilitate and attend a meeting between Party B and the significant shareholder.

On August 9, 2022, further to discussions between BMO Capital Markets, Party B and the representative of one of Pipestone's significant shareholders, a further revised non-binding proposal was received from Party B which provided for a change in the nature of the consideration being offered ("**Party B Proposal 4**"). Party B Proposal 4 was confidentially shared with Pipestone's three significant shareholders.

The Pipestone Board met at its quarterly meeting held on August 9, 2022 and again on August 10, 2022 with representatives of BMO Capital Markets and MT to review Party B Proposal 4. At the meeting the Pipestone Board conducted a detailed review of the alternatives available to Pipestone and considered the likelihood of the "hard" lock-up condition being satisfied. While feedback from one of its significant shareholders had not been received to date, the nominee directors of the other two significant shareholders indicated their support for Party B Proposal 4. Following this discussion, an *in camera* session was held with the members of the Pipestone Special Committee to consider Party B Proposal 4. Following detailed discussion and consideration, the Pipestone Special Committee resolved to recommend to the Pipestone Board that Pipestone move forward with Party B Proposal 4. The other directors were requested to rejoin the meeting and approved the entering into of a non-binding letter of intent (the "**Party B LOI**") with respect to Party B Proposal 4.

Pipestone and Party B entered into the Party B LOI on August 10, 2022, following which the parties conducted fulsome mutual due diligence and negotiated definitive agreements. The Pipestone Special Committee held meetings on August 16, 19, 24 and 29, 2022 to receive updates on the proposed transaction. During this period, Pipestone also received correspondence from one of its significant shareholders advising that, while initially supportive of the proposed transaction, it was no longer supportive.

On September 2, 2022, the Pipestone Special Committee met to receive an update on due diligence, the status of the definitive agreements with Party B and an update on the then current market conditions. The Pipestone Special Committee was also advised that one of Pipestone's significant shareholders had indicated that it would not enter into a lock-up agreement with Party B and another significant shareholder had not provided an indication as to whether it would be prepared to enter into a lock-up agreement with Party B. As a result, the "hard" lock-up condition in the Party B LOI could not be met. Following further discussion, the Pipestone Special Committee authorized BMO Capital Markets to contact to Party B to advise them that Pipestone would not be in a position to deliver the required lock-up agreements.

Later on September 2, 2022, Party B submitted a further revised proposal ("**Party B Proposal 5**"), which provided for the same value of the offer as that reflected in the Party B LOI, but reflected another change in form of consideration. The requirement that all three significant shareholders of Pipestone enter into a "hard" lock-up agreement with Party B was retained in Party B Proposal 5. Following further discussions between BMO Capital Markets and Party B, Party B advised that it would not proceed with the proposed transaction without entering into hard lock-up agreements with all three significant shareholders of Pipestone.

The Pipestone Special Committee met with representatives of BMO Capital Markets and MT on September 4 and 6, 2022 to consider Party B Proposal 5 and related discussions. Following a detailed discussion which included further discussion with BMO Capital Markets and a review of the Pipestone directors' fiduciary duties from MT, a determination was made to terminate the Party B LOI and not pursue further discussions with Party B due to, among other things, the inability of Pipestone to satisfy the "hard" lock-up agreement condition.

On November 9, 2022, Pipestone announced that, as a result of current and expected inflationary pressures and technical constraints, it was moderating its forecasted annual growth rate over the next three years and shifting its focus toward maximizing free cash flow generation and shareholder returns. The Pipestone

Board declared an inaugural quarterly dividend of \$0.03 per Pipestone Share payable in the first quarter of 2023 and its intention to initiate a substantial issuer bid on approximately the same timeline.

In January 2023, discussions with Party A re-commenced and the parties began updating their prior due diligence.

On January 31, 2023, the Chair of the Pipestone Board was contacted by the Chair of an arm's length third party ("**Party D**") who indicated that Party D was interested in pursuing a potential transaction with Pipestone. Party D had been invited to participate in the 2022 Process but did not submit a proposal.

The Pipestone Special Committee met on February 7, 2023 and February 13, 2023 to receive updates on the status of due diligence and valuation discussions with Party A and to consider a response to Party D. Following detailed discussions at such meetings, which included discussions with BMO Capital Markets and operational updates from management, the Pipestone Special Committee recommended providing Party D with access to Pipestone's confidential information to allow Party D to update its due diligence from the 2022 Process. The Pipestone Special Committee also recommended re-engaging with certain other potential transaction counterparties, including certain of the parties who participated in the 2022 Process.

Following the Pipestone Special Committee recommendation, BMO Capital Markets contacted five parties, including Party B, Party C and Party D, but not including Strathcona to gauge their interest in re-engaging in discussions relating to a potential change of control transaction with Pipestone. BMO Capital Markets requested interested parties submit non-binding proposals by March 13, 2023 (the "**2023 Process**").

On February 23, 2023, the Pipestone Special Committee met with BMO Capital Markets to receive an update on ongoing discussions with Party A.

On February 24, 2023, Pipestone received an unsolicited initial proposal (the "**Strathcona Initial Proposal**") from Strathcona pursuant to which Strathcona proposed to acquire all of the issued and outstanding Pipestone Shares on the basis of Pipestone Shareholders owning 7.19%, on a fully diluted basis, of the company resulting from the proposed combination of Pipestone and Strathcona.

On March 2, 2023, the Pipestone Special Committee met to review the Strathcona Initial Proposal. BMO Capital Markets also provided a summary of the ongoing discussions with various parties as part of the 2023 Process and other perspectives with respect to the Strathcona Initial Proposal and discussions with Party A. At the meeting, the members of the Pipestone Special Committee were advised by MT of their fiduciary duties and discussed the 2023 Process conducted to date. At the meeting the Pipestone Special Committee determined not to provide a counter proposal to Strathcona at that time.

On March 14, 2023, the Pipestone Special Committee met to review the results of the 2023 Process. BMO Capital Markets advised that none of the parties invited to participate in the 2023 Process had submitted a non-binding proposal prior to the deadline. Following further review and discussion, the Pipestone Special Committee recommended continuing discussions with Party A to determine if an acceptable exchange ratio could be negotiated.

A meeting of the Pipestone Board was held on March 15, 2023 to receive an update on the current discussions with Party A and the Strathcona Initial Proposal as well as an update from BMO Capital Markets with respect to the 2023 Process. The directors indicated their support for continued discussions with Party A.

On March 27, 2023, the Pipestone Special Committee met to review BMO Capital Markets' analysis of exchange ratios with respect to a potential transaction between Pipestone and Party A. Discussions between the parties continued through early April 2023 to determine if an acceptable exchange ratio could be agreed upon. During the course of those discussions, Pipestone and Party A were unable to agree on an exchange ratio that was acceptable to both parties.

On April 12, 2023, the Pipestone Board held a meeting at which the Pipestone Special Committee advised the Pipestone Board of the outcome of the exchange ratio discussions with Party A. Given the significant divergent views on valuation between Pipestone and Party A, the Pipestone Board agreed with the Pipestone Special Committee's recommendation that discussions with Party A should be terminated. The Pipestone Board also revisited the Strathcona Initial Proposal and agreed that an increase in the exchange ratio would be required in order to warrant further pursuit of a potential transaction with Strathcona.

At various times during April 2023, Pipestone, BMO Capital Markets and Strathcona held various discussions regarding the relative valuation of the two parties. Strathcona submitted a revised non-binding proposal to Pipestone on April 28, 2023 (the "**Strathcona Revised Proposal**").

On May 5, 2023, the Pipestone Special Committee met to review the Strathcona Revised Proposal. Following discussion with BMO Capital Markets and MT, the Pipestone Special Committee determined the exchange ratio was still below what they would recommend and determined not to submit a counter proposal to Strathcona. An update was also provided to the Pipestone Board at the quarterly board meeting held on May 9, 2023.

Further non-binding proposals were submitted by Strathcona on each of May 15, 23 and 29, 2023, ultimately increasing the proposed ownership of Pipestone Shareholders of the company resulting from the proposed combination of Pipestone and Strathcona from 7.19%, on a fully diluted basis, outlined in the Strathcona Initial Proposal to 8.90%, on a fully diluted basis, in the May 29, 2023 non-binding proposal (the "**Strathcona Further Revised Proposal**"). The Pipestone Special Committee and Pipestone Board met informally several times throughout May and early June 2023 to consider each of the revised proposals and to consider acceptable Pipestone Shareholder ownership ranges in a transaction with Strathcona.

On June 2, 2023, Pipestone received an unsolicited outreach from Party B whereby Party B indicated it may be interested in again considering a transaction with Pipestone.

Also on June 2, 2023, the Pipestone Board met to consider the Strathcona Further Revised Proposal, the outreach from Party B and to receive an operational update. Following discussion, the Pipestone Board agreed with the Pipestone Special Committee's recommendation to pursue discussions with both Strathcona and Party B.

Following further discussions between the Chair of the Pipestone Board and the Executive Chairman of Strathcona, on June 3, 2023, Strathcona submitted a written non-binding letter of intent to acquire Pipestone (the "**Strathcona Final Revised Proposal**"), which provided for the ownership position of Pipestone Shareholders in the company resulting from the proposed combination of Pipestone and Strathcona of 8.90%, on a fully diluted basis, and a six week binding exclusivity clause, among other conditions.

On June 9, 2023, Party A submitted a written non-binding proposal for a business combination of Pipestone and Party A (the "**Party A Proposal 2**").

On June 13, 2023, Party B verbally advised Pipestone that it would not be submitting a proposal.

On June 14, 2023, at a meeting of the Pipestone Board, representatives of BMO Capital Markets and the Pipestone Special Committee reviewed the Strathcona Final Revised Proposal and Party A Proposal 2. The directors also reviewed and considered the current business plan of Pipestone and the option of maintaining the status quo. During the course of the meeting, a director informed the Pipestone Board that they would not support either of the proposed transactions based on the current proposals. An *in camera* session was held at the end of the meeting with the members of the Pipestone Special Committee and its advisors. Following a thorough discussion and review of the alternatives available to Pipestone, the members of the Pipestone Special Committee indicated their support for continuing discussions with Strathcona. The Pipestone Special Committee also unanimously determined that Party A Proposal 2 was insufficient and determined to notify Party A of the rejection of Party A Proposal 2.

After ongoing discussions with Strathcona where a revised proposal was offered, the Pipestone Special Committee met on June 19, 2023 to consider the latest Strathcona proposal. Following a detailed review of the most recent proposal, the Pipestone Special Committee resolved to recommend that the Pipestone Board approve entering into a letter of intent with Strathcona substantially on the terms most recently proposed by Strathcona.

The Pipestone Board then met on June 22, 2023, to receive the Pipestone Special Committee's recommendation. During the meeting, MT provided the directors with a summary of their fiduciary duties in connection with the letter of intent. Following a detailed review and discussion and following the recommendation of the Pipestone Special Committee, the Pipestone Board approved the entering into of a letter of intent with Strathcona substantially on the terms most recently proposed by Strathcona. One director abstained from voting on the resolution. The Pipestone Board also agreed with the Pipestone Special Committee's recommendation to retain an independent financial advisor to provide a fairness opinion on any transaction eventually negotiated with Strathcona.

An amended letter of intent (the "**Letter of Intent**") was submitted by Strathcona on June 26, 2023, which provided for, among other things, an increase in the ownership position of Pipestone Shareholders in the company resulting from the proposed combination of Pipestone and Strathcona to 9.00%, on a fully diluted basis. The Letter of Intent was accepted by Pipestone on June 26, 2023. The Letter of Intent provided for an exclusivity period expiring on July 31, 2023 with a view to completing all due diligence and finalizing definitive binding agreements by such date.

On June 27, 2023, Pipestone and Strathcona entered into the Confidentiality Agreement. Between July 6, 2023 and July 31, 2023, the parties and their respective advisors conducted extensive mutual due diligence and exchanged and negotiated drafts of the Arrangement Agreement and the Plan of Arrangement. Strathcona also exchanged and negotiated drafts of a Support Agreement with the Significant Shareholder. Throughout this period, the Pipestone Special Committee was kept informed of the ongoing negotiations and status of the definitive agreements being negotiated.

On July 14, 2023, the Pipestone Board approved the engagement of RJL as an independent financial advisor to Pipestone for the purposes of delivering a formal fairness opinion to the Pipestone Board in connection with the proposed transaction with Strathcona and, thereafter, Pipestone entered into a formal engagement letter with RJL to that effect. Prior to executing the engagement letter, RJL confirmed to the Pipestone Board that it was free of conflicts to act as independent financial advisor to the Pipestone Board.

On July 26, 2023, Pipestone received an unsolicited non-binding proposal (the "**Party D Proposal**") from Party D which provided for a highly conditional offer to acquire all of the issued and outstanding Pipestone Shares for a combination of cash and shares of Party D. As the Letter of Intent prohibited Pipestone from engaging in any discussions with respect to alternate transactions, Pipestone did not engage in any discussions with Party D in reliance on legal advice from MT.

The Pipestone Special Committee met on July 28, 2023 to consider the status of due diligence and negotiation of definitive agreements with Strathcona as well as the Party D Proposal. At the meeting, BMO Capital Markets presented a summary of the 2023 Process and provided financial analysis with respect to the Party D Proposal and the Letter of Intent. The Pipestone Special Committee considered, in consultation with BMO Capital Markets and MT, the difference in consideration between the two proposals as well as the significant conditions attached to the Party D Proposal and risk of non-completion on the terms contained therein or at all, among other factors. Following a detailed review and consideration of the alternatives, the Pipestone Special Committee unanimously determined it was in the best interests of Pipestone to continue negotiating the current transaction with Strathcona.

On July 30, 2023, the Pipestone Special Committee met to receive an update on the status of negotiations with Strathcona in respect of the final terms and conditions of the Arrangement Agreement and to otherwise further consider the proposed transaction with Strathcona. MT provided the members of the Pipestone Special Committee with an overview of the material terms of the Arrangement, including a summary of the material terms and conditions set forth in the Arrangement Agreement, Plan of Arrangement and Support

Agreements. As part of the ongoing negotiations, following Strathcona's review of Pipestone's Incentive Securities, Strathcona agreed to increase the consideration offered to 9.05% of the pro forma business, on a fully diluted basis.

On July 31, 2023, the Pipestone Board met to consider the proposed transaction, the draft Arrangement Agreement, Plan of Arrangement and Support Agreements and the recommendation of the Pipestone Special Committee. MT provided members of the Pipestone Board with an overview of the material terms of the Arrangement Agreement, Plan of Arrangement and Support Agreements. BMO Capital Markets verbally delivered its fairness opinion to the Pipestone Special Committee and reported its conclusion to the effect that, subject to certain assumptions, limitations and qualifications, as at the date of such opinion, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement was fair, from a financial point of view, to the Pipestone Shareholders. RJL then presented its analysis and verbally delivered its fairness opinion to the Pipestone Board and reported its conclusion to the effect that, based upon and subject to the assumptions, limitations and qualifications indicated, as at July 31, 2023, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement was fair, from a financial point of view, to the Pipestone Shareholders. Following the presentations by all advisors, the Pipestone Special Committee, taking into account the BMO Fairness Opinion and the matters it considered relevant, including those set forth under "*Reasons For and Anticipated Benefits of the Arrangement*", unanimously: (i) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (ii) determined that the Arrangement is fair to the Pipestone Shareholders; and (iii) resolved to recommend that the Pipestone Board approve the Arrangement.

After further discussion and having received the unanimous recommendation of the Pipestone Special Committee in favour of the Arrangement and taking into account the RJL Fairness Opinion and such other matters as it considered relevant, including those set forth under "*Reasons For and Anticipated Benefits of the Arrangement*", the Pipestone Board: (i) determined that the Arrangement is fair to the Pipestone Shareholders; (ii) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (iii) approved the Arrangement and the entering into of the Arrangement Agreement by Pipestone; and (iv) resolved to recommend that the Pipestone Shareholders vote in favour of the Arrangement. One director voted against the aforementioned resolutions.

The Arrangement Agreement and the Support Agreements were then finalized and executed effective July 31, 2023 and a press release announcing the transaction was issued on August 1, 2023. On August 22, 2023, Pipestone and Strathcona agreed to amend and restate the Arrangement Agreement, providing for certain amendments to the original Arrangement Agreement and the Plan of Arrangement.

Between the signing of the Arrangement Agreement on July 31, 2023 and the approval of this Circular, no further proposals or indications of interest were made to Pipestone by any party.

On August 24, 2023, the Pipestone Board approved this Circular and other procedural matters related thereto and to the Arrangement.

Reasons For and Anticipated Benefits of the Arrangement

In reaching its determination, approval and recommendation in respect of the Arrangement and the Arrangement Resolution, the Pipestone Board considered many factors, including the terms and conditions of the Arrangement Agreement, various strategic factors and potential advantages and disadvantages of the Arrangement and the elements of the Arrangement Agreement that provide protection to the Pipestone Shareholders. Without limiting the generality of the foregoing, the benefits, risks and other factors considered by the Pipestone Board included the following:

- Continued Ownership Stake in a Highly Differentiated Producer: AmalCo will operate in three core areas, each with meaningful scale and inventory, and a balance of heavy oil, condensate/natural

gas liquids and natural gas production. AmalCo is expected to be strongly positioned against other large oil-weighted Canadian producers on production growth rate, netback, reserve life and free cash flow generation;

- Achieves the Size and Scale Required for Market Relevance: The Arrangement is a compelling opportunity to create the fifth largest liquids producer in Canada measured by production and reserves, significantly increasing the combined entity's market relevance, which is expected to garner incremental institutional investor interest, improve access to capital and drive increased long-term value for Pipestone Shareholders;
- Significantly Increases Reserve Life versus Pipestone as a Standalone Entity: Pipestone has a standalone proved plus probable reserve life of 18 years, which increases to 38 years for AmalCo on a pro forma basis following completion of the Arrangement, providing Pipestone Shareholders with participation in decades of future drilling inventory;
- Increased Growth Potential versus Pipestone as a Standalone Entity: Pipestone's future production growth may be constrained by current infrastructure and egress capacity. AmalCo is expected to have substantial excess infrastructure and egress capacity, as well as debottlenecking, brownfield and greenfield growth opportunities, giving AmalCo the potential to substantially increase production above current levels depending on, among other factors, commodity prices;
- Enhanced Free Cash Flow Profile versus Standalone Pipestone: AmalCo is expected to have higher operating netbacks and lower capital intensity than Pipestone as a standalone entity, leading to improved free cash flow generation;
- AmalCo Has Lower Technical Risk than Pipestone as a Standalone Entity: Pipestone's eastern acreage is in the early stages of delineation, with limited drilling results to date, while AmalCo's substantially larger and more diverse asset base has decades of well delineated inventory, de-risking go-forward drilling;
- AmalCo is Expected to have an Extended Tax Horizon versus Standalone Pipestone: Pipestone is expected to be taxable on a standalone basis in the near-term, while AmalCo is expected to have substantial tax pools, which will delay AmalCo's tax horizon by several years;
- Other Alternatives Extensively Solicited and Considered: The Arrangement Agreement was the result of an extensive strategic review process undertaken by management of Pipestone, the Pipestone Board and the Pipestone Special Committee, with assistance from their respective financial advisors and Pipestone's external legal counsel, and a comprehensive negotiation process with Strathcona. The Arrangement Agreement includes terms and conditions that are fair in the judgment of the Pipestone Board and the Pipestone Special Committee;
- Other Alternatives are Unfavourable: The other alternatives that had been investigated by Pipestone and the risks and possible benefits of pursuing such alternatives;
- Strong Pipestone Shareholder and Management Support: The Arrangement has the support of the Supporting Shareholders, who collectively hold approximately 39% of the Pipestone Shares. Each of the Supporting Shareholders has entered into a Support Agreement pursuant to which they have agreed, among other things, to vote in favour of the Arrangement and otherwise support the Arrangement, subject to the terms and conditions set forth in the applicable Support Agreement. See "*The Arrangement – Support Agreements*";
- BMO Fairness Opinion: BMO Capital Markets provided the BMO Fairness Opinion, the full text of which can be found at Appendix "D" which provided that, as of the date of such opinion and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the

consideration to be received by Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders;

- RJL Fairness Opinion: RJL provided the RJL Fairness Opinion, the full text of which can be found at Appendix "E" which provided that, as of the date of such opinion and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the consideration to be received by Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders;
- Shareholder Approval: The Arrangement Resolution must be approved by not less than 66²/₃% of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting;
- Superior Proposals: Under the Arrangement Agreement, until the time that the Arrangement Resolution is approved, the Pipestone Board retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement;
- Right of Pipestone to Terminate the Arrangement Agreement: The ability of Pipestone to terminate the Arrangement Agreement upon payment of the Termination Fee to Strathcona in certain circumstances;
- Court Approval: The Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the Arrangement is fair to the Pipestone Shareholders and other affected parties; and
- Dissent Rights: Registered Pipestone Shareholders may, upon compliance with certain conditions and in certain circumstances, exercise Dissent Rights and make application to be paid the fair value of their Pipestone Shares.

The foregoing summary of the information and factors considered by the Pipestone Board is not intended to be exhaustive of the factors considered by them in reaching their respective conclusions and making their recommendations. In their evaluation of the Arrangement, individual members of the Pipestone Board evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Pipestone, and based upon the advice of the Pipestone Board's legal and financial advisors and the Pipestone Special Committee's financial advisor. In view of the numerous factors considered in connection with their evaluation of the Arrangement, the Pipestone Board found it impracticable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching their determinations and recommendations in respect of the Arrangement. In addition, individual members of the Pipestone Board may have given different weights to different factors. The determinations and recommendations of the Pipestone Board were made after considering all of the information and factors involved.

Financial Advisors and Fairness Opinions

Pursuant to an engagement letter dated effective as of March 15, 2022, Pipestone engaged BMO Capital Markets to act as financial advisor to the Pipestone Special Committee in connection with the evaluation of potential strategic alternatives and to provide customary financial advisory and investment banking services in relation thereto. In connection with the evaluation of potential strategic alternatives, the Pipestone Special Committee requested that BMO Capital Markets deliver an opinion regarding the fairness, from a financial point of view, of the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement.

On July 31, 2023, BMO Capital Markets provided the verbal BMO Fairness Opinion to the Pipestone Special Committee (which was subsequently confirmed by delivery of the written BMO Fairness Opinion) which provides that, as of the date of such opinion, and based upon and subject to certain assumptions, limitations

and qualifications as set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders.

Pursuant to an engagement letter dated July 14, 2023, Pipestone engaged RJL to act as its financial advisor in connection with the Arrangement. As part of this mandate, RJL was requested to provide the Pipestone Board with an opinion as to whether the consideration payable pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders.

On July 31, 2023, RJL provided the verbal RJL Fairness Opinion to the Pipestone Board (which was subsequently confirmed by delivery of the written RJL Fairness Opinion) which provides that, as of the date of such opinion, and based upon and subject to certain assumptions, limitations and qualifications as set forth therein, the consideration to be received by the Pipestone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pipestone Shareholders.

The full text of the BMO Fairness Opinion and the RJL Fairness Opinion, which set out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the applicable Fairness Opinion, are attached as Appendix "D" and Appendix "E" to this Information Circular, respectively. The summaries of the Fairness Opinions in this Information Circular are qualified in their entirety by reference to the full text of the applicable written Fairness Opinion. The Pipestone Board encourages the Pipestone Shareholders to read the written Fairness Opinions in their entirety. The Fairness Opinions are not intended to be and do not constitute a recommendation to any Pipestone Shareholder on whether to vote in favour of the Arrangement Resolution or as an opinion concerning the trading price or value of the Pipestone Shares following the announcement of the Arrangement. The Fairness Opinions were part of a number of factors taken into consideration by the Pipestone Special Committee and Pipestone Board in making their determinations and recommendations in respect of the Arrangement described below.

Each of BMO Capital Markets and RJL will be paid a fixed fee for delivery of the BMO Fairness Opinion and the RJL Fairness Opinion, respectively, regardless of the outcome of the Arrangement. BMO Capital Markets will also be paid a fee that is contingent on the completion of the Arrangement. If the Arrangement is completed, the BMO Fairness Opinion fee will be credited against any fee payable upon completion of the Arrangement. Pipestone has also agreed to reimburse both of BMO Capital Markets and RJL for reasonable out-of-pocket expenses and to indemnify each of BMO Capital Markets and RJL in respect of certain liabilities that might arise in connection with the Arrangement.

Recommendation of the Pipestone Board

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the BMO Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Special Committee has unanimously: (i) determined that the Arrangement is fair to the Pipestone Shareholders; (ii) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (iii) recommended that the Pipestone Board approve the Arrangement.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the unanimous recommendation of the Pipestone Special Committee, the RJL Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Board has: (i) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (ii) approved the Arrangement and the entering into of the Arrangement Agreement by Pipestone; (iii) determined that the Arrangement is fair to the Pipestone Shareholders; and (iv) resolved to recommend that the Pipestone Shareholders vote in favour of the Arrangement.

The Pipestone Board recommends that Pipestone Shareholders vote FOR the Arrangement Resolution.

Procedure for the Arrangement to Become Effective

The Arrangement will be implemented by way of a court approved arrangement under Section 193 of the ABCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement Resolution must be approved by the Pipestone Shareholders at the Meeting in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA must be filed with the Registrar.

There is no assurance that the conditions set out in the Arrangement Agreement will be satisfied or waived on a timely basis or at all.

Pursuant to the Arrangement Agreement, no later than the third Business Day following the satisfaction or waiver of the conditions precedent to the Arrangement (other than those that are to be satisfied as of the Effective Date) or a date otherwise agreed to by Strathcona and Pipestone, Pipestone is required to file the Final Order and the Articles of Arrangement with the Registrar, together with such other material as may be required in connection therewith under the ABCA, to give effect to the Arrangement. Pursuant to Section 193(12) of the ABCA, the Arrangement becomes effective on the date the Articles of Arrangement are filed.

Treatment of Pipestone Securities

Pipestone Shares

As of the date of this Information Circular, there were 279,708,062 Pipestone Shares and 932,573,693 Strathcona Class A Shares and 1,254,131,751 Strathcona Class B Shares outstanding. The Arrangement will result in: (i) each Pipestone Shareholder (other than Dissenting Shareholders) receiving 0.067967 of an AmalCo Share for each Pipestone Share held immediately prior to the Effective Time; and (ii) each Strathcona Shareholder, receiving 0.089278 of an AmalCo Share for each Strathcona Share held immediately prior to the Effective Time.

Immediately upon completion of the Arrangement, assuming there are no Dissenting Shareholders and that no Pipestone Shares or Strathcona Shares are issued between the date of this Information Circular and the Effective Date, there will be approximately 214,235,606 AmalCo Shares issued and outstanding, of which existing Strathcona Shareholders and existing Pipestone Shareholders are expected to collectively own approximately 91.1% and 8.9%, respectively of the AmalCo Shares.

No fractional AmalCo Shares shall be issued pursuant to the Arrangement. In lieu of any fractional AmalCo Shares, each registered Pipestone Shareholder otherwise entitled to a fractional interest in an AmalCo Share will receive the nearest whole number of AmalCo Shares. For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of AmalCo Shares to be issued will be rounded up to the nearest whole number, and where such fractional interest is less than 0.5, the number of AmalCo Shares to be issued will be rounded down to the nearest whole number. In calculating such fractional interests, all Pipestone Shares registered in the name of or beneficially held by such holder thereof or their nominee shall be aggregated.

Pipestone Incentive Securities

As of the date of this Information Circular, there were 2,446,492 Options, 2,067,436 PSUs and 2,064,608 RSUs outstanding.

In connection with the Arrangement and the Pipestone LTIP, the Pipestone Board has approved the vesting of all outstanding Options, PSUs and RSUs effective immediately prior to the Effective Time (other than any Pipestone Incentive Securities that have vested before such date) conditional upon the consummation of the Arrangement.

Pursuant to the Pipestone Award Termination Agreements, in accordance with and subject to the completion of the Arrangement, each outstanding PSU and RSU will be surrendered to Pipestone for cancellation in consideration for a cash payment equal to the Cash Settlement Amount per PSU and RSU (after, in the case of PSUs, application of the applicable performance multiplier). Pursuant to the Pipestone Award Termination Agreements and the Plan of Arrangement, each Option outstanding immediately prior to the Effective Time shall be exchanged for an AmalCo Option and, immediately following the Effective Time and subject to completion of the Arrangement, each outstanding AmalCo Option will be surrendered to AmalCo for cancellation in consideration for: (i) in the case of In-the-Money Options, a cash payment equal to the Cash Settlement Amount per AmalCo Option, less the exercise price of the corresponding Option; and (ii) in the case of all other outstanding AmalCo Options, nil consideration.

In addition, the Pipestone Award Termination Agreements provide that each vested Option may be exercised by the holder thereof prior to the later of: (a) September 25, 2023 and (b) the date which is the fifth trading day immediately preceding the Effective Date, in consideration for a cash payment, per Option, equal to the difference between the volume weighted average trading price of the Pipestone Shares on the TSX for the five trading days immediately preceding the exercise thereof and the exercise price of the Option.

Consequences of Shareholder Approval Not Being Obtained

If the Arrangement is not completed, including due to the failure by Pipestone to obtain the Shareholder Approval, Pipestone will need to evaluate all of its options and alternatives to ensure benefits to the Pipestone Shareholders and other stakeholders. If the Shareholder Approval is not obtained at the Meeting in accordance with the terms of the Arrangement Agreement, the ABCA and the Interim Order, both Parties have a right to terminate the Arrangement Agreement. **In such a circumstance, Pipestone would not be entitled to receive the Termination Fee, however, the Termination Fee may become payable by Pipestone in certain circumstances (see "*The Arrangement - The Arrangement Agreement - Termination Fee*").**

The Arrangement Agreement

The following is a summary of certain material terms of the Arrangement Agreement and the Plan of Arrangement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement which is attached as Appendix "C" to this Information Circular, and to the Plan of Arrangement which is attached as Schedule "A" to the Arrangement Agreement. Pipestone Shareholders are urged to read the Arrangement Agreement and the Plan of Arrangement in their entirety.

Summary of the Arrangement

The Arrangement will be implemented by way of a court-approved arrangement under Section 193 of the ABCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement. The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which, among other things, the following transactions will occur:

- (a) notwithstanding the terms of the Pipestone LTIP or any applicable agreements in relation thereto, each Pipestone Incentive Security (other than an Option) that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall be, and shall be deemed to be, surrendered to Pipestone (free and clear of all Encumbrances) and terminated, and all instruments and agreements relating to the Pipestone Incentive Securities (other than Options) shall be terminated in its entirety and shall cease to have any further force or effect;
- (b) subject to Article 4 of the Plan of Arrangement, each issued and outstanding Pipestone Share held by a Dissenting Shareholder immediately prior to the Effective Time shall be, and shall be deemed to be, transferred to and acquired by Pipestone (free and clear of all Encumbrances) and cancelled, and upon such transfer:
 - (i) the holders of such Pipestone Shares shall cease to be the holders thereof or to have any rights as holders of Pipestone Shares other than the right to be paid the fair value of such Pipestone Shares in accordance with Article 4 of the Plan of Arrangement; and
 - (ii) such holders' names shall be removed from the register of holders of Pipestone Shares maintained by or on behalf of Pipestone;
- (c) the Strathcona USA will be terminated in its entirety and shall cease to have any further force or effect;
- (d) the stated capital in respect of the Pipestone Subsidiary Shares shall be reduced to \$1.00;
- (e) the First Amalgamation between Pipestone and the Pipestone Subsidiary shall be completed, pursuant to which, each issued and outstanding Pipestone Subsidiary Share shall be cancelled, without any repayment of capital in respect of such Pipestone Subsidiary Share, and each issued and outstanding Pipestone Share (excluding Pipestone Shares held by Dissenting Shareholders) shall remain unaffected and issued and outstanding;
- (f) the Second Amalgamation between Strathcona and Pipestone AmalCo shall be completed and in connection therewith:
 - (i) each issued and outstanding Pipestone AmalCo Share (excluding Pipestone AmalCo Shares held by Dissenting Shareholders) shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to the Pipestone Exchange Ratio and, upon such exchange, the names of the holders of such Pipestone AmalCo Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo;
 - (ii) each issued and outstanding Strathcona Class A Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to Strathcona Class A Share Exchange Ratio and, upon such exchange, the names of the holders of such Strathcona Class A Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo; and
 - (iii) each issued and outstanding Strathcona Class B Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to Strathcona Class B Share Exchange Ratio and, upon such exchange, the names of the holders of such Strathcona Class B Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo;
- (g) each issued and outstanding Option held by Pipestone Shareholders immediately prior to the Effective Time shall be (notwithstanding the terms of the Pipestone LTIP or any award or similar agreement pursuant to which any Options were granted or awarded, as applicable), and shall be deemed to be, disposed of in exchange for an AmalCo Option. The number of AmalCo Shares

subject to an AmalCo Option shall be equal to: (i) the Pipestone Exchange Ratio multiplied by (ii) the number of Pipestone Shares subject to the Option issuable in exchange for such AmalCo Option immediately prior to the Effective Time. The per share exercise price for the AmalCo Shares issuable upon exercise of an AmalCo Option shall be equal to (rounded up to the nearest whole cent): (x) the exercise price per Pipestone Share of the Option such AmalCo Option was issuable in exchange for immediately prior to the Effective Time; divided by (y) the Pipestone Exchange Ratio. All other terms and conditions applicable to an AmalCo Option, including the terms of expiry, vesting and conditions to and manner of exercising shall remain the same as the Option for which it was exchanged, and any certificate or option agreement previously evidencing such Option shall thereafter evidence and be deemed to evidence such AmalCo Option. Following this exchange of Options for AmalCo Options, the Pipestone LTIP shall be terminated in its entirety and shall cease to have any further force or effect. Notwithstanding the foregoing, the exchange of Options for AmalCo Options effected by Section 2.2(g) of the Plan of Arrangement is intended to occur on a tax-deferred basis under subsection 7(1.4) of the Tax Act and AmalCo and the former holders of Options shall make such adjustment as is necessary to qualify for such treatment; and

- (h) each such AmalCo Option that is outstanding immediately following the exchange of options described in (g) above shall be, and shall be deemed to be, surrendered to AmalCo (free and clear of all Encumbrances) and terminated, and all instruments and agreements relating to the AmalCo Options shall be terminated in their entirety and shall cease to have any further force or effect, in exchange for the right of a former holder of an AmalCo Option to receive a payment by AmalCo of an amount, for each such AmalCo Option held, equal to the five-day volume weighted average trading price of the Pipestone Shares on the TSX immediately preceding the date of the Meeting less the exercise price of the corresponding Option (provided that for greater certainty, no payment will be made by AmalCo to the extent the exercise price of the corresponding Option is greater than or equal to the five-day volume weighted average trading price of the Pipestone Shares on the TSX immediately preceding the date of the Meeting).

Through the series of steps outlined above, all of the issued and outstanding Pipestone Shares (which following completion of the First Amalgamation shall be the Pipestone AmalCo Shares) and all of the issued and outstanding Strathcona Shares will be exchanged for AmalCo Shares. In connection with the steps outlined above: (i) each Pipestone Shareholder (other than Dissenting Shareholders) shall receive 0.067967 of an AmalCo Share for each Pipestone Share held immediately prior to the Effective Time; and (ii) each Strathcona Shareholder shall receive 0.089278 of an AmalCo Share for each Strathcona Share held immediately prior to the Effective Time.

Effective Date of the Arrangement

After obtaining the approval of the Pipestone Shareholders, upon the other conditions in the Arrangement Agreement, including receipt of the Competition Act Approval (which as of the date of this Information Circular has been obtained) and the TSX Approval being satisfied or waived (if permitted) and upon the Final Order being granted, Pipestone will file the Articles of Arrangement with the Registrar. Pursuant to Section 193(12) of the ABCA, the Arrangement becomes effective on the date the Articles of Arrangement are filed. Closing of the Arrangement will occur on the date on which the Articles of Arrangement are filed with the Registrar, or such other date as may be agreed to in writing by Strathcona and Pipestone.

Currently it is anticipated that the Effective Date will occur on or about October 2, 2023. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be earlier than anticipated or could be delayed for a number of reasons, including failure to satisfy one or more conditions to close.

Covenants, Representations and Warranties

Pursuant to the Arrangement Agreement, each of the Parties has covenanted, among other things, until the earlier of the completion of the Arrangement or the termination of the Arrangement Agreement in accordance with its terms, to use commercially reasonable efforts to give effect to completion of the

Arrangement including satisfaction of the conditions thereto and, in the case of Pipestone, to maintain its business in the usual and ordinary course and refrain from taking certain actions outside the ordinary course. For the complete text of the applicable provisions, see Sections 3.1, 3.2 and 3.3 of the Arrangement Agreement.

In addition, the Arrangement Agreement contains customary representations and warranties of Pipestone and Strathcona relating to, among other things, their respective organization, their authority to enter into the Arrangement Agreement and to consummate the Arrangement and, in the case of Pipestone, its business, operations and affairs. For the complete text of the applicable provisions, see Sections 4.1, 4.2, Schedule "C" and Schedule "D" of the Arrangement Agreement.

Covenants of Pipestone Regarding Non-Solicitation

Pursuant to Section 3.4 of the Arrangement Agreement, Pipestone has agreed to certain non-solicitation covenants in favour of Strathcona as follows:

- (a) Pipestone shall immediately cease and cause to be terminated all existing solicitations, discussions or negotiations (including through any of its Representatives), if any, with any parties (other than Strathcona and its Representatives) with respect to any Acquisition Proposal or any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal and, in connection therewith, Pipestone shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall immediately request (and exercise all rights it has to require) the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with Pipestone relating to an Acquisition Proposal and shall immediately request (and exercise all rights to require) the destruction of all material including or incorporating or otherwise reflecting any confidential information regarding Pipestone and shall use all commercially reasonable efforts to ensure that such requests are honoured and shall promptly provide Strathcona with written confirmation that Pipestone has provided such requests.
- (b) Except as provided for in Section 3.4 of the Arrangement Agreement, Pipestone has agreed to not, directly or indirectly, do, authorize or permit any of its Representatives to do, any of the following:
 - (i) solicit, facilitate, assist, initiate, entertain, knowingly encourage or take any action whatsoever to solicit, facilitate, assist, initiate, entertain or knowingly encourage any inquiries or communication regarding or the making of any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal, including by way of furnishing information;
 - (ii) enter into or otherwise engage or participate in any discussions or negotiations or initiate any discussion with respect to an Acquisition Proposal, or furnish to any person any information with respect to its business, operations, condition (financial or otherwise), assets, properties, results of operations, cash flows or prospects in connection with any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate, initiate or knowingly encourage, any effort or attempt of any person to do or seek to do any of the foregoing;
 - (iii) terminate, amend or modify any provision of any existing confidentiality agreements relating to an Acquisition Proposal or any standstill agreement or covenant to which it is a party and Pipestone agrees not to waive, or otherwise forbear in the enforcement of, or enter into, initiate, knowingly encourage or

participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under any such confidentiality agreements or standstill agreements or covenants and Pipestone undertakes to consult with Strathcona and to fully enforce all standstill, confidentiality, non-disclosure, non-disturbance, non-solicitation and similar covenants granted in favour of Pipestone prior to the Agreement Date or after the Agreement Date in accordance with the terms hereof, including seeking specific performance or injunctive relief, provided that it is acknowledged by Strathcona that the automatic termination or release of any such agreement or any provision thereof solely as a result of entering into the Arrangement Agreement shall not be a violation of Section 3.4 of the Arrangement Agreement;

- (iv) make a Change in Recommendation, publicly propose or state an intention to make a Change in Recommendation or otherwise make any public announcement or take any other action inconsistent with the Pipestone Board Recommendation;
- (v) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal, it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five Business Days following such public announcement or disclosure (or in the event that the Meeting is scheduled to occur within such five Business Day period, prior to the fifth Business Day prior to the date of the Meeting) will not be considered to be in violation of Section 3.4 of the Arrangement Agreement provided that the Pipestone Board has rejected such Acquisition Proposal and affirmed the Pipestone Board Recommendation before the end of such period; or
- (vi) accept, approve, endorse, recommend or enter into, or publicly propose to accept, approve, endorse, recommend or enter into, any agreement, understanding or arrangement (including any letter of intent, letter of understanding or agreement in principle) in respect of or in any way relating to any Acquisition Proposal or any inquiry, proposal or offer that could reasonably be expected to constitute or lead to an Acquisition Proposal,

provided, however, that notwithstanding any other provision in the Arrangement Agreement, Pipestone and its Representatives may, prior to the occurrence of the Meeting:

- (vii) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, facilitation, assistance, initiation or known encouragement, directly or indirectly, after the Agreement Date, by Pipestone or any of its Representatives) seeks to initiate such discussions or negotiations with Pipestone, provided that such discussions or negotiations did not result from, or are not connected to, a breach of the Arrangement Agreement or any confidentiality or standstill agreement or covenant between such third party and Pipestone and, subject to the execution of a Permitted Confidentiality Agreement, may furnish to such third party information concerning Pipestone and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written *bona fide* Acquisition Proposal that did not result from a breach of the Arrangement Agreement or any confidentiality or standstill agreement or covenant between such third party and Pipestone or the breach of any applicable Laws and in respect of which the Pipestone Board determines in good faith: (1) is not subject to a financing condition and, after consultation with its financial advisor(s) and outside legal counsel, that the funds or other consideration

necessary for the consummation of such Acquisition Proposal are available or that adequate financing arrangements will be in place to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (2) is not subject to a due diligence or access condition, other than, prior to the execution of any definitive agreement relating to such Acquisition Proposal, to permit access to the books, records or personnel of Pipestone which is not more extensive than that which would customarily be provided for confirmatory due diligence purposes; (3) after consultation with its financial advisor(s) is, if consummated in accordance with its terms and without assuming away the risk of non-completion, a transaction that is financially superior for the Pipestone Shareholders than the Arrangement (including after considering the proposal to adjust the terms and conditions of the Arrangement as contemplated in Section 3.4(e) of the Arrangement Agreement); (4) after consultation with its financial advisor(s) and outside legal counsel, as reflected in the minutes of the Pipestone Board, is reasonably likely to be consummated without undue delay within the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person or a group of persons making such Acquisition Proposal; and (5) after receiving the advice of outside legal counsel, as reflected in minutes of the Pipestone Board, that the failure by the Pipestone Board to accept, recommend, approve or enter into a definitive agreement to implement the Acquisition Proposal would be inconsistent with its fiduciary duties under applicable Laws (a "**Superior Proposal**"); and

- (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Pipestone: (1) has provided Strathcona with prior written notice stating that Pipestone intends to furnish information to or enter into or participate in discussions or negotiations with such third party (including the identity of the third party); (2) has provided Strathcona with the final executed copy of the Permitted Confidentiality Agreement and a copy of any proposal (and any amendments or supplements thereto) from such third party, and copies of all information provided to such third party, which information shall be provided to Strathcona concurrently with the provision of such information to the third party (only after the requisite prior notice of Pipestone's intent to enter such discussions or negotiations and furnish such information has been provided to Strathcona), and all other information reasonably requested by Strathcona; and (3) has kept Strathcona fully informed of the status and details of any such inquiry, offer or proposal (and any amendments or supplements thereto), provided copies of all correspondence between Pipestone and the third party to Strathcona and answered Strathcona's questions with respect thereto;
- (viii) accept, approve or enter into a Permitted Acquisition Agreement in respect of a Superior Proposal and/or make a Change in Recommendation, but only if prior to such acceptance, approval or entry into a Permitted Acquisition Agreement, or Change in Recommendation: (A) the Pipestone Board concludes in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement as contemplated in Section 3.4(e) of the Arrangement Agreement and after receiving the advice of outside counsel, as reflected in minutes of the Pipestone Board, that that the failure by the Pipestone Board to take such action would be inconsistent with its fiduciary duties under applicable Laws; and (B) (1) Pipestone fully complies with its obligations set forth in Section 3.4 of the Arrangement Agreement, and (2) if Strathcona terminates the Arrangement

Agreement pursuant to Section 8.1(c)(ii) of the Arrangement Agreement, Pipestone pays the amount required by Section 6.1 of the Arrangement Agreement to Strathcona. For purposes of the Arrangement Agreement, a "**Permitted Acquisition Agreement**" means an agreement, arrangement or understanding entered into by Pipestone to implement, pursue or support a Superior Proposal, which:

- (A) other than in respect of the requirement for the Pipestone Board to make a Change in Recommendation as provided in Section 3.4(b)(viii) of the Arrangement Agreement, all obligations of Pipestone (other than confidentiality) contained in the agreement, arrangement or understanding are effective and may be completed only following the satisfaction of a condition precedent that the Arrangement Resolution shall have failed to receive the Required Pipestone Shareholder Approval (as defined in the Arrangement Agreement) at the Meeting (including any adjournments or postponements thereof) in accordance with the Interim Order;
 - (B) other than as required by applicable Law prior to the satisfaction of the condition precedent referred to in clause (A) above, does not require or permit Pipestone to take any further steps in respect of the Superior Proposal, including any filing or notice to any Governmental Authority, until the condition precedent referred to in clause (A) above has been satisfied;
 - (C) terminates automatically in accordance with its terms, and is of no further force or effect, immediately upon the failure of the condition precedent referred to in clause (A) above to be satisfied;
 - (D) does not contain any provisions providing for the payment of any amount or the taking of any other action by Pipestone or its affiliates as a result of the completion of the transactions contemplated by the Arrangement Agreement or the failure to satisfy the condition precedent referred to in clause (A) above; and
 - (E) other than in respect of the ability of the Pipestone Board to make a Change in Recommendation upon the entering into of the agreement, arrangement or understanding as provided in Section 3.4(b)(viii) of the Arrangement Agreement, such agreement, arrangement or understanding does not by its terms otherwise prevent, delay or inhibit, in any way, Pipestone from completing the Arrangement in accordance with the terms of the Arrangement Agreement unless and until such time as the condition precedent referred to in clause (i) above is satisfied.
- (c) Notwithstanding any Change in Recommendation or the acceptance, approval or entering into of any Permitted Acquisition Agreement, in each case in accordance with Section 3.4(b)(viii) of the Arrangement Agreement, unless the Arrangement Agreement is terminated in accordance with the terms hereof, Pipestone shall continue to comply with its obligations under the Arrangement Agreement in order to give effect to the Arrangement, including causing the Meeting to occur and the Arrangement Resolution to be voted on by the Pipestone Shareholders in accordance with the Arrangement Agreement, and shall not submit to a vote of the Pipestone Shareholders any Acquisition Proposal.
- (d) In the event that Pipestone is in receipt of a Superior Proposal, it shall give Strathcona, orally and in writing, at least five Business Days' advance notice (the "**Matching Period**") of any decision by the Pipestone Board to make a Change in Recommendation and/or to accept, approve or enter into a Permitted Acquisition Agreement in respect of the Superior

Proposal, which notice shall: (i) confirm that the Pipestone Board has determined that such Acquisition Proposal constitutes a Superior Proposal; (ii) include the value that the Pipestone Board, in consultation with its financial advisor(s), has determined should be ascribed to any non-cash consideration offered pursuant to such Superior Proposal; (iii) identify the third party making the Superior Proposal; and (iv) include a true and complete copy of the Superior Proposal and/or the proposed Permitted Acquisition Agreement, including all supporting materials, including financial documents, and any amendments or supplements thereto. In the event that Pipestone provides the notice or other materials contemplated in Section 3.4(d) of the Arrangement Agreement on a date which is less than five Business Days prior to the Meeting, Strathcona shall be entitled to require Pipestone to adjourn or postpone the Meeting to a date that is not more than ten Business Days after the date of such notice.

- (e) During the Matching Period, Pipestone and the Pipestone Board (as applicable) shall not: (i) accept, approve or enter into a Permitted Acquisition Agreement in respect of the Superior Proposal; (ii) make a Change in Recommendation; or (iii) release the third party making the Superior Proposal from any standstill provisions granted in favour of Pipestone. In addition, during the Matching Period, Pipestone shall, and shall cause its Representatives to, negotiate in good faith with Strathcona and its Representatives to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would enable Pipestone to proceed with the Arrangement as amended rather than making a Change in Recommendation and/or accepting, approving or entering into a Permitted Acquisition Agreement in respect of the Superior Proposal. In the event that Strathcona confirms in writing, prior to the expiry of the Matching Period, its commitment to amend the Arrangement Agreement and the Arrangement on a basis such that the Pipestone Board determines that the Acquisition Proposal is no longer a Superior Proposal, Pipestone and the Pipestone Board (as applicable) shall not: (i) accept, approve or enter into an agreement to implement such Acquisition Proposal (including, a Permitted Acquisition Agreement or any other agreement); (ii) make a Change in Recommendation; or (iii) release the third party making the Acquisition Proposal from any standstill provisions granted in favour of Pipestone. Notwithstanding the foregoing, and for greater certainty, Strathcona shall have no obligation to make or negotiate any changes to the Arrangement Agreement or the Arrangement in the event that Pipestone has received a Superior Proposal.
- (f) For greater certainty and notwithstanding anything in the Arrangement Agreement to the contrary, Pipestone shall not be permitted to accept, approve or enter into an agreement providing for, or implementing, a Superior Proposal unless such agreement constitutes a Permitted Acquisition Agreement and it has complied with its obligations under Section 3.4 of the Arrangement Agreement. In addition, Pipestone agrees that any Permitted Acquisition Agreement entered into in accordance with Section 3.4 of the Arrangement Agreement shall be required to satisfy each of the criteria of a Permitted Acquisition Agreement and it shall not amend, waive or otherwise vary any of the provisions of such Permitted Acquisition Agreement in a manner which would be inconsistent with each of the criteria of a Permitted Acquisition Agreement.
- (g) Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Pipestone Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of Section 3.4 of the Arrangement Agreement and Strathcona shall be afforded a new five Business Day Matching Period from the date on which Strathcona received the notice and other materials contemplated in Section 3.4 of the Arrangement Agreement in respect of such amendment or modification.

- (h) The Pipestone Board shall promptly reaffirm the Pipestone Board Recommendation by press release after the Pipestone Board determines that: (i) an Acquisition Proposal which has been publicly announced or disclosed is not a Superior Proposal; or (ii) a proposed amendment to the terms of the Arrangement Agreement and the Arrangement as contemplated under Section 3.4(e) of the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal. Pipestone shall provide Strathcona and its legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by Strathcona and its legal counsel.
- (i) Strathcona agrees that all information that may be provided to it by Pipestone with respect to any Superior Proposal pursuant to Section 3.4 of the Arrangement Agreement shall be treated as if it were "Evaluation Material" (as defined in the Confidentiality Agreement) and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under the Arrangement Agreement.
- (j) Pipestone shall ensure that its Representatives are aware of the provisions of Section 3.4 of the Arrangement Agreement and any violation of the restrictions set forth in Section 3.4 thereof by any Representative of Pipestone is deemed to be a breach of Section 3.4 thereof by Pipestone.
- (k) Nothing in the Arrangement Agreement shall prohibit Pipestone or the Pipestone Board from complying with National Instrument 62-104 — *Take-over Bids and Issuer Bids* and similar provisions under Canadian Securities Laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to Pipestone's securityholders; provided, however, that Section 3.4(k) of the Arrangement Agreement shall not be deemed to permit the Pipestone Board to make a Change in Recommendation except to the extent otherwise permitted by the Arrangement Agreement.

Conditions to Closing

Mutual Conditions Precedent

Under the terms of the Arrangement Agreement, the respective obligations of the Parties to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date, or such other time specified, of the following conditions:

- (a) the Interim Order and the Final Order shall each have been granted on terms consistent with the Arrangement Agreement, and such orders shall not have been set aside or modified in a manner unacceptable to either Strathcona or Pipestone, each acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been passed by the Pipestone Shareholders by the Required Pipestone Shareholder Approval at the Meeting in accordance with the Interim Order;
- (c) the Competition Act Approval shall have been obtained and be in full force and effect;
- (d) the TSX Approval shall have been obtained;
- (e) no act, action, suit, proceeding, objection, opposition, order or injunction shall have been taken, entered or promulgated by any Governmental Authority, whether or not having the force of Law, which prevents, prohibits or makes (or which would reasonably be expected

to prevent, prohibit or make) the consummation of the Arrangement illegal or otherwise prohibit or enjoin the Parties from consummating the Arrangement or that would be reasonably expected to have a Material Adverse Effect in respect of either Strathcona (either before or after the completion of the Arrangement) or Pipestone; and

- (f) no Law (whether temporary, preliminary or permanent) shall be in effect or shall have been enacted, promulgated, amended or applied by any Governmental Authority which prevents, prohibits or makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins Strathcona or Pipestone from consummating the Arrangement or that would be reasonably expected to have a Material Adverse Effect in respect of either Strathcona (either before or after the completion of the Arrangement) or Pipestone.

The foregoing conditions are for the mutual benefit of Strathcona and Pipestone and may be asserted by Strathcona and Pipestone regardless of the circumstances and may be waived by the mutual written consent of Strathcona and Pipestone (with respect to such Party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Strathcona or Pipestone may have.

Conditions in Favour of Strathcona

The obligation of Strathcona to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties of Pipestone:
 - (i) in paragraphs (a) [*Organization*], (b) [*Corporate Power and Due Authorization*], (e) [*No Contravention*], (j) [*Capitalization*] (except for de minimis inaccuracies), (p)(iii) [*No Material Adverse Change*], (zz) [*Brokers and Finders*] and (aaa) [*Confidentiality Agreement*] of Schedule "D" of the Arrangement Agreement shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on such date in all respects (except as a result of transactions, changes, conditions, events or circumstances permitted under the Arrangement Agreement); and
 - (ii) in the remainder of the Arrangement Agreement, including Schedule "D" thereto, shall be true and correct as of the date of the Agreement Date and as of the Effective Date as if made on such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) without regard to "material", "Material Adverse Effect" or any other concepts of materiality in such representations and warranties, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would not reasonably be expected to result in a Material Adverse Change in respect of Pipestone or, directly or indirectly, adversely affect the completion of the Arrangement in accordance with its terms,

and Pipestone shall have provided to Strathcona a certificate of two executive officers of Pipestone certifying, on behalf of Pipestone, as to such matters on the Effective Date;

- (b) Pipestone shall have complied in all material respects with its covenants in the Arrangement Agreement to be complied with by it on or prior to the Effective Time, and Pipestone shall have provided to Strathcona a certificate of two executive officers of Pipestone certifying, on behalf of Pipestone, as to such compliance;

- (c) since the Agreement Date, there shall not have occurred and be continuing a Material Adverse Change in respect of Pipestone; and
- (d) holders of not more than 20.0% of the issued and outstanding Pipestone Shares, in the aggregate, shall have validly exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as at the Effective Date.

The conditions in Section 5.2 of the Arrangement Agreement are for the exclusive benefit of Strathcona and may be asserted by Strathcona regardless of the circumstances or may be waived by Strathcona, in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Strathcona may have.

Conditions in Favour of Pipestone

The obligation of Pipestone to consummate the transactions contemplated in the Arrangement Agreement, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties of Strathcona:
 - (i) in paragraphs (a) [*Organization*], (b) [*Corporate Power and Due Authorization*], (f) [*No Contravention*]; (n)(iii) [*No Material Adverse Change*]; and (j) [*Capitalization*] (except for de minimis inaccuracies) of Schedule "C" of the Arrangement Agreement shall be true and correct in all respects as of the Agreement Date and as of the Effective Date as if made on such date in all respects (except as a result of transactions, changes, conditions, events or circumstances permitted under the Arrangement Agreement); and
 - (ii) in the remainder of the Arrangement Agreement, including Schedule "C" thereto, shall be true and correct as of the Agreement Date and as of the Effective Date as if made on such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) without regard to "material", "Material Adverse Effect" or any other concepts of materiality in such representations and warranties, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would not reasonably be expected to result in a Material Adverse Change in respect of Strathcona or directly or indirectly, adversely affect the completion of the Arrangement in accordance with its terms,

and Strathcona shall have provided to Pipestone a certificate of two executive officers of Strathcona certifying, on behalf of Strathcona, as to such matters on the Effective Date;

- (b) Strathcona shall have complied in all material respects with its covenants in the Arrangement Agreement to be complied with by it on or prior to the Effective Time, and Strathcona shall have provided to Pipestone a certificate of two executive officers of Strathcona certifying, on behalf of Strathcona, as to such compliance; and
- (c) since the Agreement Date, there shall not have occurred and be continuing a Material Adverse Change in respect of Strathcona.

The conditions in Section 5.3 of the Arrangement Agreement are for the exclusive benefit of Pipestone and may be asserted by Pipestone regardless of the circumstances or may be waived by Pipestone in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Pipestone may have.

Termination of the Arrangement Agreement

The Parties have agreed that, pursuant to Section 8.1 of the Arrangement Agreement, the Arrangement Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Strathcona and Pipestone;
- (b) by either Strathcona or Pipestone if:
 - (i) the Arrangement Resolution shall have failed to receive the Required Pipestone Shareholder Approval at the Meeting (including any adjournments or postponements thereof) in accordance with the Interim Order;
 - (ii) the Effective Time shall not have occurred on or prior to the Outside Date, provided that the right to terminate the Arrangement Agreement under Section 8.1(b)(ii) thereof [*Outside Date*] shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date; or
 - (iii) any condition in Section 5.1 of the Arrangement Agreement (other than the condition in Section 5.1(b) thereof [*Arrangement Resolution Condition*]) becomes incapable of being satisfied by the Outside Date, provided that the right to terminate the Arrangement Agreement under Section 8.1(b)(iii) thereof [*Failure to Satisfy Mutual Conditions*] shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of such condition to be satisfied or where such Party has not complied with the applicable provisions of Section 5.4 of the Arrangement Agreement;
- (c) by Strathcona:
 - (i) if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Pipestone set forth in the Arrangement Agreement occurs that would cause the condition in Section 5.2(a) thereof [*Pipestone Reps and Warranties Condition*] or Section 5.2(b) thereof [*Pipestone Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with Section 5.4 of the Arrangement Agreement, provided that: (A) Strathcona is not then in breach of the Arrangement Agreement so as to cause any condition in Section 5.3(a) thereof [*Strathcona Reps and Warranties Condition*] or Section 5.3(b) thereof [*Strathcona Covenants Condition*] not to be satisfied and (B) any termination pursuant to Section 8.1(c)(i) of the Arrangement Agreement is subject to and made in accordance with Section 5.4 of the Arrangement Agreement;
 - (ii) prior to the Meeting, upon the occurrence of a Strathcona Damages Event as provided in Section 6.1(a) or Section 6.1(b) of the Arrangement Agreement; or
 - (iii) upon the occurrence of Strathcona Damages Event as provided in Section 6.1(e) of the Arrangement Agreement;
- (d) by Pipestone if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Strathcona set forth in the Arrangement Agreement occurs that would cause the condition in Section 5.3(a) thereof [*Strathcona Reps and*

Warranties Condition] or Section 5.3(b) thereof [*Strathcona Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with Section 5.4 of the Arrangement Agreement, provided that: (i) Pipestone is not then in breach of the Arrangement Agreement so as to cause any condition in Section 5.2(a) thereof [*Pipestone Reps and Warranties Condition*] or Section 5.2(b) thereof [*Pipestone Covenants Condition*] to not be satisfied; and (ii) any termination pursuant to Section 8.1(d) of the Arrangement Agreement is subject to and made in accordance with Section 5.4 of the Arrangement Agreement.

Effect of Termination

In the event of the termination of the Arrangement Agreement pursuant to Section 8.1 thereof or the Effective Date occurring, the Arrangement Agreement shall forthwith become void and have no further force or effect, and neither Party (nor its Representatives or securityholders) shall have any liability or further obligation to the other Party thereunder, except:

- (a) in the event of termination pursuant to Section 8.1 of the Arrangement Agreement, the provisions and obligations set forth in Section 4.3, Section 6.1, Section 6.2, Section 6.3 and Section 8.2 thereof, (in each case to the extent applicable) and Article 10 thereof shall survive such termination; and
- (b) in the event of the Effective Date occurring, the provisions and obligations set forth in Section 2.11, Section 4.3 and Article 10 of the Arrangement Agreement shall survive any termination.

For greater certainty and notwithstanding anything in the Arrangement Agreement to the contrary (other than being subject to Section 6.3 of the Arrangement Agreement in the event Strathcona is entitled to payment of a Termination Fee under Section 6.1 of the Arrangement Agreement or Pipestone is entitled to payment of a Termination Fee under Section 6.2 of the Arrangement Agreement), nothing contained in Section 8.2 of the Arrangement Agreement shall relieve either Party from liability for: (i) failure to consummate the Arrangement when required pursuant to the Arrangement Agreement; or (ii) any breach of any provision of the Arrangement Agreement. No termination of the Arrangement Agreement shall affect the obligations of the Parties pursuant to the Confidentiality Agreement or any other subsequent written agreement that addresses confidentiality between the Parties, except to the extent specified therein.

Strathcona Damages

If at any time after the execution of the Arrangement Agreement:

- (a) the Pipestone Board has: (i) withdrawn, modified, qualified or changed the Pipestone Board Recommendation in a manner adverse to Strathcona or inconsistent with the completion of the transactions contemplated by the Arrangement Agreement or shall have resolved to do so prior to the Effective Date; (ii) recommended an Acquisition Proposal; or (iii) failed to publicly reconfirm the Pipestone Board Recommendation upon the request of Strathcona prior to the earlier of five days following such request or 72 hours prior to the Meeting (unless Strathcona is then in material breach of its obligations under the Arrangement Agreement and such withdrawal, modification, qualification, change or failure relates to such breach) (each, a "**Change in Recommendation**");
- (b) Pipestone has accepted, approved or entered into a Permitted Acquisition Agreement;
- (c) (i) the Pipestone Board has made a Change in Recommendation or Pipestone has accepted, approved or entered into a Permitted Acquisition Agreement, and (ii) after such Change in Recommendation has been made or such Permitted Acquisition Agreement has been accepted, approved or entered into, the Arrangement Agreement is terminated by

either Party pursuant to Section 8.1(b)(i) thereof [*No Required Pipestone Shareholder Approval*] or Section 8.1(b)(ii) thereof [*Outside Date*];

- (d) (i) an Acquisition Proposal in respect of Pipestone is publicly announced, proposed, disclosed, offered or made or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of Pipestone; (ii) after such Acquisition Proposal shall have been publicly announced, proposed, disclosed, offered or made, the Arrangement Agreement is terminated: (A) by either Party pursuant to Section 8.1(b)(i) thereof [*No Required Pipestone Shareholder Approval*] or Section 8.1(b)(ii) thereof [*Outside Date*] or (B) by Strathcona pursuant to Section 8.1(c)(i) thereof [*Pipestone Reps and Warranties and Covenants Conditions*] as a result of the failure to satisfy the condition in Section 5.2(b) thereof [*Pipestone Covenants Condition*]; and (iii) such Acquisition Proposal, or an amended version thereof, or any other Acquisition Proposal relating to Pipestone is agreed to, entered into or consummated, as applicable, within 12 months of the date the Arrangement Agreement is terminated; or
- (e) Pipestone materially breaches any of its obligations under Section 3.4 of the Arrangement Agreement,

(each of the above being a "**Strathcona Damages Event**"), provided no Pipestone Damages Event has occurred, in the event of the termination of the Arrangement Agreement pursuant to the applicable provision of Section 8.1 thereof, Pipestone shall pay to Strathcona an amount equal to the Termination Fee as liquidated damages in immediately available funds to an account designated by Strathcona. The Termination Fee shall be paid as follows:

- (f) in the case of a Strathcona Damages Event referred to in Section 6.1(a), Section 6.1(b), Section 6.1(c) or Section 6.1(e) of the Arrangement Agreement, within two Business Days of the termination of the Arrangement Agreement; or
- (g) in the case of a Strathcona Damages Event referred to in Section 6.1(d) of the Arrangement Agreement, upon the earlier of the agreement to enter into, or the consummation of, the Acquisition Proposal referred to therein.

Following a Strathcona Damages Event but prior to payment of the Termination Fee, Pipestone shall, and shall be deemed to, hold such funds in trust for Strathcona. Pipestone shall only be obligated to pay a maximum of \$25,000,000 pursuant to Section 6.1 of the Arrangement Agreement.

Pipestone Damages

If at any time after the execution of the Arrangement Agreement, Strathcona fails to complete the Arrangement prior to the Outside Date notwithstanding that each of the conditions contained in Sections 5.1 and 5.2 of the Arrangement Agreement have been satisfied or waived by Strathcona (the "**Pipestone Damages Event**") provided no Strathcona Damages Event has occurred, in the event of the termination of the Arrangement Agreement by Pipestone pursuant to Section 8.1(b)(ii) thereof [*Outside Date*], Strathcona shall pay to Pipestone the Termination Fee as liquidated damages in immediately available funds to an account designated by Pipestone within two Business Days after the occurrence of the Pipestone Damages Event. Following the Pipestone Damages Event, but prior to payment of the Termination Fee, Strathcona shall, and shall be deemed to, hold in trust for Pipestone any amount owing to Strathcona under Section 6.2 of the Arrangement Agreement.

Liquidated Damages and Specific Performance

Each Party acknowledges that the Termination Fee set out in Section 6.1 and Section 6.2 of the Arrangement Agreement represents payment of liquidated damages which is a genuine pre-estimate of the damages which Strathcona or Pipestone (as applicable) will suffer or incur as a result of the event giving

rise to such damages and resultant termination of the Arrangement Agreement and is not a penalty. Each of Strathcona and Pipestone has irrevocably waived any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties have agreed that the payment of any amount pursuant to Section 6.1 and Section 6.2 of the Arrangement Agreement is the sole monetary remedy of Strathcona or Pipestone (as applicable) in respect of the events contemplated in Section 6.1 and Section 6.2 of the Arrangement Agreement, provided that this limitation shall not (i) apply in the event a Party deliberately breaches the Arrangement Agreement, and (b) prior to any termination of the Arrangement Agreement, preclude Strathcona from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Pipestone set forth in the Arrangement Agreement or the Confidentiality Agreement or to otherwise obtain specific performance of any such acts, covenants or agreements in accordance with Section 8.3 of the Arrangement Agreement.

Amendments

Arrangement Agreement

The Arrangement Agreement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by written agreement of the Parties without, subject to the Interim Order, the Final Order and applicable Laws, further notice to or authorization on the part of the Pipestone Shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained therein or in any document delivered pursuant thereto;
- (c) waive compliance with or modify any of the covenants therein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained therein;

provided that no such amendment reduces or adversely affects the consideration to be received by the Pipestone Shareholders without approval by the Pipestone Shareholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court (provided that a decrease in the market price or value of Strathcona Shares shall not constitute a decrease in the amount of the consideration to be received by the Pipestone Shareholders).

Plan of Arrangement

Strathcona and Pipestone may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) approved by Strathcona and Pipestone; (c) filed with the Court and, if made following the Meeting, approved by the Court; and (d) communicated to the Pipestone Shareholders and the shareholders of Strathcona, if and as required by the Court.

Any amendment, modification or supplement to the Plan of Arrangement may be proposed by Strathcona or Pipestone at any time prior to or at the Meeting (provided that the other Party shall have approved it, acting reasonably) with or without any other prior notice or communication, and, if so proposed and accepted, in the manner contemplated and to the extent required by the Arrangement Agreement by the Pipestone Shareholders at the Meeting (other than as may be required pursuant to the Interim Order or other order of the Court), shall become part of the Plan of Arrangement for all purposes.

Shareholder Approval

Pipestone Shareholder Approval

At the Meeting, the Pipestone Shareholders will be asked to approve the Arrangement Resolution authorizing and approving the Arrangement. The full text of the Arrangement Resolution is set forth in Appendix "A" to this Information Circular and must be approved by not less than 66²/₃% of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting.

The receipt of the Shareholder Approval is a mutual condition precedent to the completion of the Arrangement which is required to be satisfied in order for the Arrangement to proceed. The Parties have the right to terminate the Arrangement Agreement in the event that the Shareholder Approval is not obtained at the Meeting. In such circumstances, Pipestone would not be entitled to receive the Termination Fee, however, the Termination Fee may become payable in certain circumstances as described under "*The Arrangement – The Arrangement Agreement – Effect of Termination*".

Strathcona Shareholder Approval

In accordance with the terms of the Strathcona USA, each Strathcona Shareholder has agreed, subject to certain exceptions, to vote their Strathcona Shares in the same manner as the WEF Shareholders on any matter submitted to a vote of Strathcona Shareholders by the board of directors of Strathcona. In addition, each Strathcona Shareholder, other than the WEF Shareholders, has appointed Strathcona as its attorney, with full power of substitution, in the name of the Strathcona Shareholder, to take all actions and execute all documents necessary to provide written consent in lieu of any meeting of Strathcona Shareholders.

By way of written special resolutions dated July 31, 2023, the Strathcona Shareholders, including the WEF Shareholders, authorized and approved the Arrangement and all matters ancillary thereto and contemplated thereby.

Support Agreements

Each of the Supporting Shareholders, who collectively hold approximately 39% of the outstanding Pipestone Shares, has entered into a Support Agreement with Strathcona, pursuant to which such Supporting Shareholders have covenanted and agreed to, among other things: (i) vote, or cause to be voted, all of the Pipestone Shares (including Pipestone Shares issued upon exercise of Options) held by such Supporting Shareholder (the "**Subject Securities**") in favour of the Arrangement Resolution and any other matter necessary for the consummation of the Arrangement or any other transaction contemplated by the Arrangement Agreement or requiring the consent of the Supporting Shareholder; (ii) vote, or cause to be voted, all of the Subject Securities against, and not tender or cause to be tendered any of the Subject Securities to any corporate transaction involving Pipestone other than the Arrangement, including without limitation, an Acquisition Proposal or a Superior Proposal; (iii) not sell, transfer or assign any of the Subject Securities, subject to certain exceptions; and (iv) not to exercise any shareholder rights or remedies to impede, frustrate, nullify, prevent hinder, delay, upset or challenge the Arrangement, including dissent rights in respect of the Arrangement.

The Support Agreements entered into with certain officers and directors of Pipestone will terminate on the earliest of: (i) the mutual written agreement of Strathcona and the Supporting Shareholder; (ii) the termination of the Arrangement Agreement in accordance with its terms; (iii) the Effective Date; (iv) written notice by Strathcona or the Supporting Shareholder to the other party if any representation or warranty of the other party under the Support Agreement is untrue or incorrect in any material respect or the other party has not complied in any material respect with its covenants contained in the Support Agreement; (v) the Outside Date; and (vi) the date on which Strathcona and Pipestone agree to reduce the consideration payable to the Pipestone Shareholders from the Pipestone Exchange Ratio provided in the Arrangement Agreement (except for adjustments to the Pipestone Exchange Ratio expressly provided for in Section 2.15 of the Arrangement Agreement) without the prior written consent of the applicable Supporting Shareholder.

The Support Agreement with the Significant Shareholder will terminate on the earliest of: (i) the mutual written agreement of the Significant Shareholder and Strathcona; (ii) the termination of the Arrangement Agreement in accordance with its terms; (iii) the Effective Date; (iv) written notice of Strathcona or the Significant Shareholder to the other party if any representation or warranty of the other party under the Support Agreement is untrue or incorrect in any material respect or the other party has not complied in any material respect with its covenants contained in the Support Agreement; (v) the Outside Date; (vi) the date the Arrangement Resolution is not approved by the Pipestone Shareholders at the Meeting; (vii) a Support Agreement, other than the Support Agreement to which the Significant Shareholder is a party (an "**Other Support Agreement**") is terminated or materially amended, including any release of the security holder of Pipestone which is a party to the Other Support Agreement from the obligations thereunder restricting sales or dispositions of securities or requiring securities to be voted in favour of the Arrangement; or (viii) Strathcona enters into an Other Support Agreement after the Agreement Date, the economic terms of which are more favourable, in any material respect, to the securityholder of Pipestone which is a party thereto than the terms of its Support Agreement are to the Significant Shareholder, unless the same terms are provided to the Significant Shareholder.

The Support Agreements do not provide for their termination upon receipt by Pipestone of a Superior Proposal.

Court Approval of the Arrangement

The Arrangement requires approval by the Court under Section 193 of the ABCA. Prior to the mailing of this Information Circular, Pipestone obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix "B" to this Information Circular.

Subject to the terms of the Arrangement Agreement, following the approval of the Arrangement Resolution by the Pipestone Shareholders, Pipestone and Strathcona will make an application to the Court for the Final Order. An application for the Final Order approving the Arrangement is expected to be made via Webex video conference in Virtual Courtroom 60 (<https://albertacourts.webex.com/meet/virtual.courtroom60>) on September 28, 2023 at 12:45 p.m. (Calgary time). In accordance with the Interim Order, should the Court adjourn the hearing to a later date, notice of the later date will be given to those who have filed and delivered a notice of intention to appear in accordance with the Interim Order. Any Pipestone Shareholder (other than Supporting Shareholders), Strathcona Shareholder or other interested party desiring to appear (virtually) and make submissions at the application for the Final Order is required to file with the Court and serve upon Pipestone and Strathcona, on or before 4:00 p.m. (Calgary time) on September 21, 2023 (or, if the hearing is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five Business Days immediately preceding the date on which the hearing is reconvened or held), a notice of intention to appear including the interested party's address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by email), indicating whether such interested party intends to support or oppose the application or make submissions at the application, together with a summary of the position such interested party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on the applicants shall be effected by service upon the solicitors for Pipestone c/o McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont (email: ldelamont@mccarthy.ca) and the solicitors for Strathcona c/o Blake, Cassels & Graydon LLP, Suite 3500, 855 – 2nd Street S.W. Calgary, AB T2P 4J8 Attention: Renee Reichelt (email: renee.reichelt@blakes.com). On the application for the Final Order, the Court will consider: (i) whether the statutory procedures for the Arrangement have been met; (ii) whether the application was put forth in good faith; and (iii) whether the Arrangement is fair and reasonable to the Pipestone Shareholders, the Strathcona Shareholders and other persons affected by the Arrangement.

Pre-Arrangement Reorganization

Pursuant to the Arrangement Agreement, Pipestone has agreed to use commercially reasonable efforts to: (i) perform such reorganizations of its corporate structure, capital structure, business, operations and assets or such other transactions as Strathcona may request, acting reasonably, including the Continuance (each,

a **"Pre-Arrangement Reorganization"**); (ii) cooperate with Strathcona and its Representatives to determine the nature of the Pre-Arrangement Reorganizations that are proposed to be undertaken and the manner in which they would most effectively be undertaken; and (iii) cooperate with Strathcona and its Representatives to seek to obtain consents or waivers which might be required from Pipestone's lenders under the Pipestone Credit Facilities (as defined in the Arrangement Agreement) in connection with the Pre-Arrangement Reorganizations, if any, provided that any costs, fees or expenses associated therewith shall be at Strathcona's sole expense, whether such Pre-Arrangement Reorganizations are completed or not. The completion of any Pre-Arrangement Reorganization shall be contingent on Pipestone being satisfied that any such Pre-Arrangement Reorganization will not, among other things: (i) reduce or modify or otherwise change the consideration to be received by the Pipestone Shareholders under the Arrangement; (ii) impair, impede, delay or prevent the satisfaction of any conditions set out in Article 5 of the Arrangement Agreement or the ability of Pipestone or Strathcona to consummate, and would not materially delay the consummation of the Arrangement; and (iii) impose any incremental Tax on the Pipestone Shareholders.

In order to effect the First Amalgamation, the Pipestone Subsidiary, which exists as a corporation under the *Business Corporations Act* (British Columbia) as of the date of this Information Circular, will be continued under the ABCA immediately prior to the Effective Time.

Regulatory Matters

Competition Act Approval

Part IX of the Competition Act requires that the parties to certain classes of transactions provide prescribed information to the Commissioner where the applicable thresholds set out in Sections 109 and 110 of the Competition Act are exceeded and no exemption applies (**"Notifiable Transaction"**). The Arrangement is a Notifiable Transaction, and is conditional upon the receipt of the Competition Act Approval.

Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the Competition Act (a **"Notification"**) to the Commissioner and the applicable waiting period has expired or been terminated by the Commissioner, or a waiver of the obligation to notify has been granted by the Commissioner under Subsection 113(c) of the Competition Act. The waiting period is 30 days after the day on which the parties to the Notifiable Transaction both submit their respective Notification, provided that, before the expiry of this period, the Commissioner has not notified the parties that he requires additional information that is relevant to the Commissioner's assessment of the Notifiable Transaction pursuant to Subsection 114(2) of the Competition Act (a **"Supplementary Information Request"**). In the event that the Commissioner provides the parties with a Supplementary Information Request, the parties cannot complete the Notifiable Transaction until 30 days after compliance with such Supplementary Information Request, provided that there is no order by the Competition Tribunal in effect prohibiting completion at the relevant time.

Alternatively, or in addition to filing the Notifications, parties to a Notifiable Transaction may apply to the Commissioner for an ARC, which may be issued by the Commissioner and which precludes him from challenging the Notifiable Transaction based on the information provided, or a No-Action Letter, which may be issued by the Commissioner if he does not, at that time, intend to challenge the Notifiable Transaction by making an application under Section 92 of the Competition Act. Where Notifications are not filed, a Subsection 113(c) waiver is requested by the parties, and is typically granted along with a No-Action Letter (where an ARC is granted, a waiver is not required).

The Commissioner may challenge a transaction, whether or not it is a Notifiable Transaction, either before the transaction is completed or within one year after it was substantially completed (unless an ARC is issued) if he is of the view that the transaction will or is likely to prevent or lessen competition, substantially in a relevant market in Canada.

Pipestone and Strathcona jointly submitted a request to the Commissioner for an ARC or, in the alternative, a No-Action Letter and Subsection 113(c) waiver, on August 8, 2023, to commence the Commissioner's

review of the Arrangement. On August 16, 2023, the Commissioner issued an ARC under Section 102(1) of the Competition Act in respect of the Arrangement, which constitutes the Competition Act Approval.

Stock Exchange Listings

Pipestone is a reporting issuer under the securities Laws of each province of Canada. The Pipestone Shares are listed and posted for trading on the TSX under the symbol "PIPE".

On July 31, 2023, the last trading day on which the Pipestone Shares traded prior to the announcement of the Arrangement, the closing price of the Pipestone Shares on the TSX was \$2.72 and the 20-day weighted average price of the Pipestone Shares on the TSX was \$2.4082. On August 24, 2023, the last trading day on which the Pipestone Shares traded prior to the date of this Information Circular, the closing price of the Pipestone Shares on the TSX was \$2.16 and the 20-day weighted average price of the Pipestone Shares on the TSX was \$2.3932. For information with respect to the trading history of the Pipestone Shares, see Appendix "G" – *"Information Concerning Pipestone Energy Corp."*.

Strathcona is not a reporting issuer under the securities Laws of any province or territory in Canada. Subject to the completion of the Arrangement, AmalCo will become a reporting issuer in each jurisdiction in which Pipestone is currently a reporting issuer, being each of the provinces of Canada.

Under the Arrangement Agreement, it is a condition to the completion of the Arrangement that the conditional approval of the TSX for the listing and posting for trading of the AmalCo Shares on the TSX, not later than the third Business Day following the Effective Date, subject only to compliance with the customary requirements of the TSX, has been obtained. There can be no assurance that the AmalCo Shares will be listed on the TSX or on any other stock exchange. See *"Risk Factors – Trading Access"*.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Pipestone Board with respect to the Arrangement, Pipestone Shareholders should be aware that certain directors and executive officers of Pipestone have interests that are, or may be, different from, or in addition to, the interests of other Pipestone Shareholders. The Pipestone Board is aware of these interests and considered them along with the other matters described above in *"The Arrangement – Background to the Arrangement"* and *"The Arrangement – Reasons For and Anticipated Benefits of the Arrangement"*. These interests include those described below.

Except as described below and under the heading *"The Arrangement – Canadian Securities Law Matters – MI 61-101"*, management of Pipestone is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the Arrangement of: (i) any director or executive officer of Pipestone; (ii) any individual who has held office as such since the beginning of Pipestone's last financial year; or (iii) any associate or affiliate of any of the foregoing persons.

Pipestone Shares

As at the date of this Information Circular, the directors and executive officers of Pipestone and their associates or affiliates, as a group, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of approximately 20,170,684 Pipestone Shares or 7.21% of the outstanding Pipestone Shares (excluding Pipestone Shares underlying unexercised Pipestone Incentive Securities). Pursuant to the Support Agreements, certain directors and executive officers of Pipestone agreed with Strathcona to vote such Pipestone Shares in favour of the Arrangement Resolution.

All of the Pipestone Shares held by the directors and executive officers of Pipestone and their respective associates will be treated in the same fashion under the Arrangement as Pipestone Shares held by any other Pipestone Shareholder. If the Arrangement is completed, the directors and executive officers of Pipestone will receive, in exchange for such Pipestone Shares, an aggregate of approximately 1,370,941

AmalCo Shares, which is expected to represent approximately 0.64% of the AmalCo Shares expected to be issued on completion of the Arrangement.

Pipestone Incentive Securities

As at the Agreement Date, the directors and executive officers of Pipestone held an aggregate of 125,126 Options and an aggregate of 2,444,056 PSUs and 1,126,676 RSUs. All of the directors and executive officers of Pipestone who hold Pipestone Incentive Securities have entered into Pipestone Award Termination Agreements. See "*The Arrangement – Treatment of Pipestone Securities*" and "*The Arrangement – Canadian Securities Law Matters – MI 61-101*".

All of the Pipestone Incentive Securities held by the directors and executive officers of Pipestone will be treated in the same fashion under the Pipestone Award Termination Agreements and the Arrangement as Pipestone Incentive Securities held by any other Pipestone Awardholder. If the Arrangement is completed and subject to certain assumptions, including that all Pipestone Incentive Securities held by the directors and executive officers of Pipestone will be surrendered to Pipestone or AmalCo, as the case may be, in accordance with the Pipestone Award Termination Agreements, the directors and executive officers of Pipestone are expected to receive, in exchange for the surrender and cancellation of such Pipestone Incentive Securities, an aggregate of approximately \$7.8 million in cash consideration, which is subject to adjustment based on the determination of the Cash Settlement Amount prior to the Meeting. See "*The Arrangement – Treatment of Pipestone Securities*" and "*The Arrangement – Canadian Securities Law Matters – MI 61-101*".

Pipestone Change of Control Payments

The Arrangement will constitute a "change of control" for the purposes of the employment agreements entered into with each executive officer of Pipestone. If the Arrangement is completed, each of the executive officers of Pipestone shall be entitled to receive Pipestone Change of Control Payments in connection with the termination of their employment. In the event the Arrangement is completed and their employment is terminated without cause or within six months of the Effective Date, each of Paul Wanklyn, Dustin Hoffman, Craig Nieboer and Dan Van Kessel, shall be entitled to receive \$1,392,207, \$599,200, \$536,660 and \$405,167, respectively, as Pipestone Change of Control Payments, in accordance with the terms of their respective employment agreements.

Procedure for Exchange of Certificates or DRS Advices by Pipestone Shareholders

No share certificates or DRS Advices representing Pipestone AmalCo Shares shall be issued to Pipestone Shareholders on completion of the First Amalgamation and the share certificate(s) or DRS Advice(s) that, immediately prior to the Effective Time, represented Pipestone Shares shall be deemed to evidence the Pipestone AmalCo Shares issuable to the holder in connection with the First Amalgamation. Accordingly, for the purposes of the information under this section, references to "Pipestone Shares" herein shall refer to, and include "Pipestone AmalCo Shares", as applicable.

Registered Pipestone Shareholders (other than Dissenting Shareholders) must duly complete and return a duly executed Letter of Transmittal together with the certificate(s) or DRS Advice(s), as applicable, representing their Pipestone Shares and all other required documents to the Depositary at one of the offices specified in the Letter of Transmittal. In the event that the Arrangement is not completed, such certificates or DRS Advices will be promptly returned to Pipestone Shareholders who provided such certificates or DRS Advices to the Depositary.

Enclosed with this Information Circular is a Letter of Transmittal which, when properly completed and duly executed and returned together with the certificate(s) or DRS Advice(s) representing Pipestone Shares and all other required documents, will enable each Pipestone Shareholder to obtain the consideration that the Pipestone Shareholder is entitled to receive under the Arrangement.

The Letter of Transmittal contains instructions on how to exchange Pipestone Shares for AmalCo Shares.

From and after the Effective Time, certificates or DRS Advices formerly representing Pipestone Shares shall represent only the right to receive the AmalCo Shares to which the former Pipestone Shareholders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to the Plan of Arrangement, to receive the fair value of the Pipestone Shares represented by such certificates or DRS Advices. As soon as practicable following the later of the Effective Date and the date of deposit by a former Pipestone Shareholder of a duly completed Letter of Transmittal, and the certificate(s) or DRS Advice(s) representing such Pipestone Shares and all other required documents, the Depositary shall either: (a) forward by email (b) forward by first class mail to such former holder at the address specified in the Letter of Transmittal; or (c) if requested by such Pipestone Shareholder in the Letter of Transmittal to make available or cause to be made available at the Depositary for pickup by such Pipestone Shareholder, DRS Advice representing the number of AmalCo Shares issued to such Pipestone Shareholder under the Arrangement.

No fractional AmalCo Shares shall be issued pursuant to the Arrangement. In lieu of any fractional AmalCo Shares, each registered Pipestone Shareholder otherwise entitled to a fractional interest in an AmalCo Share will receive the nearest whole number of AmalCo Shares. For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of AmalCo Shares to be issued will be rounded up to the nearest whole number, and where such fractional interest is less than 0.5, the number of AmalCo Shares to be issued will be rounded down to the nearest whole number. In calculating such fractional interests, all Pipestone Shares registered in the name of or beneficially held by such holder thereof or their nominee shall be aggregated.

Subject to any applicable Laws relating to unclaimed personal property, any certificate(s) or DRS Advice(s) formerly representing Pipestone Shares that is not deposited, together with all other required documents, on or before the last Business Day before the third anniversary of the Effective Date, shall cease to represent a claim by or interest of any former Pipestone Shareholder of any kind or nature against Strathcona, Pipestone or AmalCo. In such case, all consideration and other property (including any interest, dividends or other distributions) to which such former Pipestone Shareholders were entitled to receive pursuant to the Arrangement shall be surrendered to AmalCo.

If any certificate which immediately prior to the Effective Time represented an interest in one or more outstanding Pipestone Shares has been lost, stolen or destroyed, upon satisfying such reasonable requirements as may be imposed by AmalCo and the Depositary in relation to the issuance of replacement share certificates, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate a certificate or DRS Advice representing the AmalCo Shares to which the holder is entitled pursuant to the Arrangement as determined in accordance with the Plan of Arrangement, deliverable in accordance with such holder's Letter of Transmittal. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond satisfactory to AmalCo and the registrar and transfer agent for the AmalCo Shares in such form as is satisfactory to AmalCo and such registrar and transfer agent, or shall otherwise indemnify AmalCo and the registrar and transfer agent, to the reasonable satisfaction of such persons, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Pipestone Shareholders whose Pipestone Shares are registered in the name of an Intermediary must contact their Intermediary to deposit their Pipestone Shares.

The use of mail to transmit certificates or DRS Advices representing Pipestone Shares and/or the Letter of Transmittal is at each registered Pipestone Shareholder's risk. Pipestone recommends that such certificates, DRS statements and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used and appropriate insurance be obtained.

If a Letter of Transmittal is executed by a person other than the registered holder(s) of the Pipestone Shares being exchanged or if the DRS Advice(s) or certificate(s) representing Pipestone Shares are to be issued

in exchange therefor are to be issued to a person other than the registered holder(s) or sent to an address other than the address of the registered holder(s) as shown on the register of Pipestone Shareholders maintained by the applicable registrar and transfer agent, the signature on the Letter of Transmittal must be medallion guaranteed by an Eligible Institution (as defined in the applicable Letter of Transmittal). If the Letter of Transmittal is executed by a person other than the registered holder(s) of the Pipestone Shares or a DRS Advice or certificate(s) representing AmalCo Shares are to be issued to a person other than the registered holder(s), then the certificate(s) or DRS Advice(s) representing the Pipestone Shares must be endorsed or be accompanied by an appropriate transfer power of attorney duly and properly completed by the registered holder(s). The signature(s) on the endorsement panel or the transfer power of attorney must correspond exactly to the name(s) of the registered holder(s) as registered or as appearing on the certificate(s) must be medallion guaranteed by an Eligible Institution, or in some other manner satisfactory to the Depositary.

All questions as to validity, form, eligibility (including timely receipt), and acceptance of any Pipestone Shares exchanged pursuant to the Arrangement will be determined by Strathcona in its sole discretion. Depositing Pipestone Shareholders agree that such determination shall be final and binding. Strathcona reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the Laws of any jurisdiction. Strathcona reserves the absolute right to waive any defect or irregularity in the exchange of Pipestone Shares. There shall be no duty or obligation on Pipestone, Strathcona, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Pipestone Shares and no liability shall be incurred by any of them for failure to give such notice.

Notwithstanding the provisions of this Information Circular or the Letter of Transmittal, certificates or DRS Advices representing AmalCo Shares to be received pursuant to the Arrangement will not be mailed if AmalCo determines that delivery thereof by mail may be delayed. Persons entitled to certificates or DRS Advices representing AmalCo Shares which are not mailed for such reason may take delivery thereof at the office of the Depositary in which the deposited certificates or DRS Advices representing Pipestone Shares were originally deposited until such time that it is determined that the delivery by mail will no longer be delayed.

Pipestone Shareholders are encouraged to deliver a validly completed and duly executed Letter of Transmittal, as applicable, together with the relevant share certificate(s) or DRS Advice(s), as applicable, to the Depositary as soon as possible.

None of Pipestone, Strathcona or the Depositary are liable for failure to notify Pipestone Shareholders, nor do they have any obligation to notify Pipestone Shareholders, who make a deficient deposit with the Depositary.

Withholding Rights

Pipestone, Strathcona, AmalCo or the Depositary, as applicable, shall be entitled to deduct or withhold from any amounts payable or otherwise deliverable to any former Pipestone Shareholder under the Arrangement or the Arrangement Agreement (including any amount payable to a Pipestone Shareholder who has validly exercised Dissent Rights), such amounts as Pipestone, Strathcona, AmalCo or the Depositary, as applicable, are required or reasonably believe to be required to deduct or withhold from such payment or delivery in accordance with applicable Laws. Any such amounts will be deducted or withheld and remitted from amounts payable or otherwise deliverable pursuant to the Arrangement or the Arrangement Agreement and shall be treated for all purposes under the Arrangement, the Arrangement Agreement and the Letter of Transmittal as having been paid or delivered to the person to whom such amounts would otherwise have been paid or delivered, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Authority.

Canadian Securities Law Matters

MI 61-101

Pipestone is a reporting issuer (or its equivalent) in all provinces of Canada and accordingly is subject to the applicable Canadian Securities Laws of such provinces that have adopted MI 61-101.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "business combinations" (as defined in MI 61-101) that terminate the interests of securityholders without their consent.

The Arrangement would be considered a "business combination" if any related party receives a "collateral benefit" (as defined in MI 61-101) in connection with the Arrangement. If the Arrangement constitutes a "business combination" for the purposes of MI 61-101, MI 61-101 would ordinarily require that the Arrangement Resolution be approved by a majority of the minority of the Pipestone Shareholders. In determining minority approval for a business combination, Pipestone would be required to exclude the votes attached to Pipestone Shares that, to the knowledge of Pipestone and its directors and officers after reasonable inquiry, are beneficially owned or over which control or direction is exercised by all "interested parties" and their "related parties" and "joint actors" all as defined in MI 61-101.

Each of the directors and executive officers of Pipestone hold Pipestone Shares and one or more types of Pipestone Incentive Awards, with the exception of Messrs. Tichio and Shah. If the Arrangement is completed, the vesting of all Pipestone Incentives Securities will be accelerated. Pursuant to and in accordance with the Arrangement Agreement, the Pipestone Award Termination Agreements and the Pipestone LTIP, each In-the-Money Option shall be surrendered to AmalCo for cancellation in consideration for a cash payment equal to the Cash Settlement Amount, less the corresponding Option exercise price. Each PSU and RSU shall be surrendered to Pipestone for cancellation in consideration for a cash payment equal to the Cash Settlement Amount per PSU and RSU (after, in the case of PSUs, application of the applicable performance multiplier). All AmalCo Options, other than the In-the-Money Options, shall be surrendered to AmalCo for nil consideration. The surrender of Pipestone Incentive Securities shall be conditional upon the completion of the Arrangement. In addition, executive officers of Pipestone may receive Pipestone Change of Control Payments in the event the Arrangement is completed and their employment is terminated without cause or within six months of the Effective Date. See *"The Arrangement – Treatment of Pipestone Securities"* and *"The Arrangement – Interests of Certain Persons in the Arrangement"*.

The payment to be made to directors and executive officers pursuant to the Pipestone Award Termination Agreements and the receipt of Pipestone Change of Control Payments by executive officers of Pipestone, if any, may be considered to be "collateral benefits" received by the applicable directors and executive officers of Pipestone for the purposes of MI 61-101.

MI 61-101 expressly excludes benefits from being "collateral benefits" if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party beneficially owns or exercises control or direction over less than 1% of the outstanding securities of each class of "equity securities" (as defined in MI 61-101) at the time the Arrangement was agreed to and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; and (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction. Each director and executive officer of Pipestone, and their respective associates, beneficially own or exercise control or direction over, directly or indirectly, less than 1% of the outstanding Pipestone Shares other than William Lancaster.

Benefits are also expressly excluded from being "collateral benefits" if: (i) the related party discloses to an independent committee of the issuer the amount of the consideration that the related party expects that it will be beneficially entitled to receive under the terms of the transaction in exchange for the equity securities beneficially owned by the related party; (ii) the independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value referred to in clause (i); and (iii) the independent committee's determination is disclosed in the disclosure document for the transaction.

Mr. Lancaster has advised that the number of Pipestone Shares beneficially owned, or over which control or direction is exercised (directly or indirectly), by Mr. Lancaster is 15,764,800 Pipestone Shares, representing approximately 5.64% of the issued and outstanding Pipestone Shares (on a non-diluted basis). Mr. Lancaster is also the holder of 76,924 RSUs, each of which will be surrendered to Pipestone for cancellation in consideration for a cash payment equal to the Cash Settlement Amount. Upon completion of the Arrangement, Mr. Lancaster, will own or exercise control or direction over, directly or indirectly, approximately 1,071,486 AmalCo Shares.

The Pipestone Special Committee has determined that the value of any benefits to be received by Mr. Lancaster in connection with the Arrangement is not greater than 5% of the total value of the consideration he expects to be entitled to receive under the Arrangement and therefore Mr. Lancaster is not considered to be receiving a "collateral benefit". As a result, the Arrangement does not constitute a "business combination" for the purposes of MI 61-101 and therefore Pipestone is not required to obtain "minority approval" under MI 61-101 in respect of the Arrangement.

See "*The Arrangement – Interests of Certain Persons in the Arrangement*" for detailed information regarding the benefits and other payments to be received by each of the officers and directors in connection with the Arrangement.

United States Securities Law Matters

The: (i) Pipestone AmalCo Shares issuable to Pipestone Shareholders in exchange for their Pipestone Shares; and (ii) the AmalCo Shares issuable to former Pipestone Shareholders and Strathcona Shareholders in exchange for their Pipestone AmalCo Shares, Strathcona Class A Shares and Strathcona Class B Shares, as applicable, in each case pursuant to the Arrangement, have not been and will not be registered under the U.S. Securities Act or any state securities laws, and will be issued in reliance upon the exemption from the registration requirement of the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions under applicable state securities laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is authorized by Law to grant such approval, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on August 25, 2023 and, subject to the approval of the Arrangement Resolution by Pipestone Shareholders and satisfaction of certain other conditions, a final hearing on the Arrangement is expected to be held on September 28, 2023 by the Court. All Pipestone Shareholders and Strathcona Shareholders are entitled to appear and be heard at this hearing, provided they satisfy the applicable conditions set forth in the Interim Order. See "*The Arrangement – Court Approval of the Arrangement*". The Final Order of the Court will, if granted, constitute the basis for an exemption from the registration requirement of the U.S. Securities Act, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the securities described in the first sentence of this paragraph, and Pipestone and Strathcona intend to rely upon the Final Order for such purpose.

The AmalCo Shares received pursuant to the Arrangement will be freely tradable under U.S. federal securities laws, except by persons who are "affiliates" of Pipestone or Strathcona within 90 days prior to completion of the Arrangement or "affiliates" of AmalCo following completion of the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled

by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Subject to certain limitations, such affiliates (and former affiliates) may immediately resell the AmalCo Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. AmalCo Shares held by such affiliates (and former affiliates) may also be resold in compliance with the resale provisions of Rule 144 and Rule 145 under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act.

Judicial Developments

Section 193 of the ABCA provides that, where it is impracticable for a corporation to effect an arrangement under any other provision of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Pipestone and Strathcona for approval of the Arrangement. Pipestone has been advised by its counsel, MT that the Court has broad discretion under the ABCA when making orders with respect to plans of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view.

Pipestone Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.

RISK FACTORS

The Arrangement involves various risks. In assessing the Arrangement, the Pipestone Shareholders should carefully consider the risk factors set out below and elsewhere in this Information Circular, including the risk factors described in Appendix "G" – *"Information Concerning Pipestone Energy Corp."*, Appendix "H" – *"Information Concerning Strathcona Resources Ltd."* and Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* to this Information Circular.

Possible Failure to Realize the Anticipated Benefits of the Arrangement

Strathcona and Pipestone are proposing to complete the Arrangement to create the opportunity to realize certain anticipated benefits including, among other things, those set forth under *"The Arrangement – Reasons For and Anticipated Benefits of the Arrangement"* in this Information Circular. The Arrangement is subject to normal commercial risks that such transaction may not be completed on the terms negotiated or at all. Strathcona and Pipestone are proposing to complete the Arrangement to create a leader in the exploration and production industry and realize certain benefits including, among other things, potential synergies and cost savings. Achieving the benefits of the Arrangement depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as AmalCo's ability to realize the anticipated growth opportunities and synergies from integrating the respective businesses of Strathcona and Pipestone following completion of the Arrangement. There can be no assurance that such benefits will occur in a timely manner or at all.

Non-Solicitation and Termination Fee

Under the Arrangement Agreement, while Pipestone is permitted to enter into a Permitted Acquisition Agreement and the Pipestone Board is permitted to make a Change in Recommendation in certain circumstances and upon compliance with the application provisions of the Arrangement Agreement, Pipestone does not have the right to terminate the Arrangement Agreement until after the Meeting. In addition, Pipestone may be required to pay the Termination Fee in the event that the Arrangement Agreement is terminated in certain circumstances. This non-solicitation obligation and the Termination Fee may discourage other parties from attempting to enter into a business transaction with Pipestone, even if those parties would otherwise be willing to enter into an agreement with Pipestone for a business combination. See *"The Arrangement – The Arrangement Agreement – Effect of Termination"*, *"The*

Arrangement – The Arrangement Agreement – Strathcona Damages" and "The Arrangement – The Arrangement Agreement – Pipestone Damages".

If the Arrangement is not completed for any reason, including in the event the Pipestone Shareholders do not approve the Arrangement Resolution, the ongoing businesses of Pipestone may be adversely affected and, without realizing any of the anticipated benefits of having completed the Arrangement, Pipestone would be subject to a number of risks, including the following:

- Pipestone will continue to carry on its current business and may experience negative reactions from the financial markets, including a decline of their share prices;
- There is no assurance that the Pipestone Board will be able to find a party willing to pay equivalent or greater consideration for Pipestone than the consideration to be paid pursuant to the terms of the Arrangement;
- Pipestone may experience negative reactions from the investment community, their customers, suppliers, regulators and employees and other partners in the business community, which may be reflected in the market price of the Pipestone Shares;
- Pipestone will be required to pay certain costs relating to the Arrangement, whether or not the Arrangement is completed; and
- matters relating to the Arrangement will have required substantial commitments of time and other resources by Pipestone management, which would otherwise have been devoted to day-to-day operations and strategic opportunities that may have been beneficial to Pipestone had the Arrangement not been contemplated.

While the Arrangement is Pending, Pipestone is Restricted from Taking Certain Actions

The Arrangement Agreement restricts Pipestone from taking specified actions until the Arrangement is completed, without the consent of the other Party. These restrictions may prevent Pipestone from pursuing attractive business opportunities that may arise prior to completion of the Arrangement.

The Arrangement Agreement may be Terminated

Each of Pipestone and Strathcona has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can either of Pipestone or Strathcona provide any assurance, that the Arrangement Agreement will not be terminated by either Pipestone or Strathcona before the completion of the Arrangement. In addition, certain costs related to the Arrangement, such as legal and certain financial advisor fees, must be paid by Pipestone even if the Arrangement is not completed. Failure to complete the Arrangement could materially negatively impact the market price of the Pipestone Shares. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the Pipestone Board will be able to find a party willing to pay equivalent or greater consideration for Pipestone than the consideration to be paid pursuant to the terms of the Arrangement Agreement. See *"The Arrangement – The Arrangement Agreement – Termination of the Arrangement Agreement"*.

Satisfaction of Conditions Precedent

The completion of the Arrangement is subject to a number of conditions precedents, certain of which are outside the control of Pipestone and Strathcona, including obtaining the requisite approvals from the Pipestone Shareholders, the Court, the Competition Act Approval and the TSX Approval. There is no certainty, nor can Pipestone or Strathcona provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the TSX Approval may adversely affect the business,

financial condition or results of operations of AmalCo. If the Arrangement Agreement is terminated, there is no assurance that the Pipestone Board will be able to find similar transaction.

Trading Access

The Pipestone Shares are currently listed on the TSX. Following completion of the Arrangement, it is anticipated that the Pipestone Shares will be delisted from the TSX. As of the date of this Information Circular, the TSX has not conditionally approved the listing of the AmalCo Shares and there is no assurance that the AmalCo Shares will be listed on the TSX or on any other stock exchange. Additionally, if the TSX does approve the listing of the AmalCo Shares, there can be no assurance that an active and liquid market for the AmalCo Shares will develop and a holder may find it difficult to resell its AmalCo Shares.

Dissent Rights

Pipestone Shareholders have the right to exercise Dissent Rights in accordance with the ABCA as modified by the Interim Order and the Plan of Arrangement. It is a condition to completion of the Arrangement for the benefit of Strathcona that Pipestone Shareholders holding not more than 20.0% of the outstanding Pipestone Shares, in the aggregate, shall have exercised Dissent Rights and, as such, the Arrangement may not be completed if a sufficient number of Pipestone Shareholders exercise Dissent Rights.

Integration of Business Activities

Completion of the Arrangement will result in the integration of the current business activities currently carried on by Strathcona and Pipestone. The integration of these activities may expose Strathcona Shareholders and Pipestone Shareholders to different business risks than those to which they were exposed prior to the Arrangement. As a result of the changing risk profile of the companies, AmalCo may be subject to review of its credit ratings, which may result in a downgrade or negative outlook being assigned to AmalCo following the completion of the Arrangement. See "*Credit Ratings*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*".

The integration of the businesses of Strathcona and Pipestone will require the dedication of substantial effort, time and resources on the part of management which may divert AmalCo management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, the integration process could result in disruption of existing relationships with suppliers, employees, customers and other stakeholders of each company. There can be no assurance that management of AmalCo will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated to result from the Arrangement. Most operational and strategic decisions and certain staffing decisions with respect to integration have not yet been made. These decisions and the integration of the two companies may present challenges to management, including the integration of systems and personnel of the two companies which may be geographically separated, unanticipated liabilities and unanticipated costs. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with customers, suppliers, employees or to achieve the anticipated benefits of the Arrangement. The performance of AmalCo's operations could be adversely affected if AmalCo cannot retain key employees to assist in the integration and operation of Pipestone's and Strathcona's respective businesses.

Any inability of management to successfully integrate the operations could have a material adverse effect on the business, financial condition and results of operations of AmalCo.

In addition, AmalCo will face many of the same risks that each of Strathcona and Pipestone currently face, in addition to other risks.

Combined Information may not be Indicative of AmalCo's Performance following the Arrangement

The combined operational information contained in this Information Circular is presented for illustrative purposes only as of its respective dates and may not be indicative of the operations of the combined businesses of Strathcona and Pipestone following completion of the Arrangement for numerous reasons. The combined operational information has been derived from the respective historical information of Pipestone and Strathcona, and certain adjustments and assumptions made as of the dates indicated therein have been made to give effect to the Arrangement. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Therefore, the combined information contained herein is presented for informational purposes only and is not necessarily indicative of what the combined business' actual operations would have been had the Arrangement been completed on the date indicated. See "*Cautionary Statement Regarding Forward Looking Statements and Information*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*".

Income Tax Laws

There can be no assurance that the CRA, the IRS or other applicable taxing authorities will agree with the Canadian and U.S. federal income tax consequences of the Arrangement, as applicable, as summarized in this Information Circular. Furthermore, there can be no assurance that applicable Canadian and U.S. income tax Laws, regulations or tax treaties will not be changed or interpreted in a manner, or that applicable taxing authorities will not take administrative positions, that are adverse to Pipestone Shareholders in respect of the Arrangement or to AmalCo and the holders of AmalCo Shares following completion of the Arrangement. In addition, the Arrangement and related transactions may restrict the ability of AmalCo to use certain pre-combination tax attributes of either or both of Strathcona and Pipestone. Any such circumstances could adversely affect AmalCo or the AmalCo Shares following completion of the Arrangement.

Future Dividends on AmalCo Shares

AmalCo is not expected to pay dividends on the AmalCo Shares immediately upon closing of the Arrangement. There can be no assurance as to future dividend payments by AmalCo on the AmalCo Shares and the level thereof, as AmalCo's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by AmalCo and its subsidiaries, financial requirements for AmalCo's operations, the execution of its growth strategy and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. See "*Dividends*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*".

Forward-Looking Statements May Prove Inaccurate

Readers are cautioned not to place undue reliance on forward-looking statements. By their nature forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of MT, counsel to Pipestone, and Blake, Cassels and Graydon LLP, counsel to Strathcona (including AmalCo as the successor entity) (collectively, "**Counsel**") the following summary describes the principal Canadian federal income tax considerations arising in connection with the Arrangement and the receiving and holding of AmalCo Shares received pursuant to the Arrangement. This summary is generally applicable to a beneficial owner of Pipestone Shares who, at all relevant times and for purposes of the Tax Act: (a) deals at arm's length with Pipestone, Pipestone Subsidiary and Strathcona; (b) is not affiliated with Pipestone, Pipestone Subsidiary or Strathcona; and (c) holds their Pipestone Shares, and will hold any AmalCo Shares received under the Arrangement (collectively, the "**Securities**"), as capital property (a "**Holder**").

Generally, the Securities will be capital property to the Holder thereof provided the Holder does not hold such Securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade. This summary does not address the tax considerations of the Arrangement to holders of Pipestone Incentive Securities or any other employment-related equity award. **Such Holders should consult their own tax advisors.**

This summary is not applicable to a Holder: (a) that is a "financial institution" (as defined in the Tax Act for the purposes of the "mark-to-market" rules); (b) an interest in which is a "tax shelter" or a "tax shelter investment" (each as defined in the Tax Act); (c) that has made a "functional currency" reporting election under section 261 of the Tax Act; (d) that is a "specified financial institution" (as defined in the Tax Act); (e) that has entered into, or enters into, a "synthetic disposition arrangement" or a "derivative forward agreement" (each as defined in the Tax Act) in respect of any of its Securities; (f) that is a partnership or trust; or (g) that is exempt from tax under Part I of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based on the current provisions of the Tax Act, applicable jurisprudence, Counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing and publicly available prior to the date hereof, and all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). This summary assumes that all Proposed Amendments will be enacted in the form proposed, but no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. Except for the foregoing, this summary does not take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, administrative or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representation with respect to Canadian federal income tax considerations to any Holder is made herein. The tax liability of each Holder will depend on the Holder's particular circumstances. Accordingly, Holders should consult their own tax advisors as to the particular consequences to them of the Arrangement, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority. The discussion below is qualified accordingly.

Holders Resident in Canada

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a Holder who, at all relevant times, and for the purposes of the Tax Act and any applicable income tax treaty or convention, is, resident or deemed to be resident in Canada (a "**Resident Holder**"). A Resident Holder whose Securities may not otherwise qualify as capital property may, in certain circumstances, be entitled to have their Securities and all other "Canadian securities" (as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Resident Holders who may not hold their Securities as capital property should consult their own tax advisors with respect to their own particular circumstances.

Unless otherwise noted, the following portions of this summary under the heading "Holders Resident in Canada", other than the portion under the subheading "*Dissenting Resident Holders*", apply to Resident Holders who are not Dissenting Resident Holders (as defined below).

Treatment of Pipestone Shares upon the First Amalgamation

Pursuant to the Arrangement, Pipestone will amalgamate with its wholly-owned subsidiary, Pipestone Subsidiary. Upon the First Amalgamation, the Pipestone Shares issued and outstanding immediately before

the First Amalgamation shall continue to be the issued and outstanding common shares in the capital of the amalgamated corporation, Pipestone AmalCo, and no new shares or securities will be issued to holders of Pipestone Shares by virtue of the First Amalgamation.

A Resident Holder will not realize any capital gain (or capital loss) on their Pipestone Shares as a result of the First Amalgamation, and the adjusted cost base of a Resident Holder's Pipestone Shares immediately following the First Amalgamation will be equal to the adjusted cost base of the Resident Holder's Pipestone Shares immediately prior to the First Amalgamation.

Exchange of Pipestone Shares for AmalCo Shares

A Resident Holder who, in the course of the Second Amalgamation, exchanges Pipestone Shares for AmalCo Shares will not realize a capital gain (or capital loss) as a result of the exchange. The Resident Holder will be considered to have disposed of their Pipestone Shares for proceeds of disposition equal to such Resident Holder's adjusted cost base of the Pipestone Shares immediately before the Second Amalgamation, and to have acquired their AmalCo Shares at a cost equal to those proceeds of disposition, which cost will become the adjusted cost base of the AmalCo Shares to the Resident Holder.

Dividends on AmalCo Shares

A Resident Holder will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on the AmalCo Shares.

In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (each as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of "eligible dividends" (as defined in the Tax Act) designated by AmalCo in accordance with the provisions of the Tax Act. There may be limitations on the ability of AmalCo to designate dividends as eligible dividends. Taxable dividends received or deemed to be received by individuals (other than certain trusts) may give rise to alternative minimum tax under the Tax Act. The Minister of Finance (Canada) announced proposed changes to the existing rules in the Tax Act relating to alternative minimum tax in the federal budget on March 28, 2023. Draft legislation implementing those changes was released on August 4, 2023.

In the case of a Resident Holder that is a corporation, any dividend received (or deemed to be received) will be included in income for that taxation year and generally will be deductible in computing its taxable income for that year. However, in some circumstances, the amount of any such dividend realized by a corporation may be treated as proceeds of disposition or a capital gain and not as a dividend under subsection 55(2) of the Tax Act. **Resident Holders that are corporations should consult their own tax advisors in this regard.**

A Resident Holder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable to pay a tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received on the AmalCo Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the taxation year.

Disposition of AmalCo Shares

A Resident Holder who disposes of, or is deemed to dispose of, an AmalCo Share will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the AmalCo Share to the Resident Holder. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Capital Gains and Capital Losses*".

Dissenting Resident Holders

A Resident Holder who validly exercises Dissent Rights (a "**Dissenting Resident Holder**") with respect to its Pipestone Shares will be deemed under the Arrangement to have transferred such Pipestone Shares to Pipestone and will be entitled to be paid the fair value of such Pipestone Shares. A Dissenting Resident Holder will be deemed to have received a taxable dividend equal to the amount, if any, by which the amount received for the Pipestone Shares (less the amount in respect of interest, if any, awarded by the Court) exceeds the paid-up capital of such shares (as determined under the Tax Act).

A Dissenting Resident Holder will generally be subject to the tax considerations described above under "*Dividends on AmalCo Shares*" in respect of any deemed dividend arising from the exercise of Dissent Rights.

A Dissenting Resident Holder will also be considered to have disposed of such Holder's Pipestone Shares for proceeds of disposition equal to the amount paid to such Dissenting Resident Holder less the amount of interest, if any, awarded by the Court and the amount of any deemed dividend. A Dissenting Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Dissenting Resident Holder's adjusted cost base thereof. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Capital Gains and Capital Losses*".

Dissenting Resident Holders should consult with their own tax advisors with respect to the Canadian federal income tax considerations of exercising their Dissent Rights.

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of any Securities may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such share to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where any Securities are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) or a "substantive CCPC" (as proposed to be defined in the Tax Act pursuant to Proposed Amendments released on August 9, 2022) may be liable for additional tax (refundable in certain circumstances) on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains realized, dividends and interest.

Capital gains realized or deemed to be realized by individuals (other than certain trusts) may give rise to alternative minimum tax under the Tax Act. The Minister of Finance (Canada) announced proposed changes to the existing rules in the Tax Act relating to alternative minimum tax in the federal budget on March 28, 2023. Draft legislation implementing those changes was released on August 4, 2023.

Holders Not Resident in Canada

The following portion of this summary is generally applicable to a Holder who, at all relevant times: (a) is not or is deemed not to be resident in Canada for the purposes of the Tax Act and any applicable income

tax treaty or convention; (b) does not hold or use, and is not deemed to hold or use, any of the Securities in a business carried on in Canada; (c) is not an "authorized foreign bank" (as defined in the Tax Act); (d) is not an insurer carrying on business in Canada or elsewhere; and (e) is not a "foreign affiliate" (as defined in the Tax Act) of a person resident in Canada (a "**Non-Resident Holder**"). **Non-Resident Holders should consult their own tax advisors having regard to their own particular circumstances.**

Unless otherwise noted, the following portions of this summary, other than the portion under the subheading "*Dissenting Non-Resident Holders*", apply to Non-Resident Holders that are not Dissenting Non-Resident Holders (as defined below).

Treatment of Pipestone Shares upon the First Amalgamation

Pursuant to the Arrangement, Pipestone will amalgamate with its wholly-owned subsidiary, Pipestone Subsidiary. Upon the First Amalgamation, the Pipestone Shares issued and outstanding immediately before the First Amalgamation shall continue to be the issued and outstanding shares in the capital of the amalgamated corporation, Pipestone AmalCo, and no new shares or securities will be issued to holders of Pipestone Shares by virtue of the First Amalgamation.

A Non-Resident Holder will not realize any capital gain (or capital loss) on their Pipestone Shares as a result of the First Amalgamation, and the adjusted cost base of a Non-Resident Holder's Pipestone Shares immediately following the First Amalgamation will be equal to the adjusted cost base of the Non-Resident Holder's Pipestone Shares immediately prior to the First Amalgamation.

Exchange of Pipestone Shares for AmalCo Shares

A Non-Resident Holder who, in the course of the Second Amalgamation, exchanges Pipestone Shares for AmalCo Shares will not realize a capital gain (or capital loss) as a result of the exchange. The Non-Resident Holder will be considered to have disposed of their Pipestone Shares for proceeds of disposition equal to such Non-Resident Holder's adjusted cost base of the Pipestone Shares immediately before the Second Amalgamation, and to have acquired their AmalCo Shares at a cost equal to those proceeds of disposition, which cost will become the adjusted cost base of the AmalCo Shares to the Non-Resident Holder.

Dividends on AmalCo Shares

A Non-Resident Holder who receives (or is deemed to receive) any dividend on the AmalCo Shares will be subject to Canadian withholding tax on such dividend.

A Non-Resident Holder will generally be subject to Canadian withholding tax at a rate of 25% on the gross amount of the dividend, unless such rate is reduced under the terms of an applicable income tax treaty or convention. For example, under the *Canada-United States Tax Convention (1980)*, as amended (the "**Canada-U.S. Treaty**"), where a dividend is paid (or deemed to be paid) on the AmalCo Shares to a resident of the United States for the purposes of the Canada-U.S. Treaty, who is the beneficial owner of the dividends, and who is entitled to all the benefits under the Canada-U.S. Treaty, the applicable rate of Canadian withholding tax generally is reduced to 15%.

Disposition of AmalCo Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of AmalCo Shares, unless the AmalCo Shares constitute "taxable Canadian property" to the Non-Resident Holder and do not constitute "treaty-protected property" (each as defined in the Tax Act).

Generally, the AmalCo Shares will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that the AmalCo Shares are listed at that time on a "designated stock exchange" (as defined in the Tax Act) unless at any time during the 60-month period that ends at the particular time

(a) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, or partnerships in which any of the foregoing holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Holder together with all such persons and/or partnerships, has owned 25% or more of the issued shares of any class or series of the capital stock of AmalCo; and (b) more than 50% of the fair market value of the AmalCo Shares was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists.

Certain other rules may apply to deem AmalCo Shares to be taxable Canadian property to a Non-Resident Holder for a period of up to 60 months following the date the AmalCo Shares are acquired under the Arrangement where the AmalCo Shares are received in exchange for shares that were taxable Canadian property.

Non-Resident Holders whose AmalCo Shares may constitute taxable Canadian property should consult their own tax advisors. **Non-Resident Holders who plan to dispose of their AmalCo Shares before such shares are listed on the TSX under their own ticker symbol should consult their own tax advisors.**

Dissenting Non-Resident Holders

A Non-Resident Holder who has validly exercised Dissent Rights (a "**Dissenting Non-Resident Holder**") with respect to its Pipestone Shares will be deemed under the Arrangement to have transferred its Pipestone Shares to Pipestone and will be entitled to be paid the fair value of such Pipestone Shares. A Dissenting Non-Resident Holder will be deemed to have received a taxable dividend equal to the amount, if any, by which the amount received for the Pipestone Shares (less the amount in respect of interest, if any, awarded by the Court), exceeds the paid-up capital of such shares (as determined under the Tax Act). The amount of the dividend will be subject to Canadian withholding tax as discussed above under "*Holders Not Resident in Canada – Dividends on AmalCo Shares*".

A Dissenting Non-Resident Holder will also be considered to have disposed of its Pipestone Shares for proceeds of disposition equal to the amount paid to such Dissenting Non-Resident Holder, less the amount in respect of any interest, if any, awarded by the Court and the amount of any deemed dividend. A Dissenting Non-Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Dissenting Non-Resident Holder's adjusted cost base thereof. A Dissenting Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain on the disposition of its Pipestone Shares under the Arrangement unless such Pipestone Shares are "taxable Canadian property" of the Dissenting Non-Resident Holder and the Dissenting Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. See the discussion above under the heading "*Holders Not Resident in Canada – Disposition of AmalCo Shares*".

Dissenting Non-Resident Holders should consult with their own tax advisors with respect to the Canadian federal income tax considerations of exercising their Dissent Rights.

Eligibility for Investment

Provided the AmalCo Shares are listed on a "designated stock exchange" (as such term is defined in the Tax Act and which currently includes the TSX) or AmalCo is or is deemed to be a "public corporation" other than a "mortgage investment corporation" (as such terms are defined in the Tax Act), the AmalCo Shares, if issued on the date hereof, would be a "qualified investment" under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a tax-free savings account ("**TFSA**"), a registered disability savings plan ("**RSDP**"), a registered education savings plan ("**RESP**"), a first home savings account ("**FHSA**", and collectively with an RRSP, RRIF, TFSA, RDSP

and RESP, a "**Registered Plan**") and a deferred profit sharing plan ("**DPSP**"), each as defined in the Tax Act.

Notwithstanding the foregoing, if the AmalCo Shares are "prohibited investments" (as defined in the Tax Act) for a Registered Plan, the holder or subscriber of, or an annuitant under, as applicable, a Registered Plan (the "**Controlling Individual**") will be subject to a penalty tax as set out in the Tax Act. The AmalCo Shares will generally be a "prohibited investment" for a Registered Plan if the Controlling Individual does not deal at arm's length with AmalCo for purposes of the Tax Act or has a "significant interest" (as defined in the Tax Act) in AmalCo.

Holders who wish to hold AmalCo Shares in a Registered Plan or DPSP are urged to consult their own tax advisors regarding their particular circumstances.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO U.S. HOLDERS

The following is a summary of certain anticipated U.S. federal income tax considerations generally applicable to a U.S. Holder (as defined below) with respect to the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement. This summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences to such holder, including specific tax consequences to a holder under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any holder. This summary does not address the U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the Arrangement or the ownership and disposition of AmalCo Shares received pursuant to the Arrangement. Except as discussed below, this summary does not discuss reporting requirements. Each U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement.

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of Disclosure

Authorities

This summary is based on the U.S. Tax Code, U.S. Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Canada-U.S. Treaty, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of Pipestone Shares (or, after the Arrangement, AmalCo Shares) participating in the Arrangement or exercising Dissent Rights pursuant to the Arrangement that is:

- (a) an individual who is treated as a citizen or resident of the United States for U.S. federal income tax purposes;
- (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- (d) trust that: (i) is subject to the primary supervision of a court within the U.S. and the control of one or more persons for all substantial decisions; or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

Transactions Not Addressed

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, the Arrangement (whether or not any such transactions are undertaken in connection with the Arrangement), and does not address the following:

- (a) any conversion into Pipestone Shares or AmalCo Shares of any notes, debentures or other debt instruments; or
- (b) any vesting, conversion, assumption, disposition, exercise, exchange, or other transaction involving any rights to acquire Pipestone Shares or AmalCo Shares, including the Pipestone Options, Pipestone RSUs and Pipestone PSUs; and any transaction, other than the Arrangement, in which Pipestone Shares or AmalCo Shares are acquired.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of the Arrangement or the ownership and disposition of AmalCo Shares received pursuant to the Arrangement applicable to U.S. Holders that are subject to special provisions under the U.S. Tax Code, including, but not limited to, U.S. Holders that: (a) are tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are controlled foreign corporations or passive foreign investment companies; (d) are brokers or dealers in securities or currencies or holders that are traders in securities that elect to apply a mark-to-market accounting method; (e) have a "functional currency" other than the U.S. dollar; (f) own Pipestone Shares (or after the Arrangement, AmalCo Shares) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (g) acquired Pipestone Shares (or after the Arrangement, AmalCo Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (h) hold Pipestone Shares (or after the Arrangement, AmalCo Shares) other than as a capital asset within the meaning of Section 1221 of the U.S. Tax Code (generally, property held for investment purposes); (i) are partnerships and other pass-through entities (and investors in such partnerships and entities); (j) are subject to special tax accounting rules; (k) own, have owned or will own (directly, indirectly, or by attribution) 5% or more of the total combined voting power or value of Pipestone's outstanding shares; (l) are subject to the U.S. federal alternative minimum tax; (m) are S corporations (and shareholders thereof); (n) hold Pipestone Shares (or after the Arrangement, AmalCo Shares) in connection with a trade or business, permanent establishment, or fixed base outside the United States or (l) are U.S. expatriates or former long term residents of the United States. U.S. Holders that are subject to special provisions under the U.S. Tax Code,

including holders described immediately above, should consult their own tax advisors regarding the U.S. and non-U.S. tax consequences relating to the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement.

If an entity that is classified as a partnership (or "pass through" entity) for U.S. federal income tax purposes holds Pipestone Shares (or after the Arrangement, AmalCo Shares), the U.S. federal income tax consequences to such entity and the owners of such entity of participating in the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement generally will depend in part on the activities of the entity and the status of such owners. This summary does not address the tax consequences to any such owner or entity. Owners of entities that are classified as partnerships or pass-through entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of AmalCo Shares received pursuant to the Arrangement.

U.S. Federal Income Tax Consequences of the Arrangement to U.S. Holders

Treatment of Pipestone Shares upon the First Amalgamation

Pursuant to the Arrangement, Pipestone will amalgamate with its wholly-owned subsidiary, Pipestone Subsidiary. Upon the First Amalgamation, the Pipestone Shares issued and outstanding immediately before the First Amalgamation shall continue to be the issued and outstanding common shares in the capital of the amalgamated corporation, Pipestone AmalCo, and no new shares or securities will be issued to holders of Pipestone Shares by virtue of the First Amalgamation.

A U.S. Holder should not realize any gain or loss on their Pipestone Shares as a result of the First Amalgamation for U.S. federal income tax purposes, and the tax basis of a U.S. Holder's Pipestone Shares immediately following the First Amalgamation should be equal to the tax basis of the U.S. Holder's Pipestone Shares immediately prior to the First Amalgamation.

Exchange of Pipestone Shares for the AmalCo Shares under the Second Amalgamation

The exchange of Pipestone Shares for AmalCo Shares pursuant to the Second Amalgamation is intended to qualify as a tax-deferred "reorganization" within the meaning of Section 368(a) of the U.S. Tax Code (a "**Reorganization**"). Neither Pipestone nor Strathcona (and after the Second Amalgamation, AmalCo) has sought or obtained either a ruling from the IRS or an opinion of legal counsel regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge the treatment of the Second Amalgamation as a Reorganization or that the U.S. courts will uphold the status of the Second Amalgamation as a Reorganization in the event of an IRS challenge. The tax consequences of the Second Amalgamation qualifying as a Reorganization or as a taxable transaction are discussed below. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Second Amalgamation.

Tax Consequences if the Second Amalgamation Qualifies as a Reorganization

If the Second Amalgamation qualifies as a Reorganization, and subject to the PFIC rules discussed below, the following U.S. federal income tax consequences will result for U.S. Holders who receive AmalCo Shares pursuant to the Second Amalgamation:

- (a) a U.S. Holder should not recognize gain or loss on the exchange of Pipestone Shares for AmalCo Shares;
- (b) the aggregate tax basis of a U.S. Holder in the AmalCo Shares should be equal to such U.S. Holder's aggregate tax basis in the Pipestone Shares surrendered in exchange therefor; and

- (c) the holding period of a U.S. Holder for the AmalCo Shares should include such U.S. Holder's holding period for the Pipestone Shares surrendered in exchange therefor.

In the case of a U.S. Holder that acquired different blocks of Pipestone Shares at different times and at different prices, U.S. Treasury Regulations provide detailed rules for allocating the tax basis and holding period of such U.S. Holder's Pipestone Shares to the AmalCo Shares exchanged therefor. Any such U.S. Holder should consult its own tax advisors regarding the allocation of tax basis and holding period of such U.S. Holder's Pipestone Shares to the AmalCo Shares received pursuant to the Arrangement. If this treatment were successfully challenged, the Second Amalgamation would be treated as a taxable transaction, with the consequences described immediately below.

Tax Consequences if the Second Amalgamation is a Taxable Transaction

In general, if the Second Amalgamation does not qualify as a Reorganization, and subject to the PFIC rules discussed below, the following U.S. federal income tax consequences will result for U.S. Holders:

- (a) a U.S. Holder will recognize gain or loss on the exchange of Pipestone Shares for AmalCo Shares in an amount equal to the difference, if any, between: (i) the fair market value of the AmalCo Shares received in exchange for the Pipestone Shares, and (ii) the adjusted tax basis of such U.S. Holder in the Pipestone Shares surrendered;
- (b) the aggregate tax basis of a U.S. Holder in the AmalCo Shares will be equal to the fair market value of such AmalCo Shares on the date of receipt; and
- (c) the holding period of a U.S. Holder for the AmalCo Shares will begin on the day after the date of receipt.

Subject to the PFIC rules discussed below, any gain or loss described in clause (a) immediately above would be capital gain or loss, which would be long-term capital gain or loss if such Pipestone Shares are held for more than one year on the date of the exchange. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the U.S. Tax Code.

Passive Foreign Investment Company Rules - Pre-January 1, 2019 Shareholders Not Addressed

Pipestone believes that it was not a PFIC for tax years ending on December 31, 2019 through 2022, and based on current business plans and financial expectations, Pipestone does not expect to be a PFIC for its current tax year ending December 31, 2023. However, Pipestone has not requested, and does not intend to request, a ruling from the IRS or an opinion of counsel with respect to whether Pipestone would be classified as a PFIC. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by Pipestone concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of Pipestone and the tax consequences to such U.S. Holder if Pipestone is a PFIC.

Pipestone has not made, and has no plans to make, a formal determination as to whether it was a PFIC for tax years prior to January 1, 2019. U.S. Holders should be aware that Pipestone may have been a PFIC for tax years prior to January 1, 2019. If Pipestone was a PFIC at any time during a U.S. Holder's holding period for Pipestone Shares, then (absent certain elections) it would continue to be a PFIC as to such U.S. Holder and as to those Pipestone Shares. The tax consequences to U.S. Holders for whom Pipestone may be a PFIC are beyond the scope of this discussion. Therefore, this discussion addresses only the U.S.

federal income tax consequences of U.S. Holders who purchased their Pipestone Shares after December 31, 2018.

U.S. Holders who acquired Pipestone Shares before January 1, 2019, or after that date by gift or inheritance, should consult their own tax advisors regarding the PFIC rules.

U.S. Holders Exercising Dissent Rights

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid Canadian dollars in exchange for all of its Pipestone Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (i) the U.S. dollar value of the Canadian dollars received by such U.S. Holder in exchange for Pipestone Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income), and (ii) the tax basis of such U.S. Holder in such Pipestone Shares surrendered. Any gain or loss recognized by the U.S. Holder with respect to those Pipestone Shares would generally be capital gain or loss, which will be long-term capital gain or loss if such Pipestone Shares have been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the U.S. Tax Code.

U.S. Federal Income Tax Consequences to U.S. Holders Related to the Ownership and Disposition of AmalCo Shares

The following discussion is subject to the rules described below under the heading "*Passive Foreign Investment Company Rules Relating to the Ownership of AmalCo Shares*".

Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a AmalCo Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of AmalCo, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of AmalCo, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the shares of AmalCo and thereafter as gain from the sale or exchange of such shares. See the discussion below under the heading "*Sale or Other Taxable Disposition of AmalCo Shares*". However, AmalCo may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution with respect to the AmalCo Shares will constitute ordinary dividend income. Dividends received by corporate U.S. Holders on AmalCo Shares generally will not be eligible for the "dividends received deduction." A dividend received by a non-corporate U.S. Holder will be taxable at a preferential rate, provided that (1) the shares of AmalCo are readily tradable on an established securities market in the United States or AmalCo is otherwise treated as a "qualified foreign corporation" within the meaning of the U.S. Tax Code's provisions governing qualified dividend income, (2) AmalCo is not a PFIC in the taxable year in which such dividends are paid or the preceding taxable year, (3) such U.S. Holder satisfies a holding period requirement, and (4) certain other requirements are met.

The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of AmalCo Shares

Upon the sale or other taxable disposition of AmalCo Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's adjusted tax basis in such AmalCo Shares

sold or otherwise disposed of. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the AmalCo Shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules Relating to the Ownership of AmalCo Shares

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to a "look through" rule, either: (i) at least 75% of its gross income is "passive" income; or (ii) at least 50% of the average value of its assets is attributable to assets that produce, or are held for the production of, passive income. For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property, rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business, and the excess of gains over losses from transactions in commodities other than excess gains over losses from transactions in commodities that are active business gains or losses from sales of inventory, or property or supplies used a trade or business.

Based on its current business plans and financial expectations (including the acquisition of Pipestone), Strathcona believes that it should not be classified as a PFIC in its current tax year and that, after the Second Amalgamation, AmalCo should not be classified as a PFIC in the foreseeable future. However, Strathcona has not requested, and does not intend to request, a ruling from the IRS or an opinion of counsel with respect to whether Strathcona (and after the Second Amalgamation, AmalCo) would be classified as a PFIC. No assurance can be given as to whether Strathcona (and after the Second Amalgamation, AmalCo) is or may be classified as a PFIC. In the event that AmalCo is classified as a PFIC for U.S. federal income tax purposes, U.S. Holders may have adverse tax consequences with respect to distributions received in respect of AmalCo Shares, or upon the disposition of AmalCo Shares. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of AmalCo Shares.

If AmalCo were a PFIC in any tax year during which a U.S. Holder held shares in such corporation, such holder generally would be subject to special rules with respect to "excess distributions" made by such corporation on its shares and with respect to gain from the disposition of its shares. An "excess distribution" generally is defined as the excess of distributions with respect to the AmalCo Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from AmalCo, as applicable, during the shorter of the three preceding tax years, or such U.S. Holder's holding period for such shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of such shares ratably over its holding period for such shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including the "QEF Election" under Section 1295 of the Code and the "Mark to Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that AmalCo is a PFIC, no assurances can be provided that AmalCo will satisfy the record keeping requirements or make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to such corporation or any subsidiary that also is classified as a PFIC.

Certain additional adverse rules may apply with respect to a U.S. Holder if AmalCo is a PFIC, regardless of whether the U.S. Holder makes a QEF Election with respect to such corporation. These rules include special rules that apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of AmalCo Shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations Relevant to U.S. Holders

Foreign Tax Credit

Dividends paid on the AmalCo Shares will be treated as foreign-source income, and generally will be treated as "passive category income" for U.S. foreign tax credit purposes. Any gain or loss recognized on a sale or other disposition of Pipestone Shares or AmalCo Shares generally will be United States source gain or loss. Certain U.S. Holders that are eligible for the benefits of the Canada-U.S. Treaty may elect to treat such gain or loss as Canadian source gain or loss for U.S. foreign tax credit purposes. The Code applies various complex limitations on the amount of foreign taxes that may be claimed as a result by U.S. taxpayers. In addition, U.S. Treasury Regulations that apply to taxes paid or accrued (the "**Foreign Tax Credit Regulations**") impose additional requirements for Canadian withholding taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied. The U.S. Treasury Department has recently released guidance temporarily pausing the application of certain of the Foreign Tax Credit Regulations.

Subject to the PFIC rules and the Foreign Tax Credit Regulations discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on Pipestone Shares or AmalCo Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex, and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own tax advisors regarding the foreign tax credit rules.

Receipt of Foreign Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of AmalCo Shares, or on the sale, exchange or other taxable disposition of AmalCo Shares, or any Canadian dollars received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement), will generally be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of such amount, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting and Backup Withholding Tax

Under U.S. federal income tax law, certain categories of U.S. Holders of Pipestone Shares or AmalCo Shares must file information returns with respect to their investment in, or involvement in, Pipestone or AmalCo. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals

who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of "specified foreign financial assets" includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Pipestone Shares or AmalCo Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of: (a) distributions on the AmalCo Shares; (b) proceeds arising from the sale or other taxable disposition of AmalCo Shares; or (c) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement) generally may be subject to information reporting and backup withholding tax, currently at a rate of 24%, if a U.S. Holder: (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on an IRS Form W-9); (b) furnishes an incorrect U.S. taxpayer identification number; (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax; or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules in their particular circumstances and the availability of and procedures for obtaining an exemption from backup withholding.

The discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

INFORMATION CONCERNING PIPESTONE

General

Pipestone is a corporation existing under the laws of the Province of Alberta that is engaged in the responsible exploration for, and development and production of, oil and natural gas liquids (including condensate, pentane, butane, propane and ethane) and natural gas in Western Canada, with substantially all of its activities and assets focused in the Montney resource play in Alberta. Pipestone is a reporting issuer or the equivalent under the securities Laws of each of the provinces of Canada.

The Pipestone Shares are listed and posted for trading on the TSX under the symbol "PIPE". Pipestone's head office is located at 3700, 888 – 3rd Street S.W., Calgary Alberta T2P 5C5 and its registered office is located at 4000, 421 – 7th Avenue S.W., Calgary Alberta T2P 4K7.

See Appendix "G" – *"Information Concerning Pipestone Energy Corp."* for detailed information concerning Pipestone.

INFORMATION CONCERNING STRATHCONA

Strathcona is a private corporation amalgamated under the laws of the Province of Alberta. Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in Western Canada.

See Appendix "H" – *"Information Concerning Strathcona Resources Ltd."* for detailed information concerning Strathcona.

INFORMATION CONCERNING AMALCO UPON COMPLETION OF THE ARRANGEMENT

Pursuant to the Plan of Arrangement, among other things, Pipestone and the Pipestone Subsidiary will be amalgamated pursuant to the First Amalgamation following which Pipestone AmalCo will be amalgamated with Strathcona pursuant to the Second Amalgamation. The entity resulting from the Second Amalgamation, AmalCo, will carry on the businesses of Strathcona and Pipestone in all respects. Immediately upon completion of the Arrangement, assuming there are no Dissenting Shareholders and that no Pipestone Shares or Strathcona Shares are issued between the date of this Information Circular and the Effective Date, existing Strathcona Shareholders and existing Pipestone Shareholders are expected to collectively own approximately 91.1% and 8.9%, respectively, of the AmalCo Shares.

See Appendix "I" – *"Information Concerning AmalCo Upon Completion of the Arrangement"* for detailed information concerning AmalCo.

DISSENTING SHAREHOLDER RIGHTS

The following description of the rights of Dissenting Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the "fair value" of such Pipestone Shareholder's Pipestone Shares and is qualified in its entirety by the reference to the full text of the Interim Order which is attached as Appendix "B" to this Information Circular and the full text of Section 191 of the ABCA which is attached as Appendix "F" to this Information Circular. **A Pipestone Shareholder who intends to exercise Dissent Rights should carefully consider and strictly comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. Failure to strictly comply with the provisions of that section of the ABCA, as modified by the Interim Order and the Plan of Arrangement, and to adhere to the procedures established therein may result in the loss of all rights thereunder. It is suggested that Pipestone Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice, as failure to comply strictly with them may prejudice their right of dissent.**

The Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Pursuant to the Interim Order, a registered Pipestone Shareholder who fully complies with the dissent procedures in Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, is entitled, upon the Arrangement becoming effective, to be paid by Pipestone or AmalCo, as applicable, the fair value of the Pipestone Shares held by such Pipestone Shareholder in respect of which such Pipestone Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution is adopted. **A Dissenting Shareholder shall not have voted his, her or its Pipestone Shares at the Meeting, either by proxy or in person (virtually), in favour of the Arrangement Resolution and registered Pipestone Shareholders may not exercise the right of dissent in respect of only a portion of their Pipestone Shares, but may dissent only with respect to all of the Pipestone Shares held by the Pipestone Shareholder or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. A vote against the Arrangement Resolution, whether in person (virtually) or by proxy, shall not constitute a written objection to the Arrangement Resolution as required by the Interim Order.**

Pipestone Shareholders who are Beneficial Pipestone Shareholders and wish to dissent should be aware that only the registered holder of such Pipestone Shares is entitled to dissent. Accordingly, a Pipestone Shareholder that is a Beneficial Pipestone Shareholder desiring to exercise its Dissent Rights must make arrangements for the Pipestone Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Pipestone or, alternatively, make arrangements for the registered holder of such holder's Pipestone Shares to dissent on his, her or its behalf.

A registered Pipestone Shareholder wishing to exercise rights of dissent with respect to the Arrangement must send to Pipestone a written objection to the Arrangement Resolution, which written objection must be received by Pipestone c/o McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont, email: ldelamont@mccarthy.ca, by no later than 4:00 p.m. (Calgary time) on September 20, 2023 or, if the Meeting is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five Business Days immediately preceding the date on which the Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with the dissent procedures described in this Information Circular.

An application may be made to the Court by Pipestone or AmalCo, as applicable, or by a Dissenting Shareholder, to fix the fair value of the Dissenting Shareholder's Pipestone Shares. If such an application to the Court is made, Pipestone or AmalCo must, unless the Court otherwise orders, send to each Dissenting Shareholder a written offer to pay him, her or it an amount considered by the Pipestone Board or the board of directors of AmalCo, as applicable, to be the fair value of the Pipestone Shares formerly held by such Dissenting Shareholder. The offer, unless the Court otherwise orders, will be sent to each Dissenting Shareholder at least 10 days before the date on which the application is returnable, if Pipestone or AmalCo is the applicant, or within 10 days after Pipestone or AmalCo is served with notice of the application, if a Dissenting Shareholder is the applicant. The offer must be made on the same terms to each Dissenting Shareholder and must be accompanied by a statement showing how the fair value was determined.

In such circumstances, a Dissenting Shareholder may make an agreement with Pipestone or AmalCo, as applicable, for the purchase of such holder's Pipestone Shares for an agreed upon amount, at any time before the Court pronounces an order fixing the fair value of the applicable Pipestone Shares.

A Dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order under Subsection 191(13) of the ABCA fixing the fair value of the Pipestone Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount in favour of each of those Dissenting Shareholders, and fixing the time within which Pipestone or AmalCo, as applicable, must pay that amount to the Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder calculated from the date on which the Dissenting Shareholder ceases to have any rights as a Pipestone Shareholder under the ABCA until the date of payment.

Pipestone or AmalCo, as applicable, shall not make a payment to a Dissenting Shareholder under Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, if there are reasonable grounds for believing that Pipestone or AmalCo, as applicable, is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of its assets would thereby be less than the aggregate of its liabilities. In such event, Pipestone or AmalCo, as applicable, shall notify each Dissenting Shareholder that it is unable lawfully to pay such Dissenting Shareholder for its Pipestone Shares, in which case the Dissenting Shareholder may, by written notice to Pipestone or AmalCo, as applicable, within 30 days after receipt of such notice, withdraw such holder's written objection, in which case the holder shall be deemed to have participated in the Arrangement as a Pipestone Shareholder. If the Dissenting Shareholder does not withdraw such holder's written objection, such Dissenting Shareholder retains status as a claimant against Pipestone or AmalCo, as applicable, to be paid as soon as Pipestone

or AmalCo, as applicable, is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of Pipestone or AmalCo, as applicable, but in priority to its shareholders.

After the Effective Date, or upon the making of an agreement between Pipestone or AmalCo, as applicable, and the Dissenting Shareholder as to the payment to be made by Pipestone or AmalCo, as applicable, to the Dissenting Shareholder, or upon the pronouncement of a court order, whichever first occurs, the Pipestone Shareholder ceases to have any rights as a Pipestone Shareholder other than the right to be paid the fair value of the Pipestone Shares held by such Dissenting Shareholder in the amount agreed to between Pipestone or AmalCo, as applicable, and the Dissenting Shareholder or in the amount of the judgement, except where: (i) the Dissenting Shareholder withdraws such Dissenting Shareholder's notice of objection; or (ii) the Arrangement Resolution is terminated, in which case such Dissenting Shareholder's rights as a Pipestone Shareholder will be reinstated as of the date on which such Dissenting Shareholder sent the notice of objection. In either event, the dissent and appraisal proceedings in respect of that Dissenting Shareholder will be discontinued.

Dissenting Shareholders who duly exercise Dissent Rights and who are ultimately entitled to be paid fair value for their Pipestone Shares will be deemed to have transferred their Pipestone Shares as of the Effective Time and without any further authorization, act or formality and free and clear of all liens, charges, claims and encumbrances, to Pipestone under the Arrangement.

In the event that a Dissenting Shareholder fails to perfect or effectively withdraws a claim under Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, or forfeits the right to make a claim under that section of the ABCA or such Dissenting Shareholder's rights as a Pipestone Shareholder are otherwise reinstated, such Dissenting Shareholder's Pipestone Shares will thereupon be deemed to have been exchanged for AmalCo Shares at the same time as all other Pipestone Shares are exchanged for AmalCo Shares under the Arrangement on the same basis as a non-dissenting holder of Pipestone Shares, notwithstanding the provisions of Section 191 of the ABCA.

Unless waived by Strathcona, it is a condition to the obligations of Strathcona to complete the Arrangement that Dissent Rights shall not have been exercised by the holders of more than 20.0% of the outstanding Pipestone Shares, in the aggregate.

We urge any Shareholder who is considering dissenting to the Arrangement to consult their own tax advisor with respect to the income tax consequences to them of such action. For a general summary of certain income tax implications to a Dissenting Shareholder, see: "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders*" and "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holders*" and "*Certain United States Federal Income Tax Considerations to U.S. Holders – U.S. Federal Income Tax Consequences of the Arrangement to U.S. Holders – U.S. Holders Exercising Dissent Rights*".

INFORMATION CONCERNING THE MEETING

Purpose of the Meeting

The information contained in this Information Circular is furnished in connection with the solicitation of proxies by the management of Pipestone for use at the Meeting. At the Meeting, the Pipestone Shareholders will consider and vote upon the Arrangement Resolution and such other business as may properly come before the Meeting.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the BMO Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Special Committee has unanimously: (i) determined that the Arrangement is fair to the Pipestone Shareholders; (ii) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone; and (iii) recommended that the Pipestone Board approve the Arrangement.

Following an extensive review and analysis of the Arrangement and consideration of a number of relevant factors, including, among other things, the unanimous recommendation of the Pipestone Special Committee, the RJL Fairness Opinion and the terms and conditions of the Arrangement Agreement, the Pipestone Board has: (i) determined that the Arrangement and entry into the Arrangement Agreement by Pipestone are in the best interests of Pipestone and the Pipestone Shareholders; (ii) approved the Arrangement and the entering into of the Arrangement Agreement by Pipestone; (iii) determined that the Arrangement is fair to the Pipestone Shareholders; and (iv) resolved to recommend that the Pipestone Shareholders vote in favour of the Arrangement.

The Pipestone Board recommends that Pipestone Shareholders vote FOR the Arrangement Resolution.

See "*The Arrangement – Background to the Arrangement*" and "*The Arrangement – Reasons for and Anticipated Benefits of the Arrangement*" and "*The Arrangement – Recommendation of the Pipestone Board*".

Date, Time and Place of Meeting

The Meeting will be held at 10:00 a.m. (Calgary time) on September 27, 2023 in a virtual-only format that will be conducted via live audio webcast accessible at <https://web.lumiagm.com/218234565>, password: "pipestone2023" (case sensitive), for the purposes set forth in the accompanying Notice of Special Meeting. The sole purpose of the Meeting is for the Pipestone Shareholders to consider and, if deemed advisable, approve the Arrangement Resolution.

Pipestone Shareholders of record as at the close of business on August 25, 2023, the Record Date for the Meeting, are entitled to receive notice of the Meeting and to vote those Pipestone Shares at the Meeting. Pipestone Shareholders of record as at the Record Date are entitled to receive notice of the Meeting of Pipestone Shareholders and to vote those Pipestone Shares included in the list of Pipestone Shareholders entitled to vote at the Meeting prepared as at the Record Date, unless, any such Pipestone Shareholder transfers Pipestone Shares after the Record Date and the transferee of those Pipestone Shares, having produced properly endorsed certificates evidencing such Pipestone Shares or having otherwise established that he, she or it owns such Pipestone Shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of Pipestone Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Pipestone Shares at the Meeting.

Solicitation of Proxies

This Information Circular is being sent to both registered Pipestone Shareholders and Beneficial Pipestone Shareholders, and is provided in connection with the solicitation of proxies by the management of Pipestone for use at the Meeting for the purposes set forth in the accompanying Notice of Special Meeting. The solicitation of proxies will be done primarily by mail, electronic means and by telephone, but may also be solicited personally (virtually), by facsimile or other similar means by directors, officers, employees or agents of Pipestone. Pipestone has engaged Kingsdale Advisors to solicit proxies in Canada and the U.S. with respect to the matters to be considered at the Meeting. Strathcona, on behalf of Pipestone, will pay the cost of Kingsdale Advisors' services and any related expenses, which are estimated to be approximately \$120,000 plus disbursements. Kingsdale will be entitled to receive additional fees if the Arrangement Resolution is approved by the Pipestone Shareholders. All costs of the solicitation for the Meeting will be borne by Pipestone, and Pipestone will reimburse Broadridge and Intermediaries for the reasonable fees and costs incurred by them in mailing soliciting materials to Beneficial Pipestone Shareholders. Strathcona is also entitled to solicit proxies in favour of the Arrangement Resolution, either directly or through a proxy solicitation firm. All costs of any solicitation by Strathcona shall be borne by Strathcona. Also see "*Advice to Beneficial Pipestone Shareholders*" below.

Pipestone Shareholders who are unable to attend the Meeting virtually are requested to complete, date and sign their form of proxy and return it to Pipestone's transfer agent, Odyssey Trust Company, Proxy Dept., Traders Bank Building 702, 67 Yonge Street Toronto, ON M5E 1J8, or by

facsimile at 1-800-517-4553, not later than 10:00 a.m. (Calgary time) on September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened or held, as the case may be. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion, without notice. Registered Pipestone Shareholders may also use the internet site at <https://login.odysseytrust.com/pxlogin> to transmit their voting instructions. Beneficial Pipestone Shareholders who do not hold Pipestone Shares in their own name but rather through an Intermediary must complete and return the VIF provided to them or follow the telephone or internet-based voting procedures described therein in advance of the deadline set forth in the VIF in order to have such Pipestone Shares voted at the Meeting on their behalf. A proxyholder need not be a Pipestone Shareholder. If a Pipestone Shareholder receives more than one proxy form because such Pipestone Shareholder owns Pipestone Shares registered in different names or addresses, each proxy form should be completed and returned.

Pipestone may, upon request, pay to Intermediaries holding Pipestone Shares in their names for others the charges entailed for sending out the instruments of proxy to the persons for whom they hold Pipestone Shares.

Information contained in this Information Circular is provided as of August 25, 2023 unless otherwise specifically stated.

Registered Pipestone Shareholders may vote at the Meeting by completing a ballot online during the Meeting, as further described below. See *"How do I attend and participate at the Meeting?"*.

Beneficial Pipestone Shareholders who have not duly appointed themselves as proxyholder will not be able to attend (virtually), participate and vote at the Meeting. This is because Pipestone and its transfer agent do not have a record of the Beneficial Pipestone Shareholders, and, as a result, will have no knowledge of your shareholdings or entitlement to vote, unless you appoint yourself as proxyholder. If you are a Beneficial Pipestone Shareholder and wish to vote at the Meeting, you have to appoint yourself as proxyholder, by inserting your own name in the space provided on the VIF sent to you and must follow all of the applicable instructions provided by your Intermediary. See *"Appointment of a Third Party as Proxy"* and *"How do I attend and participate at the Meeting?"*.

Appointment of a Third Party as Proxy

A Pipestone Shareholder submitting a form of proxy has the right to appoint a person or company to represent him, her or it at the Meeting other than the persons designated in the form of proxy furnished by Pipestone. The following applies to Pipestone Shareholders who wish to appoint a person (a **"Third Party Proxyholder"**) other than the management nominees set forth in the form of proxy or VIF as proxyholder, including Beneficial Pipestone Shareholders who wish to appoint themselves as proxyholder to attend, participate and vote at the Meeting.

Pipestone Shareholders who wish to appoint a Third Party Proxyholder to attend, participate and vote at the Meeting as their proxy **MUST** submit their proxy or VIF (as applicable) appointing such Third Party Proxyholder **AND** register the Third Party Proxyholder, as described below. Registering your proxyholder is an additional step to be completed **AFTER** you have submitted your proxy or VIF. Failure to register the proxyholder will result in the proxyholder not receiving a Username to attend, participate and vote at the Meeting.

- **Step 1: Submit your proxy or VIF:** To appoint a Third Party Proxyholder, insert such person's name in the blank space provided in the form of proxy or VIF (if permitted) and follow the instructions for submitting such form of proxy or VIF. This must be completed prior to registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or VIF. If you are a Beneficial Pipestone Shareholder located in the U.S., you must also provide Odyssey Trust Company with a duly completed legal proxy if you wish to attend (virtually),

participate and vote at the Meeting or, if permitted, appoint a third party as your proxyholder. See below under "Legal Proxy – U.S. Beneficial Pipestone Shareholders" in this section for additional details.

- **Step 2: Register your proxyholder:** To register a Third Party Proxyholder, Pipestone Shareholders MUST send an email to appointee@odysseytrust.com by 10:00 a.m. (Calgary time) on September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened, as the case may be, and provide Odyssey with the required proxyholder contact information, number of Pipestone Shares appointed, name in which the Pipestone Shares are registered if they are a registered Pipestone Shareholder, or name of Intermediary where the Pipestone Shares are held if a Beneficial Pipestone Shareholder, so that Odyssey may provide the proxyholder with username via email. This username will allow your proxyholder to log-in to and vote at the Meeting. Without a username, your proxyholder will only be able to log-in to the Meeting as a guest and will not be able to vote.

If you are a Beneficial Pipestone Shareholder and wish to attend (virtually), participate and vote at the Meeting, you have to insert your own name in the space provided on the VIF sent to you by your Intermediary, follow all of the applicable instructions provided by your Intermediary AND register yourself as your proxyholder, as described above. By doing so, you are instructing your Intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your Intermediary. Please also see further instructions below under the heading "*How do I attend and participate at the Meeting?*".

Legal Proxy – U.S. Beneficial Pipestone Shareholders

If you are a Beneficial Pipestone Shareholder located in the U.S. and wish to attend (virtually), participate and vote at the Meeting or, if permitted, appoint a third party as your proxyholder, in addition to the steps described above and below under "*How do I attend and participate at the Meeting?*", you must obtain a valid legal proxy from your Intermediary. Follow the instructions from your Intermediary included with the legal proxy form and the voting information form sent to you, or contact your Intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to Odyssey. Requests for registration from Beneficial Pipestone Shareholders located in the U.S. that wish to attend (virtually), participate and vote at the Meeting or, if permitted, appoint a third party as their proxyholder must be sent by e-mail to appointee@odysseytrust.com and received by 10:00 a.m. (Calgary time) on September 25, 2023, or if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time the Meeting is reconvened, as the case may be.

How do I attend and participate at the Meeting?

Pipestone is holding the Meeting as a completely virtual meeting which will be conducted via live webcast. Pipestone Shareholders will not be able to attend the Meeting in person (virtually). In order to attend, participate and vote at the Meeting (including for voting online and asking questions during the question and answer session at the Meeting), Pipestone Shareholders must have a valid Username. Guests are welcome to attend and view the webcast, but will be unable to participate and vote at the Meeting. To join as a guest please visit the Meeting online at <https://web.lumiagm.com/218234565> and select "Join as a Guest" when prompted.

Registered Pipestone Shareholders and duly appointed proxyholders will be able to attend, participate and vote at the Meeting online at <https://web.lumiagm.com/218234565>. Such persons may then enter the Meeting by clicking "I have a login" and entering a Username and Password before the start of the Meeting.

- **Registered Shareholders:** The control number located on the form of proxy (or in the email notification you received) is the Username. The Password to the Meeting is "pipestone2023" (case

sensitive). If as a registered Pipestone Shareholder you are using your control number to login to the Meeting and you accept the terms and conditions, you will be revoking any and all previously submitted proxies for the Meeting and will be provided the opportunity to vote by online ballot on the matters put forth at the Meeting. If you do not wish to revoke a previously submitted proxy, as the case may be, you will need to attend the Meeting as a guest.

- **Duly appointed proxyholders:** Odyssey will provide the proxyholder with a username by email after the voting deadline has passed. The Password to the Meeting is "pipestone2023" (case sensitive). Only registered Pipestone Shareholders and duly appointed proxyholders will be entitled to attend, participate and vote at the Meeting. Beneficial Pipestone Shareholders who have not duly appointed themselves as proxyholder will be able to attend the Meeting as a guest but not be able to participate and vote at the Meeting. Pipestone Shareholders who wish to appoint a Third Party Proxyholder to represent them at the Meeting (including Beneficial Pipestone Shareholders who wish to appoint themselves as proxyholder to attend, participate and vote at the Meeting) MUST submit their duly completed proxy or VIF AND register the proxyholder. See *"Appointment of a Third Party as Proxy"*.

Asking Questions at the Meeting

Registered Shareholders and duly appointed proxyholders who attend the Meeting online will be able to ask questions at the Meeting. Questions or comments can be submitted in the text box (chat feature) of the webcast platform throughout the Meeting. Written questions or comments submitted through the text box of the webcast platform will be read or summarized by a representative of Pipestone, after which the chairman of the Meeting will respond or direct the question to the appropriate person to respond. If several questions relate to the same topic, Pipestone may choose to group such questions and indicate that similar questions were received.

These procedures and logistics may vary from time to time depending on logistics and with a view to following best governance practices.

Advice to Beneficial Holders of Pipestone Shares

The information set forth in this section is very important to you if you do not hold Pipestone Shares in your own name. If you hold Pipestone Shares through an Intermediary and not in your own name, you should note that only proxies deposited by Pipestone Shareholders whose names appear on the records of Pipestone as registered holders of Pipestone Shares can be recognized and acted upon at the Meeting. If Pipestone Shares are listed in an account statement provided to a Shareholder by an Intermediary, then, in almost all cases, those Pipestone Shares will not be registered in the Shareholder's name on the records of Pipestone maintained by Odyssey Trust Company, Pipestone's transfer agent. Such Pipestone Shares will more likely be registered under the name of the Pipestone Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Pipestone Shares held by Intermediaries can only be voted upon the instructions of the Beneficial Pipestone Shareholder. Without specific instructions, Intermediaries or other nominees are prohibited from voting Pipestone Shares for their clients. Therefore, Beneficial Pipestone Shareholders should ensure that instructions respecting the voting of their Pipestone Shares are communicated to the appropriate person or that the Pipestone Shares are duly registered in their name.

Applicable Canadian regulatory policy requires Intermediaries or other nominees to seek voting instructions from Beneficial Pipestone Shareholders in advance of shareholders' meetings. Intermediaries or other nominees have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Pipestone Shareholders in order to ensure that their Pipestone Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Pipestone Shareholder by his, her or its Intermediary (or the agent of the Intermediary) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered Pipestone Shareholder

(the Intermediary or agent of the Intermediary) how to vote on behalf of the Beneficial Pipestone Shareholder. In Canada, the majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically prepares a scannable VIF in lieu of the form of proxy provided by Pipestone, mails the VIF to Beneficial Pipestone Shareholders and asks Beneficial Pipestone Shareholders to return the VIF to Broadridge or otherwise communicate voting instructions to Broadridge (via the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Pipestone Shares to be represented at the Meeting. A Beneficial Pipestone Shareholder receiving a VIF from Broadridge cannot use that form to vote Pipestone Shares directly at the Meeting – the VIF must be returned to Broadridge or, alternatively, instructions must be received by Broadridge well in advance of the Meeting in order to have such Pipestone Shares voted.

A Beneficial Pipestone Shareholder that receives a VIF from Broadridge may vote in the following ways:

- **Internet** – www.proxyvote.com (enter your 16-digit control number to vote)
- **Telephone** – Call the number(s) listed on your VIF (enter your 16-digit control number to vote)
- **Fax** – Complete, sign and fax both sides of the VIF to the number(s) listed on your VIF
- **Mail** – Return the completed and signed VIF in the postage paid envelope enclosed with the VIF

Although a Beneficial Pipestone Shareholder may not be recognized directly at the Meeting for the purposes of voting Pipestone Shares registered in the name of his, her or its Intermediary (or an agent of the Intermediary), a Beneficial Pipestone Shareholder may attend the Meeting as proxyholder for the registered Pipestone Shareholder and vote the Pipestone Shares in that capacity.

A Beneficial Pipestone Shareholder who wishes to attend the Meeting and indirectly vote his, her or its Pipestone Shares as proxyholder for the registered Pipestone Shareholder should enter his, her or its own name in the blank space on the form of proxy provided to him, her or it and return the same to his, her or its Intermediary (or Intermediary's agent) in accordance with the instructions provided by such Intermediary (or agent) well in advance of the Meeting.

There are two types of Beneficial Pipestone Shareholders: (i) those who object to their name being made known to the issuers of the securities that they own (objecting beneficial owners); and (ii) those who do not object to their name being made known to the issuers of the securities that they own (non-objecting beneficial owners). Issuers, including Pipestone, may request and obtain a list of their NOBOs from Intermediaries through its transfer agent. Pipestone will be delivering proxy-related materials to non-objecting Beneficial Pipestone Shareholders directly with the assistance of Broadridge and intends to pay for Intermediaries to deliver proxy-related materials to objecting Beneficial Pipestone Shareholders.

Pipestone Shareholders who have questions or require assistance with voting their shares may contact Pipestone's strategic shareholder advisor and proxy solicitation agent: Kingsdale Advisors, by telephone at 1-877-659-1824 (North American Toll Free) or 416-623-2514 (Outside North America), or by email at: contactus@kingsdaleadvisors.com. To obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.

Exercise of Discretion by Proxy Holders

On any ballot taken at the Meeting, the nominees named in the form of proxy will vote or withhold from voting the Pipestone Shares in respect of which they have been appointed nominee in accordance with the directions of the Pipestone Shareholders appointing them. In the absence of such direction, the Pipestone Shares represented by valid instruments of proxy executed in favour of the management designees and deposited in the manner described above will be voted "**FOR**" all matters identified in the Notice of Meeting.

The proxy form confers discretionary authority upon the persons named therein in respect of amendments or variations to matters identified in the Notice of Meeting and other matters, which may properly come before the Meeting or any adjournment thereof. At the time of printing of this Information Circular, neither the directors nor management of Pipestone know of any amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any such amendment, variation or other matter properly comes before the Meeting, the Pipestone Shares represented by proxies in favour of management will be voted on such matters in accordance with the best judgment of the person voting the proxy.

Revocability of Proxies

A registered Pipestone Shareholder who has submitted a form of proxy may revoke it at any time prior to the exercise thereof. If a registered Pipestone Shareholder attends (virtually) the Meeting and casts a vote at the Meeting, such registered Pipestone Shareholder will revoke a previously submitted proxy. Registered Pipestone Shareholders who do not wish to revoke a previously submitted proxy, should not vote during the Meeting. Registered Pipestone Shareholders who have submitted a proxy may also revoke such proxy by depositing an instrument in writing executed by such holder or his or her authorized representative at the registered office of Pipestone at any time up to and including the last Business Day before the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting, or any other manner prescribed by Law.

Only registered Pipestone Shareholders have the right to revoke a proxy. If you are a non-registered Pipestone Shareholder who has voted by proxy and you want to revoke such proxy, contact your Intermediary to discuss whether this is possible and the procedure to follow.

Record Date

The Pipestone Board has fixed the close of business on August 25, 2023 as the Record Date for the determination of Pipestone Shareholders entitled to notice of, and to attend and vote at, the Meeting and at any adjournments thereof. Pipestone Shareholders of record at the close of business on the Record Date are entitled to notice of, and to attend and vote at, the Meeting.

Persons who are transferees of any Pipestone Shares acquired after the Record Date and who have produced properly endorsed share certificates evidencing such share ownership or who otherwise establish to the satisfaction of Pipestone that they own the transferred Pipestone Shares and demand, not later than 10 days before the Meeting, that their names be included on the list of Pipestone Shareholders, are entitled to vote at the Meeting. In addition, persons who are Beneficial Pipestone Shareholders as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Regulators.

Voting Securities and Principal Holders Thereof

Pipestone is authorized to issue an unlimited number of Pipestone Shares and an unlimited number of Pipestone Preferred Shares. As at August 25, 2023, there were 279,708,062 Pipestone Shares and no Pipestone Preferred Shares outstanding. Each Pipestone Share carries the right to one vote on any matter properly coming before the Meeting.

As of the date hereof, to the knowledge of the directors and senior officers of Pipestone, no person or company beneficially owns or exercises control or direction over, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all issued and outstanding securities of Pipestone other than the following:

Name	Number of Pipestone Shares or Preferred Shares Owned or Controlled	% of Outstanding Voting Securities
Riverstone Pipestone LP	70,711,226 Pipestone Shares	25.3%
Riverstone V REL CNOR LP	35,440,357 Pipestone Shares	12.7%
GMT Capital Corp.	37,675,762 Pipestone Shares ⁽¹⁾	13.5%
Al Mehwar Commercial Investments LLC	31,439,809 Pipestone Shares	11.2%

- (1) Based on information provided by GMT Capital Corp. under National Instrument 62-103 dated February 10, 2023. GMT Capital Corp. specifically disclaims any ownership or control over the 15,562,373 Pipestone Shares held by GMT Exploration Company LLC and confirms that there is no agreement, commitment or understanding between GMT Capital Corp. and GMT Exploration Company LLC with regards to the acquisition or disposition of, or the exercise of any of the voting or exercise rights attaching to, any of the Pipestone Shares.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon by MT and Dorsey & Whitney LLP, on behalf of Pipestone. Certain legal matters in connection with the Arrangement will be passed upon by Blake, Cassels & Graydon LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP, on behalf of Strathcona. As at the date of this Information Circular, the partners and associates of MT (Canadian legal counsel to Pipestone) and Blake, Cassels & Graydon LLP (Canadian legal counsel to Strathcona), as a group, beneficially own or exercise control or direction over, directly or indirectly, less than 1% of the outstanding Pipestone Shares and less than 1% of the outstanding Strathcona Shares.

QUESTIONS AND OTHER ASSISTANCE

If you are Pipestone Shareholder and you have any questions about the information contained in this Information Circular or require assistance in completing your form of proxy, please contact your financial, legal, tax or other professional advisors or Kingsdale Advisors, by telephone at 1-877-659-1824 (North American Toll Free) or 416-623-2514 (Outside North America), or by email at: contactus@kingsdaleadvisors.com. To obtain information about voting your Pipestone Shares, please visit www.pipestonestrathcona.com.

If you are Pipestone Shareholder and you have any questions or require assistance in completing your Letter of Transmittal, please contact Odyssey Trust Company, by telephone at 1-587-885-0960; or by email at: corp.actions@odysseytrust.com.

APPROVAL

This Information Circular and the delivery thereof to the Pipestone Shareholders has been approved and authorized by the Pipestone Board.

APPENDIX "A"

ARRANGEMENT RESOLUTION

"BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Pipestone Energy Corp. (the "**Corporation**"), the holders of common shares of the Corporation (the "**Shareholders**"), Pennant Energy Inc. ("**Pennant**"), a wholly-owned subsidiary of the Corporation, and Strathcona Resources Ltd. ("**Strathcona**"), as more particularly described and set forth in the management information circular of the Corporation dated August 25, 2023 (the "**Circular**"), as the Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**") involving, among others, the Corporation, the Shareholders, Pennant and Strathcona, the full text of which is set out in Schedule "A" to the Arrangement Agreement dated effective as of July 31, 2023, as amended and restated on August 22 2023, between the Corporation and Strathcona (as may be further supplemented, modified, amended or amended and restated with its terms, the "**Arrangement Agreement**"), as the Plan of Arrangement may be further modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. Any actions of the directors of the Corporation in approving the Arrangement Agreement, the Plan of Arrangement and any related transaction, and the actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement, the Plan of Arrangement and any related transaction, and any amendments, modifications or supplements to any of the foregoing, and any transaction contemplated by any of the foregoing, are hereby ratified, approved and confirmed in all respects.
4. Any one director or officer of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to execute, under the corporate seal of the Corporation or otherwise, and to deliver to the Registrar under the ABCA for filing, articles of arrangement and such other documents as are necessary or advisable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
5. Notwithstanding that this resolution has been passed (and the Plan of Arrangement adopted) by the Shareholders or that the Arrangement has been approved by the Court of King's Bench of Alberta, the directors of the Corporation are hereby authorized and empowered without further notice to or approval of the Shareholders: (a) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; and (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
6. Any one director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or advisable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

APPENDIX "B"

INTERIM ORDER

(See attached)

CERTIFIED *E. Wheaton*
by the Court Clerk as a true copy of the
document digitally filed on Aug 25, 2023

~~COURT FILE NUMBER~~

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

MATTER

IN THE MATTER OF SECTION 193 OF THE **BUSINESS**
CORPORATIONS ACT, RSA 2000, c B-9, AS AMENDED
Aug 25, 2023

AND IN THE MATTER OF A PROPOSED ARRANGEMENT
INVOLVING PIPESTONE ENERGY CORP., STRATHCONA
RESOURCES LTD., PENNANT ENERGY INC., THE
HOLDERS OF COMMON SHARES OF PIPESTONE
ENERGY CORP., AND THE HOLDERS OF VOTING CLASS
A COMMON SHARES AND VOTING CLASS B COMMON
SHARES OF STRATHCONA RESOURCES LTD.

APPLICANTS

PIPESTONE ENERGY CORP. AND STRATHCONA
RESOURCES LTD.

DOCUMENT

INTERIM ORDER

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

McCarthy Tétrault LLP
Barristers & Solicitors
Counsel to Pipestone Energy Corp.
4000, 421 – 7th Avenue SW
Calgary, AB T2P 4K9
Attention: Lyndsey Delamont
Telephone: (403) 260-3647
Fax: (403) 260-3501
Our File No.: 227462-556470

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

Blake, Cassels & Graydon LLP
Counsel to Strathcona Resources Ltd.
Suite 3500, Bankers Hall Tower East
855 – 2nd Street SW
Calgary, AB T2P 4J8
Attention: Renee Reichelt
Randell Trombley
Telephone: (403) 260-9698
(403) 260-9729
Fax: (403) 260-9700
Our File No.: 24236/38

DATE ON WHICH ORDER WAS PRONOUNCED: August 25, 2023

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Michelle
Hollins

Clerk's Stamp
ORIGINAL STAMPED



LOCATION OF HEARING:

Calgary, Alberta

UPON the Originating Application (the "**Originating Application**") of Pipestone Energy Corp. ("**Pipestone**") and Strathcona Resources Ltd. ("**Strathcona**", and collectively with Pipestone, the "**Applicants**");

AND UPON reading the Originating Application; the Affidavit of Dustin Hoffman, Chief Operating Officer and Interim President and Chief Executive Officer of Pipestone, sworn August 22, 2023 (the "**Hoffman Affidavit**") and the exhibits attached thereto; the Affidavit of Robert Morgan, President and Chief Executive Officer of Strathcona, sworn August 22, 2023 (the "**Morgan Affidavit**") and the exhibits attached thereto; and the supplemental affidavit to be sworn and filed prior to the initial application for an interim order in respect of the Arrangement (the "**Interim Order Application**") and the exhibits that will be attached thereto;

AND UPON being advised that it is the intention of the Applicants to rely upon the final order of this Court, if granted, as the basis for an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of: (i) common shares of Pipestone AmalCo to Pipestone Shareholders upon amalgamation of Pipestone and Pennant Energy Inc.; and (ii) common shares of AmalCo to former Pipestone Shareholders and Strathcona Shareholders pursuant to the Arrangement; and

AND UPON hearing respective counsel for the Applicants;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order (the "**Order**") shall have the meanings attributed to them in the draft Notice of Special Meeting of the Shareholders of Pipestone, Notice of Originating Application, and Management Information Circular (the "**Information Circular**") which is attached as **Exhibit "A"** to the Hoffman Affidavit; and
- (b) all references to "**Arrangement**" used herein mean the arrangement under the ABCA as set forth in the plan of arrangement (as may be amended, the "**Plan of Arrangement**") attached as Schedule "A" to the arrangement agreement (as may

be amended, the "**Arrangement Agreement**") made between Strathcona and Pipestone effective July 31, 2023, attached as **Exhibit "B"** to the Hoffman Affidavit and as Appendix "C" to the Information Circular.

IT IS HEREBY ORDERED THAT:

General

1. Pipestone shall seek approval of the Arrangement of the holders of issued and outstanding common shares (the "**Pipestone Shares**") of Pipestone (the "**Pipestone Shareholders**") in the manner set forth below.
2. Strathcona shall not be required to seek further approval of the Arrangement from the holders of voting class A common shares and voting class B common shares (collectively, the "**Strathcona Shares**") of Strathcona (the "**Strathcona Shareholders**"), and need not call or hold a special meeting of Strathcona Shareholders in relation to the Arrangement, as the unanimous approval of Strathcona Shareholders has been obtained.

Meeting of Pipestone Shareholders

3. Pipestone shall call and conduct a special meeting (the "**Meeting**") of Pipestone Shareholders to take place on or about September 27, 2023. At the Meeting, the Pipestone Shareholders will consider and vote upon a resolution to approve the Arrangement substantially in the form attached as Appendix "A" to the Information Circular (the "**Arrangement Resolution**") and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular.
4. The quorum at the Meeting shall be not less than two persons present in person (virtually) entitled to vote at the Meeting and holding or representing by proxy not less than 10 percent of the Pipestone Shares entitled to be voted at the Meeting.
5. If within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall stand adjourned to a date not more than 30 days later, as may be determined by the Chair of the Meeting. No notice of the adjourned meeting shall be required and, if at such adjourned meeting a quorum is not present, the Pipestone Shareholders present at the adjourned meeting in person (virtually) or represented by proxy shall constitute a quorum for all purposes.

6. Each Pipestone Shareholder entitled to vote at the Meeting will be entitled to one vote for each Pipestone Share held in respect of the Arrangement Resolution and any other matters to be considered at the Meeting.

7. The Board of Directors of Pipestone (the "**Pipestone Board**") has fixed August 25, 2023 as the record date for Pipestone Shareholders entitled to vote at the Meeting (the "**Record Date**"). Only Pipestone Shareholders whose names have been entered on the register of Pipestone Shares as at the close of business on the Record Date will be entitled to receive notice to attend and to vote at the Meeting, provided that, to the extent a holder of Pipestone Shares transfers ownership of any Pipestone Shares after the Record Date and the transferee of those Pipestone Shares produces properly endorsed certificates or otherwise establishes ownership of such Pipestone Shares and demands, not later than 10 days before the Meeting, to be included on the list of Pipestone Shareholders entitled to vote at the Meeting, such transferee will be entitled to vote those Pipestone Shares at the Meeting.

8. The Meeting shall be called, held, and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of Pipestone in effect at the relevant time, this Order, and any further order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the provisions of the ABCA or the articles or by-laws of Pipestone, as applicable, the terms of this Order shall govern.

Conduct of the Pipestone Shareholder Meeting

9. The only persons entitled to attend the Meeting shall be Pipestone Shareholders or their authorized proxy holders; Pipestone's directors and officers and its auditors, legal counsel, and other representatives of Pipestone; Strathcona's directors and officers, legal counsel, and other representatives of Strathcona; scrutineers for the Meeting and their representatives; and such other persons who may be permitted to attend by the Chair of the Meeting.

10. The number of votes required to pass the Arrangement Resolution shall be not less than $66\frac{2}{3}$ percent of the votes cast by Pipestone Shareholders present in person (virtually) or represented by proxy at the Meeting.

11. To be valid, a Proxy (as defined below) must be deposited with Odyssey Trust Company in the manner described in the Information Circular.

12. Pipestone is authorized to adjourn or postpone the Meeting on one or more occasions and for such period or periods of time as Pipestone deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Pipestone Shareholders in respect of the adjournment or postponement, in each case provided that any such adjournment or postponement is permitted under and in accordance with the applicable terms of the Arrangement Agreement. In the event of any such adjournment or postponement, the Record Date shall not be amended or changed. Notice of any such adjournment or postponement may be given by such method as Pipestone determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed, as the context allows.

Amendments to the Arrangement

13. The Applicants are authorized to make such amendments, revisions, or supplements to the Plan of Arrangement as they may together determine necessary or desirable, provided that such amendments, revisions, or supplements are made in accordance with and in the manner contemplated by the Plan of Arrangement and Arrangement Agreement. The Plan of Arrangement so amended, revised, or supplemented shall be deemed to be the Plan of Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, without need to return to this Court to amend this Order.

Amendments to Meeting Materials

14. Pipestone is authorized to make such amendments, revisions, or supplements ("**Additional Information**") to the Information Circular, form of proxy ("**Proxy**"), notice of the Meeting ("**Notice of Meeting**"), form of letter of transmittal ("**Letter of Transmittal**"), and notice of Originating Application ("**Notice of Originating Application**") as it may determine, and Pipestone may disclose such Additional Information, including material changes, by the method and in the time most reasonably practicable in the circumstances as determined by Pipestone. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the Meeting, which change or fact, if known prior to mailing of the Information Circular, would, or would be required to, have been disclosed in the Information Circular, then:

- (a) Pipestone shall advise the Pipestone Shareholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance

with applicable securities laws and the policies of the Toronto Stock Exchange;
and

- (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, Pipestone shall not be required to deliver an amendment to the Information Circular to the Pipestone Shareholders or otherwise give notice to the Pipestone Shareholders of the material change or material fact other than dissemination and filing of the News Release as aforesaid.

Dissent Rights

15. The registered Pipestone Shareholders are, subject to the provisions of this Order and the Plan of Arrangement, afforded the right to dissent under section 191 of the ABCA.

16. A right to dissent shall not be afforded to: (i) any person (including any beneficial owner of Pipestone Shares) who is not a registered Pipestone Shareholder; (ii) the holders of Pipestone Incentive Securities; and (iii) the Strathcona Shareholders or their respective affiliates.

17. In order for a registered Pipestone Shareholder (a "**Dissenting Shareholder**") to exercise such right to dissent under section 191 of the ABCA:

- (a) the Dissenting Shareholder's written objection to the Arrangement Resolution must be received by Pipestone, care of McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont, by not later than 4:00 p.m. (Calgary time) on September 20, 2023 or, if the Meeting is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five Business Days immediately preceding the date on which the Meeting is reconvened or held, as the case may be;
- (b) a vote against the Arrangement Resolution, whether in person or by proxy, or an abstention shall not constitute a written objection to the Arrangement Resolution as required under subclause (a) hereof;
- (c) a Dissenting Shareholder shall not have voted his, her, or its Pipestone Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;

- (d) a registered Pipestone Shareholder may not exercise the right to dissent in respect of only a portion of the registered Pipestone Shareholder's Pipestone Shares, but may dissent only with respect to all of the Pipestone Shares held by the registered Pipestone Shareholder; and
- (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191 of the ABCA, as modified by this Order and the Plan of Arrangement.

18. The fair value of the Pipestone Shares shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the Pipestone Shareholders at the Meeting and shall be paid to the Dissenting Shareholders by Strathcona.

19. Dissenting Shareholders who validly exercise their right to dissent, as set out in paragraphs 15 and 17 above, and who are ultimately:

- (a) determined to be entitled to be paid the fair value of their Pipestone Shares, shall be deemed to not have participated in the Arrangement and to have transferred such Pipestone Shares as of the Effective Time and without any further authorization, act, or formality, free and clear of all liens, claims, and encumbrances, to Pipestone for cancellation in exchange for the fair value of the Pipestone Shares, and will not be entitled to any other payment or consideration, including any consideration that would be payable under the Arrangement had such Dissenting Shareholders not exercised their dissent rights in respect of such Pipestone Shares; or
- (b) for any reason (including, for clarity, any withdrawal by any Dissenting Shareholder of their dissent), determined not to be entitled to be paid the fair value for their Pipestone Shares, shall be deemed to have participated in the Arrangement on the same basis as non-dissenting Pipestone Shareholders, and such Pipestone Shares will be deemed to be exchanged for the consideration under the Arrangement;

but in no event shall the Applicants or any other person be required to recognize such Dissenting Shareholders as holders of Pipestone Shares or AmalCo Shares after the

Effective Time, and the names of such Dissenting Shareholders shall be removed from the register of Pipestone Shares as at the Effective Time.

20. Subject to further order of this Court, the rights available to Pipestone Shareholders under the ABCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient dissent rights for the Pipestone Shareholders with respect to the Arrangement Resolution.

21. Notice to the Pipestone Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Plan of Arrangement, the fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Pipestone Shareholders in accordance with paragraphs 22-24 of this Order.

Notice by Pipestone

22. The Information Circular, substantially in the form attached as **Exhibit "A"** to the Hoffman Affidavit, with such amendments thereto as counsel for Pipestone may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), and including the Notice of the Meeting, the Proxy, the Notice of Originating Application, and this Order, together with any other communications or documents determined by Pipestone to be necessary or advisable, including the Letter of Transmittal (collectively, the "**Meeting Materials**"), shall be sent or made available to those Pipestone Shareholders who hold Pipestone Shares as at the Record Date, the directors of Pipestone, and the auditors of Pipestone, by one or more of the following methods:

- (a) in the case of registered Pipestone Shareholders, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to such holder at the address of Pipestone Shareholders recorded on the register of Pipestone Shareholders on the Record Date, at least 21 days prior to the Meeting;
- (b) in the case of non-registered Pipestone Shareholders, by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 *Communication*

with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators; and

- (c) in the case of the directors and auditors of Pipestone, by email, pre-paid first class or ordinary mail, by courier, or by delivery in person, addressed to the individual directors or firms of auditors, as applicable, at least 21 days prior to the Meeting;

23. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Pipestone Shareholders, the directors and auditors of Pipestone, of:

- (a) the Information Circular;
- (b) the Originating Application;
- (c) this Order;
- (d) the Notice of the Meeting; and
- (e) the Notice of Originating Application.

24. The accidental failure or omission to give notice of the Meeting or the Originating Application to any one or more of the Pipestone Shareholders or any other person, or any failure or omission to give notice as a result of events beyond the reasonable control of Pipestone, or the non-receipt of the notice, shall not invalidate any resolution passed or proceedings taken at the Meeting, or any order granted or proceedings taken in respect of the Originating Application.

Notice by Strathcona

25. Notice of the application for a Final Order (as defined below) shall be sent to Strathcona Shareholders by email substantially in the form attached as **Exhibit "E"** to the Affidavit of Robert Morgan, sworn August 22, 2023, or as revised and attached to a supplemental affidavit to be sworn and filed prior to the Interim Order Application, and that such notice be deemed to be good and sufficient notice of the application for a Final Order.

26. The accidental failure or omission to give notice of the Originating Application to any one or more of the Strathcona Shareholders or any other person, or any failure or omission to give notice as a result of events beyond the reasonable control of Strathcona, or the non-receipt of the

notice, shall not invalidate any order granted or proceedings taken in respect of the Originating Application, including the application for a Final Order.

Final Application

27. Subject to further order of this Court, and provided that the Pipestone Shareholders have approved the Arrangement in the manner set forth in this Order and the Pipestone Board has not revoked its approval of the Arrangement, the Applicants may proceed with an application for a final order of the Court approving the Arrangement (the "**Final Order**") at 12:45 p.m. (Calgary time) on September 28, 2023 or so soon thereafter as counsel may be heard. Subject to the Final Order and to the issuance of the proof of filing of the articles of arrangement, the Applicants, all Pipestone Shareholders, all Strathcona Shareholders, and all other persons affected will be bound by the Arrangement in accordance with its terms.

28. Any Pipestone Shareholder, Strathcona Shareholder, or other interested party (each an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Applicants on or before 4:00 p.m. (Calgary time) on September 21, 2023 (or, if the hearing is adjourned or postponed, by 4:00 p.m. (Calgary time) on the day that is five Business Days immediately preceding the date on which the hearing is reconvened or held), a notice of intention to appear ("**Notice of Intention to Appear**") including the Interested Party's address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on the Applicants shall be effected by service upon the solicitors for:

- (a) Pipestone: McCarthy Tétrault LLP, 4000, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, Attention: Lyndsey Delamont by e-mail at ldelamont@mccarthy.ca or by facsimile at (403) 260-3501; and
- (b) Strathcona: Blake, Cassels & Graydon LLP, 3500, 855 – 2nd Street SW, Calgary, Alberta, T2P 4J8, Attention: Renee Reichelt by e-mail at renee.reichelt@blakes.com or by facsimile at (403) 260-9700.

29. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 28 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

30. The Applicants are entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

(Signed) "Madam Justice M. Hollins"

Justice of the Court of King's Bench of Alberta

APPENDIX "C"

ARRANGEMENT AGREEMENT

(See attached)

ARRANGEMENT AGREEMENT

between

STRATHCONA RESOURCES LTD.

and

PIPESTONE ENERGY CORP.

**DATED EFFECTIVE AS OF JULY 31, 2023,
AS AMENDED AND RESTATED ON AUGUST 22, 2023**

Table of Contents

Section	Page
ARTICLE 1 INTERPRETATION	1
1.1 Definitions	1
1.2 Interpretation Not Affected by Headings, etc.	14
1.3 Other Definitional and Interpretive Provision	14
1.4 Number, etc.	15
1.5 Date for Any Action	15
1.6 Time	15
1.7 Entire Agreement	15
1.8 Currency	15
1.9 Accounting Matters	15
1.10 References to Legislation	15
1.11 Enforceability	15
1.12 Knowledge	16
1.13 No <i>Contra Proferentem</i> Rule	16
1.14 Schedule	16
ARTICLE 2 THE ARRANGEMENT	16
2.1 Plan of Arrangement	16
2.2 Target Approval	16
2.3 Obligations of the Target	17
2.4 Interim Order	19
2.5 Target Meeting	19
2.6 Court Proceedings	21
2.7 Effective Date	22
2.8 Treatment of the Target Incentive Securities	22
2.9 Target ESPP	24
2.10 Target Employees	24
2.11 Indemnities and Directors' and Officers' Insurance	25
2.12 Withholding Taxes	25
2.13 Support Agreements	26
2.14 U.S. Securities Laws	26
2.15 Adjustment to Exchange Ratios	26
2.16 U.S. Tax Matters	26
ARTICLE 3 COVENANTS	27
3.1 Covenants of the Purchaser	27
3.2 Covenants of the Target	29
3.3 Mutual Covenants	33
3.4 Target's Covenants Regarding Non-Solicitation	34
3.5 Access to Information	40
3.6 Target Pre-Arrangement Reorganization	40
3.7 Financing Assistance	41
ARTICLE 4 REPRESENTATIONS AND WARRANTIES	42
4.1 Representations and Warranties of the Purchaser	42
4.2 Representations and Warranties of the Target	43
4.3 Privacy Matters	43
ARTICLE 5 CONDITIONS PRECEDENT	44
5.1 Mutual Conditions Precedent	44
5.2 Additional Conditions to Obligations of the Purchaser	45
5.3 Additional Conditions to Obligations of the Target	46
5.4 Notice and Effect of Failure to Comply with Conditions	47
5.5 Satisfaction of Conditions	48

Contents
(continued)

Section	Page
ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS	48
6.1 Purchaser Damages	48
6.2 Target Damages	49
6.3 Liquidated Damages	49
ARTICLE 7 AMENDMENT	49
7.1 Amendment	49
ARTICLE 8 TERMINATION.....	50
8.1 Termination	50
8.2 Term and Effect of Termination	51
8.3 Specific Performance.....	51
8.4 Return of Materials	52
ARTICLE 9 NOTICES.....	52
9.1 Notices	52
ARTICLE 10 GENERAL	53
10.1 Binding Effect.....	53
10.2 Effectiveness	53
10.3 Assignment and Enurement	53
10.4 Disclosure	53
10.5 Severability	53
10.6 Costs and Expenses	54
10.7 Further Assurances	54
10.8 Time of Essence	54
10.9 Governing Law.....	54
10.10 Third Party Beneficiaries.....	54
10.11 Waiver	55
10.12 Counterparts	55

Schedule "A" – Plan of Arrangement

Schedule "B" – Form of Arrangement Resolution

Schedule "C" – Representations and Warranties of the Purchaser

Schedule "D" – Representations and Warranties of the Target

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated effective as of July 31, 2023, as amended and restated on August 22, 2023

BETWEEN:

STRATHCONA RESOURCES LTD., a corporation existing under the laws of the Province of Alberta (the "**Purchaser**")

-and-

PIPESTONE ENERGY CORP., a corporation existing under the laws of the Province of Alberta (the "**Target**")

WHEREAS:

- A. the Purchaser and the Target entered into an arrangement agreement dated July 31, 2023 (the "**Original Agreement**") to implement the acquisition by the Purchaser of all of the issued and outstanding Target Shares;
- B. the Purchaser and the Target desire to amend and restate the Original Agreement, including the plan of arrangement attached thereto as Schedule "A", as set forth herein and in the attached Plan of Arrangement;
- C. the Parties intend to carry out the transactions contemplated herein by way of an arrangement pursuant to the ABCA, on the terms and subject to the conditions set out herein and in the Plan of Arrangement;
- D. following the unanimous recommendation of the Target Independent Committee, the Target Board has determined: (i) that the Arrangement is fair to the Target Shareholders; (ii) that the Arrangement and the entry into this Agreement by the Target are in the best interests of the Target; and (iii) to recommend that the Target Shareholders vote in favour of the Arrangement Resolution; and
- E. concurrently with the execution of the Original Agreement, the Purchaser entered into Support Agreements with Supporting Shareholders holding an aggregate of approximately 39% of the issued and outstanding Target Shares.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals hereto), unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta);
- (b) "**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement, any inquiry or the making of any proposal to the Target or the Target Shareholders from any person or group of persons "acting jointly or in concert" (within the

meaning of National Instrument 62-104 — *Take-Over Bids and Issuer Bids*) (other than the Purchaser, any affiliate of the Purchaser or any person or group of persons acting jointly or in concert with the Purchaser or its affiliates), whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (i) any direct or indirect sale, issuance or acquisition of shares or other securities of the Target, including securities convertible, exchangeable or exercisable for such shares or other securities, that, when taken together with the securities of the Target held by the proposed acquiror and any person or persons acting jointly or in concert with the acquiror, would constitute 20% or more of the outstanding voting or equity securities of the Target, or rights or interests therein and thereto (whether or not such person or persons held 20% or more of the outstanding voting or equity securities of the Target prior to such sale, issuance or acquisition);
- (ii) any direct or indirect acquisition, sale or disposition (or any lease, long-term supply agreement, joint venture or other arrangement having the same economic effect as a purchase or sale) of assets of the Target representing, individually or in the aggregate, 20% or more of the consolidated assets of the Target or contributing 20% or more of the consolidated revenue or net income of the Target (based on the most recently filed Target Financial Statements);
- (iii) any amalgamation, arrangement, merger, combination, share exchange, consolidation or similar transaction involving the Target;
- (iv) any direct or indirect take-over bid, issuer bid, tender offer, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving the Target; or
- (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or which would or could reasonably be expected to materially reduce the benefits to the Purchaser pursuant to the Arrangement;

except that, for the purpose of the definition of "**Superior Proposal**" below, the references in the definition of "**Acquisition Proposal**" to: (A) "20% or more of the outstanding voting or equity securities" shall be deemed to be references to "all of the outstanding voting or equity securities"; (B) "20% or more of the consolidated assets" shall be deemed to be references to "all or substantially all of the assets"; and (C) "20% or more of the consolidated revenue or net income" shall be deemed to be references to "all or substantially all of the consolidated revenue or net income";

- (c) "**affiliate**" has the meaning set forth in the *Securities Act* (Alberta);
- (d) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) dated effective as of July 31, 2023, as amended and restated on August 22, 2023, and as may be further supplemented, modified, amended or amended and restated, and not to any particular article, section, schedule or other portion hereof;
- (e) "**AmalCo**" means the corporation resulting from the Second Amalgamation;
- (f) "**AmalCo Options**" means the options to acquire AmalCo Shares to be issued to Target Optionholders in exchange for the Target Options pursuant to the Plan of Arrangement;

- (g) **"AmalCo Shares"** means the common shares in the capital of AmalCo immediately following the Effective Time;
- (h) **"Arrangement"** means the arrangement, pursuant to section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the provisions of this Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Target and the Purchaser, each acting reasonably;
- (i) **"Arrangement Resolution"** means a special resolution of the Target Shareholders in respect of the Arrangement to be voted on by the Target Shareholders at the Target Meeting, substantially in the form of Schedule "B" hereto;
- (j) **"Articles of Arrangement"** means the articles of arrangement of the Target in respect of the Arrangement (which shall include the Plan of Arrangement) required under section 193(4.1) of the ABCA to be sent to the Registrar after the Final Order has been granted and all other conditions precedent to the Arrangement set forth herein have been satisfied or waived, giving effect to the Arrangement;
- (k) **"BMO Capital Markets"** means BMO Nesbitt Burns Inc., financial advisor to the Target Independent Committee;
- (l) **"BMO Fairness Opinion"** has the meaning set forth in Section 2.2(b) hereof;
- (m) **"Business Day"** means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for the transaction of commercial business;
- (n) **"Canadian Securities Regulators"** means, collectively, the securities commission or other securities regulatory authority of each province of Canada;
- (o) **"Canadian Securities Laws"** means, collectively, the securities Laws of each province of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings and published policies, policy statements and notices of the Canadian Securities Regulators;
- (p) **"Certificate"** means the certificate or proof of filing to be issued by the Registrar pursuant to section 193(11) of the ABCA in respect of the Articles of Arrangement giving effect to the Arrangement;
- (q) **"Change in Recommendation"** has the meaning set forth in Section 6.1(a) hereof;
- (r) **"Code"** means the United States *Internal Revenue Code of 1986*, as amended;
- (s) **"Commissioner"** means the Commissioner of Competition appointed under section 7(1) of the Competition Act and includes any person designated by the Commissioner to act on their behalf;
- (t) **"Competition Act"** means the *Competition Act* (Canada);
- (u) **"Competition Act Approval"** means, with respect to the transactions contemplated by the Agreement, that:
 - (i) the Commissioner shall have issued (and not rescinded or amended) to the Purchaser an advance ruling certificate under section 102(1) of the Competition Act; or

- (ii) (A) the waiting period under section 123 of the Competition Act shall have expired or been terminated or the notification requirement shall have been waived pursuant to section 113(c) of the Competition Act; and (B) unless such requirement is waived in writing by the Purchaser, the Commissioner shall have issued (and not rescinded or amended) a No Action Letter;
- (v) **"Confidentiality Agreement"** means the confidentiality agreement dated June 27, 2023, between Waterous Energy Fund Management Corp., the Purchaser and the Target;
- (w) **"Contaminant"** means any pollutant, contaminant, waste, material or other substance of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, or that is prohibited, listed, defined, designated, regulated, classified, judicially interpreted, controlled or identified in any applicable Environmental Laws, including petroleum and all derivatives thereof, by-products and other hydrocarbons and synthetic substitutions therefor;
- (x) **"Continuance"** means the continuance of the Target Subsidiary out of the Province of British Columbia under the *Business Corporations Act* (British Columbia) and into the Province of Alberta under the ABCA;
- (y) **"Court"** means the Court of King's Bench of Alberta;
- (z) **"Depositary"** means Odyssey Trust Company or such other person who may be appointed to act as depositary under the Arrangement as agreed upon by the Parties, acting reasonably;
- (aa) **"Dissent Rights"** means the right of dissent provided for in article 5 of the Plan of Arrangement;
- (bb) **"Effective Date"** means the date the Arrangement becomes effective under the ABCA, being the date shown on the Certificate;
- (cc) **"Effective Time"** means 12:01 a.m. on the Effective Date or such other time on the Effective Date as may be agreed to in writing by the Parties;
- (dd) **"Encumbrance"** means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, right of third parties or other charge, encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with any similar effect whatsoever;
- (ee) **"Environmental Laws"** means, with respect to any person or its business, activities, property, assets or undertaking, all applicable Laws relating to environmental or health and safety matters in the jurisdictions applicable to such person or its business, activities, property, assets or undertaking, including Laws governing the reduction of greenhouse gas emissions and the use, transportation, treatment, disposal, labelling, distribution, emission, storage and release of Contaminants;
- (ff) **"Final Order"** means the final order of the Court approving the Arrangement pursuant to section 193(4) of the ABCA, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction (with the consent of the Target and the Purchaser, each acting reasonably) at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, amended or modified (provided that such amendment or modification is acceptable to both the Target and the Purchaser, each acting reasonably) on appeal;

- (gg) **"First Amalgamation"** means the amalgamation of the Target and the Target Subsidiary pursuant to section 2.2(e) of the Plan of Arrangement;
- (hh) **"Governmental Authority"** means the government of any country, province, state, county, territory, municipality or other political subdivision thereof, or any government, quasi-government, administrative or regulatory authority (including the TSX), agency, board, body, commission, instrumentality, court or tribunal or any central bank (or similar monetary or regulatory authority) thereof, any tax authority, any ministry or department or agency of the foregoing or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing;
- (ii) **"IFRS"** means International Financial Reporting Standards as incorporated in the Chartered Professional Accountants of Canada Handbook, at the relevant time applied on a consistent basis;
- (jj) **"Information Technology"** means any computer, information technology, data processing, and communications systems, components, facilities, and services, including all software, hardware, networks, interfaces, platforms, databases and related data, switches, telecommunications equipment, operating systems, websites, website content, links, and equipment relating to the transmission, storage, maintenance, organization, presentation, generation, processing, or analysis of data and information, whether or not in electronic format;
- (kk) **"Intellectual Property"** means domestic and foreign: (i) patents, applications for patents and reissues, re-examinations, divisionals, continuations, renewals, extensions and continuations in part of patents or patent applications; (ii) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) integrated circuit, topographies, integrated circuit topography registrations and applications, mask works, mask work registrations and applications for mask work registrations; (v) industrial designs, industrial designation registrations and applications, designs, design registrations and design registration applications; (vi) trade names, business names, corporate names, domain names, website names and website addresses, common law trademarks, trademark registrations, trademark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (vii) intellectual property rights in Software; and (viii) any other intellectual property and industrial property;
- (ll) **"Intended Tax Treatment"** has the meaning set forth in Section 2.16 hereof;
- (mm) **"Interim Order"** means the interim order of the Court concerning the Arrangement pursuant to section 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Target Meeting, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction with the consent of the Target and the Purchaser, each acting reasonably;
- (nn) **"Laws"** means all laws, including the common law, by-laws, statutes, rules, regulations, principles of law, orders, ordinances, protocols, codes, guidelines, policies, instruments, notices, directions and judgments or other requirements and the terms and conditions of any grant of approval, permit, authority or license of any Governmental Authorities or self-regulatory authority, including Canadian Securities Laws, Environmental Laws and U.S. Securities Laws; and the term **"applicable"**, with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having

jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

- (oo) **"Matching Period"** has the meaning set forth in Section 3.4(d) hereof;
- (pp) **"Material Adverse Change"** or **"Material Adverse Effect"** means, with respect to any Party, any fact or state of facts, circumstance, change, effect, occurrence or event that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, capitalization, condition (financial or otherwise), assets, properties, obligations, liabilities (whether absolute, accrued, conditional or otherwise), results of operations, cash flows or prospects of such Party and its subsidiaries (on a consolidated basis), other than any fact or state of facts, circumstance, change, effect, occurrence or event relating to or resulting from:
 - (i) any changes in general economic, financial, currency, securities, credit or commodity market conditions in Canada, the U.S. or elsewhere;
 - (ii) conditions affecting the oil and gas exploration, development and production industry as a whole or generally in the jurisdiction in which the Party carries on a material portion of its business, and not specifically relating to any Party and/or its subsidiaries, including any changes in Laws (including Tax Laws) or generally accepted accounting principles or the interpretation, application or non-application thereof by any Governmental Authority;
 - (iii) any decline in crude oil, natural gas or related hydrocarbon prices on a current or forward basis;
 - (iv) any change in global, national or regional political conditions (including the outbreak or escalation of war or acts of terrorism);
 - (v) any natural disaster;
 - (vi) the failure of any Party to meet any internal or published projections, forecasts or estimates of revenues, earnings, cash flows, or other financial or operating metrics (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Change or Material Adverse Effect has occurred);
 - (vii) in the case of the Target, any change in the market price or trading volume of the Target Shares (it being understood that the causes underlying such change may be taken into account in determining whether a Material Adverse Change or Material Adverse Effect has occurred);
 - (viii) any matter which has been publicly disclosed prior to the date of this Agreement or expressly disclosed in the Purchaser Disclosure Letter or the Target Disclosure Letter, as applicable;
 - (ix) any actions taken (or omitted to be taken) at the written request or with the prior written approval of the other Party; or
 - (x) the announcement of this Agreement or any action taken (or omitted to be taken) by such person that is required to be taken (or omitted to be taken) pursuant to this Agreement (excluding any obligation to act in the ordinary course of business),

provided, however, that: (A) with respect to clauses (i) to (v) above, such matter does not have a materially disproportionate effect on the business, operations, capitalization,

condition (financial or otherwise), assets, properties, obligations, liabilities (whether absolute, accrued, conditional or otherwise), results of operations, cash flows or prospects of such Party and its subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the oil and gas exploration, development and production industry (in which case the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect will not be applicable); and (B) references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for the purposes of determining whether a "Material Adverse Change" or "Material Adverse Effect" has occurred;

- (qq) **"McDaniel"** means McDaniel & Associates Consultants Ltd., independent oil and natural gas reservoir engineers of Calgary, Alberta;
- (rr) **"misrepresentation", "material change" and "material fact"** have the meaning set forth in the *Securities Act* (Alberta);
- (ss) **"No Action Letter"** means written confirmation from the Commissioner confirming that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement;
- (tt) **"Non-Continuing Target Employee"** has the meaning set forth in Section 2.10(a) hereof;
- (uu) **"Original Agreement"** has the meaning set forth in the recitals to this Agreement;
- (vv) **"Outside Date"** means November 30, 2023, subject to the right of the Purchaser to postpone the Outside Date for up to an additional 90 days (in 30 day increments) if the Competition Act Approval or the TSX Approval has not been obtained, by giving written notice to the Target to such effect no later than 5:00 p.m. on the date that is not less than five days prior to the original Outside Date (and any subsequent Outside Date), or such later date as may be agreed to in writing by the Parties;
- (ww) **"Parties"** means, collectively, the Purchaser and the Target and **"Party"** means any one of them;
- (xx) **"Permitted Acquisition Agreement"** has the meaning set forth in Section 3.4(b)(viii) hereof;
- (yy) **"Permitted Confidentiality Agreement"** means a confidentiality and standstill agreement entered into between the Target and a third party pursuant to Section 3.4 hereof that is substantially similar to the Confidentiality Agreement, but which: (i) allows for disclosure thereof, along with all information provided thereunder, to the Purchaser as set out in Section 3.4 hereof; (ii) allows for disclosure to the Purchaser of the making and terms of any Acquisition Proposal made by the third party; and (iii) does not conflict with the terms of this Agreement (including restricting the Target from complying with Section 3.4 hereof);
- (zz) **"Permitted Encumbrances"** means: (i) any overriding royalties, net profits interests or other similar Encumbrances applicable to the interests of a Party in respect of its petroleum and natural gas rights and leases and all related tangibles, equipment, facilities and miscellaneous interests to the extent taken into account in the Target Reserves Report (in the case of the Target) or the Purchaser Reserves Reports (in the case of the Purchaser); (ii) easements, rights of way, servitudes or other similar rights, including rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, poles, and wires; (iii) the regulations and any rights reserved to or vested in any Governmental Authority to levy Taxes or to control or regulate a Party's interests in any manner, including the right to control or regulate production rates and the conduct of its operations; (iv) statutory exceptions to title and the

reservations, limitations and conditions in any grants or transfers from the Crown of mines and minerals; (v) liens for Taxes that are not due or delinquent, or the validity of which are being contested in good faith by a Party; (vi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown or any other Governmental Authority in respect of any of the lands or lands pooled or unitized therewith or interests therein and exceptions to title under any applicable Laws; (vii) pre-emptive or preferential rights of purchase, rights of first refusal or other restrictions on transfer arising under any agreements to which a Party is, or its properties or assets are, bound, other than any such rights if and to the extent triggered by the Arrangement; (viii) any rights or obligations arising under agreements or plans relating to pooling or unitization of lands that are binding on a Party; (ix) undetermined or inchoate liens, or liens being contested in good faith, incurred or created in the ordinary course of business as security for a Party's share of the costs and expenses of the development or operation of any of its properties or assets, which costs and expenses are not delinquent as of the Effective Time; (x) undetermined or inchoate processors', operators', mechanics', builders', materialmen's and similar liens, or liens being contested in good faith, for which payment for services rendered or goods supplied is not delinquent as of the Effective Time; (xi) liens granted in the ordinary course of business to a Governmental Authority respecting operations pertaining to petroleum and natural gas rights; (xii) any Encumbrances under the Target Credit Facilities (in the case of the Target) or the Purchaser Credit Facilities (in the case of the Purchaser) or the security provided thereunder; and (xiii) any Encumbrances included in schedule 1.1(xx) of the Target Disclosure Letter (in the case of the Target) or schedule 1.1(xx) of the Purchaser Disclosure Letter (in the case of the Purchaser);

- (aaa) **"person"** includes any individual, firm, partnership, joint venture, association, trust, trustee, executor, administrator, personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- (bbb) **"Plan of Arrangement"** means the plan of arrangement (including the appendices thereto) substantially in the form set out in Schedule "A" to this Agreement, as supplemented, modified or amended from time to time in accordance with article 7 of the Plan of Arrangement, or at the direction of the Court in the Final Order with the consent of the Target and the Purchaser, each acting reasonably;
- (ccc) **"Purchaser"** has the meaning set forth in the recitals to this Agreement;
- (ddd) **"Purchaser Bitumen Reserves Report"** means the report prepared by McDaniel dated February 1, 2023 evaluating the bitumen reserves attributable to the Purchaser's Tucker Lake property as at December 31, 2022;
- (eee) **"Purchaser Class A Share Exchange Ratio"** means, subject to adjustment in accordance with Section 2.15 hereof, 0.089278 of an AmalCo Share for each Purchaser Class A Share;
- (fff) **"Purchaser Class A Shares"** means the voting class A common shares in the capital of the Purchaser;
- (ggg) **"Purchaser Class B Share Exchange Ratio"** means, subject to adjustment in accordance with Section 2.15 hereof, 0.089278 of an AmalCo Share for each Purchaser Class B Share;
- (hhh) **"Purchaser Class B Shares"** means the voting class B common shares in the capital of the Purchaser;
- (iii) **"Purchaser Credit Facilities"** means, collectively: (i) the \$2.0 billion revolving credit facility of the Purchaser pursuant to an amended and restated credit agreement dated as of March 11, 2022, between the Purchaser and the lenders thereunder, as amended; and (ii) the

\$700 million term loan of the Purchaser pursuant to a credit agreement dated as of August 29, 2022, between the Purchaser and the lenders thereunder, as amended;

- (jjj) **"Purchaser Damages Event"** has the meaning set forth in Section 6.1 hereof;
- (kkk) **"Purchaser Disclosure Letter"** means the disclosure letter of the Purchaser dated as of the date of this Agreement and delivered by the Purchaser to the Target with this Agreement;
- (lll) **"Purchaser Financial Statements"** means, collectively: (i) the restated audited consolidated financial statements of the Purchaser as at and for the years ended December 31, 2022 and 2021, together with the notes thereto and the report of the auditors thereon; and (ii) the restated interim unaudited consolidated financial statements of the Purchaser as at and for the three month periods ended March 31, 2023 and 2022, together with the notes thereto;
- (mmm) **"Purchaser Heavy Oil Reserves Report"** means the report prepared by McDaniel dated February 14, 2023 evaluating the heavy oil reserves attributable to the Purchaser's properties as at December 31, 2022;
- (nnn) **"Purchaser Information"** means all information provided by the Purchaser for inclusion in the Target Information Circular describing the Purchaser and its business, operations and affairs as required pursuant to Canadian Securities Laws;
- (ooo) **"Purchaser Petroleum and Gas Reserves Report"** means the report prepared by Sproule dated February 23, 2023 evaluating the petroleum and natural gas reserves attributable to the Purchaser's properties as at December 31, 2022;
- (ppp) **"Purchaser Preferred Shares"** means the preferred shares in the capital of the Purchaser;
- (qqq) **"Purchaser Reserves Reports"** means, collectively, the Purchaser Bitumen Reserves Report, the Purchaser Heavy Oil Reserves Report and the Purchaser Petroleum and Gas Reserves Report;
- (rrr) **"Purchaser Shareholders"** means the holders of Purchaser Shares prior to the Effective Time;
- (sss) **"Purchaser Shares"** means, collectively, the Purchaser Class A Shares and the Purchaser Class B Shares;
- (ttt) **"Purchaser USA"** means the unanimous shareholder agreement of the Purchaser dated effective as of March 15, 2022;
- (uuu) **"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under section 263 of the ABCA;
- (vvv) **"Regulatory Approvals"** means, the Competition Act Approval, or any other consent, waiver, permit, permission, exemption, review, order, decision or approval of, or any registration and filing with or withdrawal of any objection or successful conclusion of any litigation brought by, any Governmental Authority, or the expiry, waiver or termination of any waiting period imposed by applicable Law or a Governmental Authority or pursuant to a written agreement between the Parties and a Governmental Authority to refrain from consummating the Arrangement, in each case required under applicable Laws or that the Parties agree to obtain in connection with the Arrangement;

- (www) **"Representatives"** means, in respect of any person, any officer, director, employee, representative (including any financial, legal or other advisor) or agent of such person;
- (xxx) **"Required Target Shareholder Approval"** has the meaning set forth in Section 2.4(b) hereof;
- (yyy) **"RJL"** means Raymond James Ltd., financial advisor to the Target Board;
- (zzz) **"RJL Fairness Opinion"** has the meaning set forth in Section 2.2(c) hereof;
- (aaaa) **"Second Amalgamation"** means the amalgamation of the Purchaser and Target AmalCo pursuant to section 2.2(f) of the Plan of Arrangement;
- (bbbb) **"Software"** means computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs;
- (cccc) **"Sproule"** means Sproule Associates Limited, independent oil and natural gas reservoir engineers of Calgary, Alberta;
- (dddd) **"subsidiary"** has the meaning set forth in the *Securities Act* (Alberta);
- (eeee) **"Superior Proposal"** has the meaning set forth in Section 3.4(b)(vii)(A) hereof;
- (ffff) **"Support Agreements"** means the voting support agreements between the Purchaser and each of the Supporting Shareholders pursuant to which each of the Supporting Shareholders has agreed to vote the Target Shares beneficially owned or controlled, directly or indirectly, by such Supporting Shareholder in favour of the Arrangement Resolution and to otherwise support the Arrangement and other related matters to be considered at the Target Meeting, in each case subject to the terms and conditions set forth in the applicable Support Agreement;
- (gggg) **"Supporting Shareholders"** means those Target Shareholders that have entered into Support Agreements with the Purchaser concurrently with the Parties entering into this Agreement;
- (hhhh) **"Target"** has the meaning set forth in the recitals to this Agreement;
- (iiii) **"Target AmalCo"** means the corporation resulting from the First Amalgamation;
- (jjjj) **"Target AmalCo Shares"** means the common shares in the capital of Target AmalCo;
- (kkkk) **"Target Award Termination Agreements"** means, collectively, the agreements to be entered into between the Target and each Target Awardholder, in form and substance satisfactory to the Purchaser, acting reasonably, pursuant to which each Target Awardholder agrees, among other things, that any Target Incentive Securities held by the Target Awardholder on the Effective Date shall be surrendered to the Target and terminated immediately prior to the Effective Time, conditional upon the completion of the Arrangement;
- (llll) **"Target Awardholder"** means a holder of any Target Incentive Securities;
- (mmmm) **"Target Board"** means the board of directors of the Target as it may be comprised from time to time;

- (nnnn) **"Target Board Recommendation"** has the meaning set forth in Section 2.2(a) hereof;
- (oooo) **"Target Budget"** means the budget of the Target dated July 25, 2023, a true and complete copy of which is set forth in schedule 1.1(mmmm) of the Target Disclosure Letter;
- (pppp) **"Target Change of Control Payments"** means the severance payments in the amounts and to the Target Employees as described in schedule 1.1(nnnn) of the Target Disclosure Letter payable to such individuals in connection with the termination of their employment and the Arrangement;
- (qqqq) **"Target Credit Facilities"** means, collectively, the Target RBL and the Target Letter of Credit Facility;
- (rrrr) **"Target Damages Event"** has the meaning set forth in Section 6.2 hereof;
- (ssss) **"Target Debt"** means the total consolidated indebtedness of the Target, including long-term debt and bank debt (including, for greater certainty, amounts drawn on the Target Credit Facilities), working capital surplus or deficiency, as applicable, and loans receivable, but excluding unrealized gains and losses on hedging obligations and commodity contracts and any related future income taxes;
- (tttt) **"Target Disclosure Letter"** means the disclosure letter of the Target dated as of the date of this Agreement and delivered by the Target to the Purchaser with this Agreement;
- (uuuu) **"Target Dividend Share Unit"** means a "Dividend Share Unit" as such term is defined in the Target LTIP;
- (vvvv) **"Target Employee Information"** means the following information, to the extent applicable, with respect to each Target Employee and each independent contractor, consultant and contract operator of the Target or the Target Subsidiary, as set forth in schedule 4.2(pp) of the Target Disclosure Letter: service start date, title, place of work, base salary or contract fee, annual incentive Target and last two awards and any other compensation, annual vacation entitlement, and an assessment of the Target Employee Termination Obligations for each such Target Employee, independent contractor, consultant and contract operator of the Target or the Target Subsidiary;
- (wwww) **"Target Employee Termination Obligations"** means the Target Change of Control Payments and any obligations and liabilities of the Target for or pursuant to all employment agreements or consulting services agreements (including in respect of notice of termination, pay in lieu of notice of termination, termination pay, severance pay and change of control payments), whether written or oral, director compensation programs, performance bonuses, other bonuses, retention plans or policies for severance, termination, change of control, retention payments, and any other payments related to any incentive plan of the Target, including the Target LTIP, arising out of or in connection with the Arrangement, but not including payments, if any, in respect of salary, vacation pay and the Target Incentive Securities;
- (xxxx) **"Target Employees"** means any full-time or part-time employee of the Target or the Target Subsidiary, including any such employee on disability (long-term or short-term), workers' compensation, pregnancy, parental or other statutory or approved leave;
- (yyyy) **"Target Exchange Ratio"** means, subject to adjustment in accordance with Section 2.15 hereof, 0.067967 of an AmalCo Share for each Target AmalCo Share;
- (zzzz) **"Target Executive Employment Agreements"** means the executive employment agreements described in schedule 1.1(xxxx) of the Target Disclosure Letter;

- (aaaaa) **"Target ESPP"** means the amended and restated employee share purchase plan of the Target dated effective as of May 11, 2021, as amended and restated from time to time;
- (bbbbb) **"Target Fairness Opinions"** has the meaning set forth in Section 2.2(c) hereof;
- (ccccc) **"Target Financial Statements"** means, collectively: (i) the audited consolidated financial statements of the Target as at and for the years ended December 31, 2022 and 2021, together with the notes thereto and the report of the auditors thereon; and (ii) the unaudited condensed interim consolidated financial statements of the Target as at and for the three-month periods ended March 31, 2023 and 2022, together with the notes thereto;
- (ddddd) **"Target Incentive Securities"** means, collectively, the Target Options, the Target PSUs and the Target RSUs;
- (eeeeee) **"Target Independent Committee"** means the independent committee of the Target Board comprised of independent directors (within the meaning of Canadian Securities Laws) of the Target;
- (fffff) **"Target Information"** means all information included in the Target Information Circular other than the Purchaser Information;
- (ggggg) **"Target Information Circular"** means the notice of the Target Meeting and the management information circular of the Target (including all schedules, appendices and exhibits thereto and all information incorporated by reference therein) to be sent to the Target Shareholders and such other persons as required by the Interim Order or applicable Laws in connection with the Target Meeting, together with any amendments thereto or supplements thereof;
- (hhhhh) **"Target Investor Rights Agreements"** means, collectively: (i) the nomination agreement dated September 15, 2020 between the Target and Al Mehwar Commercial Investments LLC; (ii) the nomination agreement dated September 15, 2020 between the Target and GMT Capital Corp.; (iii) the registration rights agreement dated September 15, 2020 between the Target, Riverstone Pipestone LP and GMT Capital Corp.; and (iv) the nomination agreement dated September 24, 2021 between the Target and Riverstone Pipestone LP;
- (iiiiii) **"Target Leased Real Property"** means all Target Real Property that is leased, subleased, licensed or otherwise occupied or used by a person, pursuant to a Target Real Property Lease;
- (jjjjj) **"Target Letter of Credit Facility"** means the \$22.5 million unsecured letter of credit facility of the Target under Expert Development Canada's performance security guarantee program;
- (kkkkk) **"Target LTIP"** means the amended and restated long-term incentive plan of the Target approved by the Target Board on May 11, 2021, as amended or restated from time to time;
- (lllll) **"Target Meeting"** means the meeting of the Target Shareholders, including any adjournment or postponement thereof, that is to be convened as provided by the Interim Order to consider, and if deemed advisable approve, the Arrangement Resolution;
- (mmmmm) **"Target NCIB"** means the normal course issuer bid of the Target renewed on November 23, 2022;
- (nnnnn) **"Target Options"** means the outstanding stock options, whether or not vested, to acquire Target Shares granted pursuant to the Target LTIP;

- (ooooo) **"Target Optionholder"** means a holder of outstanding Target Options;
- (ppppp) **"Target Owned Real Property"** means owned Target Real Property, together with all owned buildings, fixtures and other improvements on, in or under them;
- (qqqqq) **"Target Permitted Dividend"** means, in respect of the Target Shares, regular quarterly dividends not in excess of \$0.03 in cash per Target Share per quarter, declared from time to time by the Target Board in the ordinary course and consistent with past practice, with a record date occurring on or after the date of this Agreement and prior to the Effective Date;
- (rrrrr) **"Target Pre-Arrangement Reorganization"** has the meaning set forth in Section 3.6 hereof;
- (sssss) **"Target Preferred Shares"** means the preferred shares in the capital of the Target;
- (ttttt) **"Target PSUs"** means performance share units issued by the Target under the Target LTIP, including any related Target Dividend Share Units;
- (uuuuu) **"Target Public Record"** means all information filed by or on behalf of the Target since January 1, 2022 with the Canadian Securities Regulators in compliance, or intended compliance, with Canadian Securities Laws which is available for public viewing on the SEDAR+ website at www.sedarplus.ca under the Target's profile;
- (vvvvv) **"Target RBL"** means the \$280 million reserve-based loan of the Target pursuant to the credit agreement dated June 12, 2020, between the Target and National Bank of Canada, as administrative agent, as amended;
- (wwwww) **"Target Real Property"** means all real property that the Target or the Target Subsidiary owns, leases, licenses, or is the grantee under an easement, right of way or other similar interest therein, including the Target Owned Real Property and the Target Leased Real Property, together with all easements, rights of way and interests appurtenant to them;
- (xxxxx) **"Target Real Property Lease"** means a lease, an agreement to lease, a sublease, a licence agreement, or an occupancy or other agreement under which the Target or the Target Subsidiary has the right, or has granted another person the right, as tenant, licensee, grantee or subtenant, to use or occupy any Target Leased Real Property;
- (yyyyy) **"Target Reserves Report"** means the report prepared by McDaniel dated February 13, 2023 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to the Target's properties as at December 31, 2022;
- (zzzzz) **"Target RSUs"** means restricted share units issued by the Target under the Target LTIP, including any related Target Dividend Share Units;
- (aaaaa) **"Target Shareholders"** means the holders of Target Shares prior to the Effective Time;
- (bbbbb) **"Target Shares"** means the common shares in the capital of the Target;
- (ccccc) **"Target Subsidiary"** means Pennant Energy Inc., a corporation existing under the laws of the Province of British Columbia and to be continued under the laws of the Province of Alberta prior to the Effective Time pursuant to the Continuance;
- (ddddd) **"Tax Act"** means the *Income Tax Act* (Canada);

- (eeeeee) **"Tax Returns"** means all written and electronic reports, estimates, elections, designations, forms, declarations of estimated Tax, information statements and returns relating to, or required to be filed in connection with, any Taxes;
- (fffff) **"Taxes"** means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Governmental Authority, which taxes shall include, all income or profits taxes (including, federal income taxes, provincial income taxes, territorial income taxes, and foreign income taxes), payroll and employee withholding taxes, employment insurance premiums, Canada Pension Plan contributions, social insurance taxes, sales and use taxes, goods and services and harmonized sales taxes, *ad valorem* taxes, excise taxes, franchise taxes, gross receipt taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which a Party or any of its subsidiaries is required to pay, withhold, remit or collect;
- (gggggg) **"Termination Fee"** has the meaning set forth in Section 6.1 hereof;
- (hhhhh) **"Third Party Beneficiaries"** has the meaning set forth in Section 10.10 hereof;
- (iiiiii) **"Transaction Costs"** means, collectively, the Target Change of Control Payments, together with all other costs of Target (whether incurred, accrued or billed) incurred in connection with the Arrangement, including fees and expenses of financial advisors, legal advisors, auditors, engineers and other professionals or consultants, directors' and officers' run-off insurance, and printing, mailing, proxy solicitation and other costs and expenses related to the Target Meeting, the details of which are set forth in schedule 1.1(aaaaaa) of the Target Disclosure Letter and for greater certainty shall not include any Target Employee Termination Obligations (other than the Target Change of Control Payments);
- (jjjjj) **"TSX"** means the Toronto Stock Exchange;
- (kkkkkk) **"TSX Approval"** has the meaning set forth in Section 3.1(g) hereof;
- (lllll) **"U.S."** means the United States of America;
- (mmmmm) **"U.S. Securities Act"** means the *United States Securities Act of 1933*, as amended; and
- (nnnnn) **"U.S. Securities Laws"** means federal and state securities Laws of the U.S. and all rules, regulations and orders promulgated thereunder.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and does not affect the construction or interpretation of this Agreement. Unless the contrary intention appears, references in this Agreement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement (including the Schedules hereto) and not to any particular Article, Section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Other Definitional and Interpretive Provision

- (a) References in this Agreement to the words "include", "includes" or "including" shall, unless the context otherwise requires, be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of similar import.

- (b) Capitalized terms used in any Schedule, the Target Disclosure Letter or the Purchaser Disclosure Letter but not otherwise defined therein shall have the meanings given to them in this Agreement.
- (c) Where a term is defined herein, a capitalized derivative of that term shall have a corresponding meaning unless the context otherwise requires.

1.4 Number, etc.

In this Agreement, unless the contrary intention appears, words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders.

1.5 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 Time

References in this Agreement to time are to local time in Calgary, Alberta.

1.7 Entire Agreement

This Agreement and the Confidentiality Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof including, without limitation, the letter of intent between the Parties dated June 26, 2023. For greater certainty, the Support Agreements are separate agreements between the parties thereto and are unaffected by this Section 1.7. To the extent there is any inconsistency between this Agreement and the Confidentiality Agreement, this Agreement shall supersede the Confidentiality Agreement.

1.8 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

1.9 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under, and all determinations of an accounting nature required to be made shall be made in a manner consistent with, IFRS.

1.10 References to Legislation

References in this Agreement to any statute include the regulations promulgated thereunder and references to a statute or regulation or sections thereof shall include such statute or regulation as amended or substituted.

1.11 Enforceability

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating

to or affecting creditors' rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief and general principles of equity).

1.12 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of the Purchaser or the Target, as applicable, it refers to the actual knowledge of: (a) in the case of the Purchaser, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Purchaser; and (b) in the case of the Target, the Chief Operating Officer and Interim President and Chief Executive Officer, the Chief Financial Officer and the Vice President, Corporate Development of the Purchaser, as applicable, after reasonable inquiry, and does not include the knowledge or awareness of any other individual or any constructive, implied or imputed knowledge.

1.13 No *Contra Proferentem* Rule

The Parties acknowledge that their respective legal counsel have reviewed and participated in negotiating, drafting and settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.14 Schedule

The following schedule attached hereto is incorporated into and forms an integral part of this Agreement:

- Schedule "A" – Plan of Arrangement
- Schedule "B" – Form of Arrangement Resolution
- Schedule "C" – Representations and Warranties of the Purchaser
- Schedule "D" – Representations and Warranties of the Target

ARTICLE 2 THE ARRANGEMENT

2.1 Plan of Arrangement

Subject to the terms of this Agreement, the Purchaser and the Target agree to carry out the Arrangement in accordance with the Plan of Arrangement.

2.2 Target Approval

The Target represents and warrants to the Purchaser that:

- (a) based on, among other things, the unanimous recommendation of the Target Independent Committee, the Target Board has determined that:
 - (i) the Arrangement is fair to the Target Shareholders;
 - (ii) the Arrangement and entry into this Agreement by the Target are in the best interests of the Target; and
 - (iii) it will recommend that the Target Shareholders vote in favour of the Arrangement Resolution
- (collectively, the "**Target Board Recommendation**");

- (b) the Target Independent Committee has received a verbal opinion from BMO Capital Markets that the consideration to be received by the Target Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Target Shareholders (the "**BMO Fairness Opinion**"); and
- (c) the Target Board has received a verbal opinion from RJL that the consideration to be received by the Target Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Target Shareholders (the "**RJL Fairness Opinion**" and, together with the "**BMO Fairness Opinion**", the "**Target Fairness Opinions**").

2.3 Obligations of the Target

- (a) Subject to the terms and conditions of this Agreement, in order to facilitate the Arrangement, the Target shall take all action necessary in accordance with all applicable Laws to:
 - (i) as soon as reasonably practicable following the date of this Agreement, and in any event in sufficient time to permit the Target Meeting to be held in accordance with Section 2.3(a)(ii) hereof, apply for the Interim Order pursuant to section 193 of the ABCA, in a manner reasonably acceptable to the Purchaser, and thereafter proceed with and diligently seek the Interim Order;
 - (ii) in accordance with the terms of, and the procedures contained in, the Interim Order, duly call, give notice of, convene and hold the Target Meeting as promptly as practicable, and in any event not later than September 28, 2023, to vote upon the Arrangement and any other matters as may be properly brought before the Target Meeting;
 - (iii) subject to obtaining such approvals as are required by the Interim Order and the terms of this Agreement, proceed with, take all necessary steps and diligently pursue the application for the Final Order pursuant to section 193(4) of the ABCA as soon as is reasonably practicable, but in any event not later than three Business Days after the Arrangement Resolution is passed at the Target Meeting as provided for in the Interim Order; and
 - (iv) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions contained herein, and in accordance with Section 2.7 hereof, send to the Registrar, for acceptance for filing by the Registrar, the Articles of Arrangement, the Final Order and such other documents as may be required in connection therewith under the ABCA to effect the Arrangement.
- (b) Subject to the Purchaser's compliance with Section 3.1(j) hereof: (i) as soon as reasonably practicable following the date of this Agreement, prepare and complete (in consultation with the Purchaser) the Target Information Circular and any other documents required by applicable Law in connection with the Target Meeting and the Arrangement; and (ii) as soon as practicable following the receipt of the Interim Order, cause the Target Information Circular and such other documents to be printed and mailed to the Target Shareholders and such other persons as required by the Interim Order or applicable Law and to be filed with the Canadian Securities Regulators, the TSX and any other Governmental Authority as required by the Court or applicable Law.
- (c) The Target shall give the Purchaser and its legal counsel a reasonable opportunity to review and comment on the drafts of the Target Information Circular and other related documents prior to filing or mailing such materials, and shall give good faith consideration to any comments made by the Purchaser or its legal counsel relating to the disclosure contained therein, and agrees that all Purchaser Information and information regarding the

Arrangement included in the Target Information Circular must be in content satisfactory to the Purchaser, acting reasonably.

- (d) As of the date the Target Information Circular is first mailed to the Target Shareholders and the date of the Target Meeting, the Target Information Circular shall be complete and correct in all material respects, shall not contain any misrepresentation (other than with respect to any of the Purchaser Information that is furnished in writing by or on behalf of the Purchaser for inclusion in the Target Information Circular) and shall comply in all material respects with all applicable Laws. The Target agrees to promptly correct any information in the Target Information Circular (including the Purchaser Information for which the Purchaser advises the Target in writing) which shall have become false or misleading at any time prior to the Target Meeting.
- (e) Subject to the Purchaser's compliance with Section 3.1(j) hereof, the Target shall ensure that the Target Information Circular provides each of: (i) the Target Shareholders; and (ii) the Court, with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Target Meeting and the hearing for the Final Order, as applicable, and sets out the Purchaser Information in the form provided or approved by the Purchaser. Without limiting the generality of the foregoing, the Target Information Circular shall include or incorporate by reference, as applicable:
 - (i) information describing the Target and its business, operations and affairs as required pursuant to Canadian Securities Laws;
 - (ii) the Purchaser Information;
 - (iii) a copy of each of the Target Fairness Opinions;
 - (iv) a statement that the Target Independent Committee has unanimously recommended that the Target Board approve the Arrangement and this Agreement;
 - (v) the Target Board Recommendation (unless the Target Board has made a Change in Recommendation in accordance with Section 3.4(b)(viii) hereof); and
 - (vi) summaries of the terms of the Support Agreements.
- (f) The Target shall indemnify and save harmless the Purchaser and its Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) suffered or incurred by any of them, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Target Information Circular or in any material filed in compliance or intended compliance with any applicable Laws; or
 - (ii) any order made or any inquiry, investigation or proceeding by any Governmental Authority based upon any misrepresentation or alleged misrepresentation in the Target Information Circular or in any material filed by or on behalf of the Target in compliance or intended compliance with applicable Laws, which prevents or restricts the trading in the Target Shares,

provided that the Target shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based

upon any misrepresentation or alleged misrepresentation with respect to the Purchaser Information included in the Target Information Circular or the negligence of the Purchaser.

2.4 Interim Order

The application referred to in Section 2.3(a)(i) hereof shall request that the Interim Order provide, among other things:

- (a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Target Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite approval (the "**Required Target Shareholder Approval**") for the Arrangement Resolution to be placed before the Target Meeting shall be:
 - (i) 66⅔% of the votes cast on the Arrangement Resolution by Target Shareholders present in person or represented by proxy at the Target Meeting; and
 - (ii) if required under Canadian Securities Laws, a majority of the votes cast on the Arrangement Resolution by Target Shareholders present in person or represented by proxy at the Target Meeting after excluding the votes of those persons whose votes are required to be excluded under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;
- (c) that, in all other respects, the terms, restrictions and conditions of the constating documents of the Target, including quorum requirements and all other matters, shall apply in respect of the Target Meeting (other than as modified by the Interim Order);
- (d) for the grant of the Dissent Rights to registered Target Shareholders as set forth in the Plan of Arrangement;
- (e) for the notice requirements with respect to the application to the Court for the Final Order, including that each Target Shareholder and each Purchaser Shareholder shall have the right to appear before the Court at the hearing for the Final Order as long as they abide by the notice requirements set forth in the Interim Order;
- (f) that the Target Meeting may be adjourned or postponed from time to time by the Target Board, as applicable, subject to Section 2.5, without the need for additional approval of the Court;
- (g) for confirmation of the record date for the purposes of determining the Target Shareholders entitled to receive notice of and to vote at the Target Meeting in accordance with the Interim Order;
- (h) that the record date for determining the Target Shareholders entitled to notice of and to vote at the Target Meeting will not change in respect of any adjournment(s) or postponement(s) of the Target Meeting, unless required by applicable Law; and
- (i) for such other matters as the Parties may agree in writing, each acting reasonably.

2.5 Target Meeting

Subject to the Interim Order and the terms of this Agreement, the Target shall:

- (a) not adjourn, postpone or cancel (or propose to adjourn, postpone or cancel) the Target Meeting without the prior consent of the Purchaser, acting reasonably, except:

- (i) as required for quorum purposes (in which case the Target Meeting shall be adjourned or postponed and not cancelled, and shall be reconvened not later than 10 days from the date of the originally scheduled Target Meeting) or by applicable Law or a Governmental Authority;
 - (ii) except as required under Section 3.4(d) or Section 5.4(b) hereof; or
 - (iii) except for an adjournment or postponement at the request of the Purchaser for the purpose of attempting to obtain the Required Target Shareholder Approval in respect of the Arrangement Resolution, in which case the Target Meeting shall be reconvened not later than 10 days from the date of the originally scheduled Target Meeting;
- (b) other than following a Change in Recommendation, solicit proxies of Target Shareholders in favour of the Arrangement Resolution and against any resolution submitted by any person that is inconsistent with the Arrangement Resolution or the completion of any of the transactions contemplated in this Agreement;
- (c) if requested by the Purchaser and at the Purchaser's expense, engage a proxy solicitation firm reasonably acceptable to the Purchaser for the purpose of soliciting proxies in favour of the Arrangement Resolution;
- (d) provide the Purchaser with copies of or access to information regarding the Target Meeting generated by the registrar and transfer agent for the Target Shares or any proxy solicitation firm retained by the Target, as requested from time to time by the Purchaser;
- (e) subject to the Purchaser's compliance with Section 3.1(n) hereof, permit the Purchaser to, at the Purchaser's expense, directly or through a proxy solicitation firm, actively solicit proxies in favour of the Arrangement Resolution and against any resolution submitted by any person that is inconsistent with the Arrangement Resolution or the completion of any of the transactions contemplated in this Agreement in compliance with applicable Law, and disclose in the Target Information Circular that the Purchaser may make such solicitations;
- (f) consult the Purchaser in fixing the record date and meeting date for the Target Meeting, and give notice to the Purchaser of the Target Meeting and allow the Purchaser's Representatives to attend the Target Meeting;
- (g) not, without the Purchaser's prior written consent, change the record date for determining the Target Shareholders entitled to notice of and to vote at the Target Meeting unless required by applicable Law;
- (h) not, without the Purchaser's prior written consent, propose or submit for consideration at the Target Meeting any business other than the Arrangement Resolution;
- (i) promptly advise the Purchaser, at such times as the Purchaser may reasonably request in writing, and at least on a daily basis on each of the last 10 Business Days prior to the date of the Target Meeting, as to the aggregate tally of the proxies received by the Target in respect of the Arrangement Resolution;
- (j) as reasonably requested from time to time by the Purchaser, provide the Purchaser with a list of: (i) the registered holders of Target Shares, participants and book-based nominee registrants such as CDS & Co., and non-objecting beneficial owners of Target Shares, together with their addresses and respective holdings of Target Shares, as applicable; and (ii) the names and holdings of all persons having rights to acquire Target Shares, including the holders of Target Incentive Securities. The Target shall instruct the registrar and transfer agent for the Target Shares to furnish the Purchaser with such additional

information, including updated or additional lists of Target Shareholders and the holders of Target Incentive Securities and lists of holdings and other assistance, as the Purchaser may reasonably request from time to time;

- (k) promptly advise the Purchaser of any communication (written or oral) received from, or claims brought by (or, to the knowledge of the Target, threatened to be brought by), any person in opposition to the Arrangement and/or any purported exercise or withdrawal of Dissent Rights by a holder of Target Shares and, subject to applicable Laws, provide the Purchaser with an opportunity to review and comment upon any written communications sent by or on behalf of the Target to any such person and to participate in any discussions, negotiations or proceedings with or including any such persons; and
- (l) not make any payment or settlement offer, or agree to any payment or settlement prior to the Effective Time with respect to the Dissent Rights without the prior written consent of the Purchaser, acting reasonably.

2.6 Court Proceedings

- (a) Subject to the terms of this Agreement, the Purchaser shall cooperate with and assist the Target in, and consent to the Target, seeking the Interim Order and the Final Order, including by providing to the Target on a timely basis any information regarding the Purchaser and its affiliates as reasonably requested by the Target or as required by applicable Law to be supplied by the Purchaser in connection therewith.
- (b) In connection with all Court proceedings relating to obtaining the Interim Order and the Final Order, the Target shall:
 - (i) cooperate with the Purchaser in diligently pursuing the Interim Order and the Final Order on a timely basis and provide the Purchaser and its legal counsel reasonable opportunity to review and comment on drafts of all materials to be filed with the Court in connection with the Arrangement, and give good faith consideration to any such comments. The Target shall accept the comments of the Purchaser or its legal counsel with respect to any information required to be supplied by the Purchaser about the Purchaser and included in such materials;
 - (ii) provide legal counsel to the Purchaser, on a timely basis, with copies of any notice of appearance, evidence or other documents served on the Target or its legal counsel in respect of the application for the Interim Order or the application for the Final Order or any appeal from them, and any notice, written or oral, indicating the intention of any person to appeal, or oppose the granting of, the Interim Order or the Final Order;
 - (iii) ensure that all materials filed with the Court in connection with the Arrangement are consistent in all material respects with the terms of this Agreement and the Plan of Arrangement;
 - (iv) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to modify or amend any material so filed or served, except as contemplated by this Agreement or with the Purchaser's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require the Purchaser to agree or consent to any increase in the consideration or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations set forth in this Agreement;

- (v) oppose any proposal from any person that the Final Order contain any provision inconsistent with this Agreement, and, if required by the terms of the Final Order or by applicable Law, to return to Court with respect to the Final Order, to do so only after notice to, and in consultation and cooperation with, the Purchaser; and
- (vi) not object to legal counsel to the Purchaser making such submissions on the application for the Interim Order and the application for the Final Order as such counsel considers appropriate; provided that: (A) such submissions are consistent with this Agreement and the Plan of Arrangement; and (B) the Target and its legal counsel are advised of the nature of any such submissions and approve such submissions prior to the hearing.

2.7 Effective Date

The Arrangement shall become effective at the Effective Time. Upon the issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, each of the Parties shall, as soon as practicable, execute and deliver such closing documents and instruments and the Target shall proceed to send to the Registrar, for acceptance for filing by the Registrar, the Articles of Arrangement, the Final Order and such other documents as may be required in connection therewith under the ABCA to effect the Arrangement no later than the third Business Day following the satisfaction or waiver of such conditions precedent (other than the conditions precedent that by their terms are to be satisfied as of the Effective Date) or such other date as agreed to in writing by the Purchaser and the Target, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality.

2.8 Treatment of the Target Incentive Securities

- (a) The Target Board has approved the vesting of all outstanding Target Incentive Securities effective immediately before the Effective Time (other than any Target Incentive Securities that vest or have vested before such date) conditional upon the subsequent consummation of the Arrangement and the Parties acknowledge and agree that all such outstanding Target Incentive Securities shall vest immediately before the Effective Time (other than any Target Incentive Securities that vest or have vested before such date), and all Target Incentive Securities other than Target Options shall be settled in cash only and be deemed to have been exercised, surrendered, settled, terminated and/or cancelled immediately prior to the Effective Time, conditional upon the consummation of the Arrangement, in accordance with the terms of the Target LTIP, this Agreement and the applicable Target Award Termination Agreement.
- (b) The Parties acknowledge and agree that, pursuant to the Plan of Arrangement, each issued and outstanding Target Option held by Target Awardholders immediately prior to the Effective Time shall be (notwithstanding the terms of the Target LTIP or any award or similar agreement pursuant to which any Target Options were granted or awarded, as applicable), and shall be deemed to be, disposed of in exchange for an AmalCo Option. The number of AmalCo Shares subject to an AmalCo Option shall be equal to: (i) the Target Exchange Ratio multiplied by (ii) the number of Target Shares subject to the Target Option issuable in exchange for such AmalCo Option immediately prior to the Effective Time. The per share exercise price for the AmalCo Shares issuable upon exercise of an AmalCo Option shall be equal to (rounded up to the nearest whole cent): (x) the exercise price per Target Share of the Target Option such AmalCo Option issuable in exchange for immediately prior to the Effective Time; divided by (y) the Target Exchange Ratio. All other terms and conditions applicable to an AmalCo Option, including the terms of expiry, vesting and conditions to and manner of exercising shall remain the same as the Target Option for which it was exchanged, and any certificate or option agreement previously evidencing such Target Option shall thereafter evidence and be deemed to evidence such AmalCo Option. Notwithstanding the foregoing, the exchange of Target Options for AmalCo Options

effected pursuant to the Plan of Arrangement is intended to occur on a tax-deferred basis under subsection 7(1.4) of the Tax Act and AmalCo and the former holders of Target Options shall make such adjustment as is necessary to qualify for such treatment.

- (c) The Target shall use its reasonable commercial efforts to enter into a Target Award Termination Agreement with each Target Awardholder not less than four Business Days prior to the date on which the application for the Interim Order is heard. Each Target Award Termination Agreement shall provide, to the extent applicable to each Target Awardholder, that:
- (i) all Target Options, Target PSUs and/or Target RSUs, as applicable, held by such Target Awardholder, shall be fully vested immediately prior to the Effective Time (unless vested before such date);
 - (ii) the Target PSUs and/or Target RSUs, as applicable, will be settled in accordance with this Section 2.8 and surrendered to the Target and terminated immediately prior to the Effective Time in accordance with the terms of the Target LTIP and the applicable Target Award Termination Agreement, in each case conditional upon the consummation of the Arrangement; and
 - (iii) any AmalCo Options that are issued in accordance with the Plan of Arrangement will be settled in accordance with this Section 2.8 and the Plan of Arrangement and surrendered to AmalCo and terminated immediately after the Effective Time in accordance with the terms of the applicable Target Award Termination Agreement, conditional upon the consummation of the Arrangement and the issuance of the AmalCo Options,

provided that if the Target is not satisfied, in its sole discretion, that a Target Award Termination Agreement has been executed and delivered by each Target Awardholder within four Business Days prior to the hearing for the Interim Order, the Parties shall amend the Plan of Arrangement to provide for the cancellation of all outstanding Target Incentive Securities in respect of which a Target Award Termination Agreement has not been entered into pursuant to the Plan of Arrangement in consideration of payment to such Target Awardholder of an amount that the Target Awardholder would be entitled to receive under Section 2.8(d) and Section 2.8(e).

- (d) On or after the Effective Date, AmalCo shall pay the consideration payable to holders of "in-the-money" AmalCo Options in cash, where the cash settlement amount payable to the holder for each such "in-the-money" AmalCo Option shall be an amount equal to the five-day volume weighted average trading price of the Target Shares on the TSX immediately preceding the date of the Target Meeting less the exercise price of such corresponding "in-the-money" Target Option.
- (e) On or after the Effective Date, the Target shall pay the consideration payable to holders of Target PSUs and Target RSUs in cash (and the Target shall withhold from such cash payment an amount equal to the amount of Taxes required to be remitted by the Target in connection with such settlement). The cash settlement amount for each Target PSU, subject to Section 2.8(f), and Target RSU shall be an amount equal to the five-day volume weighted average trading price of the Target Shares on the TSX immediately prior to the date of the Target Meeting.
- (f) The "Performance Multiplier" (as defined in the Target LTIP) for all Target PSUs for which vesting has been accelerated as a result of the completion of the Arrangement will be based on the applicable Performance Multipliers as previously determined by the Target Board for the applicable performance assessment periods and the Performance Multiplier for the most recent performance assessment period as determined by the Target Board,

acting reasonably and in a manner consistent with past practices, and each applicable Performance Multiplier as set forth in schedule 2.8(e) of the Target Disclosure Letter.

- (g) For greater certainty, Section 2.12 shall apply with respect to the settlement of Target Incentive Securities.
- (h) The Target and the Purchaser acknowledge and agree that, for Canadian tax purposes, no deduction will be claimed by the Target or any person not dealing at arm's length with the Target (including AmalCo) in respect of any amounts payable to Target Optionholders under the Plan of Arrangement and AmalCo will, and the Purchaser will cause AmalCo to, elect in the prescribed form, and do all such things as required to make the election, under subsection 110(1.1) of the Tax Act, that neither AmalCo, the Target nor any person who does not deal at arm's length with AmalCo or the Target will deduct, in computing income for the purposes of the Tax Act, any amount in respect of any consideration payable to Target Optionholders as contemplated by this Agreement and the Plan of Arrangement. AmalCo will, and the Purchaser will cause AmalCo to, provide Target Optionholders with evidence in writing of such election under subsection 110(1.1) of the Tax Act.

2.9 Target ESPP

- (a) The Parties acknowledge and agree that all Target Shares that are issued pursuant to the Target ESPP prior to the Effective Date shall be subject to the Plan of Arrangement and the holders thereof shall be entitled to receive AmalCo Shares for Target Shares at the same time and on the same conditions as the Target Shareholders pursuant to the Arrangement.
- (b) The Target covenants and agrees to take all steps (including obtaining any necessary determinations and/or approvals of the Target Board and, if necessary or advisable, amending the terms of the Target ESPP) as may be necessary or advisable to (i) suspend personal contributions pursuant to the Target ESPP as of the date of this Agreement and suspend the Target ESPP effective as of July 31, 2023; (ii) settle all outstanding obligations pursuant to the Target ESPP which are disclosed in schedule 2.9(b) of the Target Disclosure Letter following such suspension; and (iii) terminate the Target ESPP conditional upon and effective as of the Effective Time.

2.10 Target Employees

- (a) The Target covenants and agrees to cooperate with the Purchaser and to provide the Purchaser with reasonable access to the Target Employees to facilitate discussions to determine the interest and suitability of Target Employees for continuing employment or engagement with the Purchaser upon the consummation of the Arrangement. As soon as reasonably practicable prior to the Effective Date, the Purchaser shall provide the Target with written confirmation of each Target Employee who will not be offered continuing employment or engagement with the Purchaser upon the consummation of the Arrangement (each such Target Employee, a **"Non-Continuing Target Employee"**).
- (b) Not less than 10 days prior to the Effective Date, the Target shall provide all Non-Continuing Target Employees with notice of the termination of their employment, which termination shall be conditional upon and effective as of the Effective Time. As soon as practicable after the Effective Date, the Target shall pay to such Non-Continuing Target Employees the severance payment: (i) calculated in accordance with the Target termination and severance policies as set forth in schedule 2.10(b) of the Target Disclosure Letter and applicable Laws, unless such employee is a party to a Target Executive Employment Agreement; or (ii) in the amount as set forth in schedule 2.10(b) of the Target Disclosure Letter, which the Target represents and warrants to the Purchaser is payable

to such Target Employee pursuant to the applicable Target Executive Employment Agreement and applicable Laws.

- (c) Any Target Employee who voluntarily resigns or whose employment is terminated for just cause prior to the Effective Time (provided that the Target shall not terminate the employment of any Target Employee prior to the Effective Time without the prior written consent of the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed) shall not be provided with any amount on account of notice of termination (or pay and benefits continuation in lieu thereof), termination pay or severance pay for any reason, except with the prior written consent of the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed, or as may be required to comply with applicable Laws.
- (d) The Target shall not release, waive, or otherwise forebear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forebear in respect of, any rights or other benefits of the Target under any Target Executive Employment Agreement except as otherwise expressly permitted or specifically contemplated by this Agreement or with prior written consent by the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed.
- (e) The Parties acknowledge that completion of the Arrangement will constitute a "Change in Control" for purposes of the Target Executive Employment Agreements.

2.11 Indemnities and Directors' and Officers' Insurance

- (a) The Purchaser agrees that, after the Effective Time, the Target and any successor to the Target shall not take any action to terminate or materially adversely affect, and will fulfill its obligations pursuant to, indemnities provided or available to or in favour of past and present officers and directors of the Target pursuant to the provisions of the articles, by-laws or other constating documents of the Target, applicable Laws and the written indemnity agreements between the Target and its past and/or current officers or directors set forth in schedule 2.11 of the Target Disclosure Letter.
- (b) The Purchaser agrees that it shall maintain in effect (or shall cause the Target or any successor to the Target to maintain in effect) for six years from the Effective Date, customary policies of directors' and officers' liability insurance providing coverage comparable to, and in any case no less advantageous to the directors and officers of the Target than, the coverage provided by the directors' and officers' policies obtained by the Target that are in effect immediately prior to the Effective Time and providing coverage to the current and former directors and officers of the Target in respect of claims arising from facts or events that occurred on or prior to the Effective Time and which will cover all claims made prior to the Effective Date or within six years of the Effective Date, provided that the cost of such policies shall not exceed 300% of the annual premiums currently in effect for such director and officer liability coverage. Prior to the Effective Time, the Target may, in the alternative, with the consent of the Purchaser, purchase run off directors' and officers' liability insurance for the benefit of its officers and directors having a coverage period of up to six years from the Effective Time, and in such event the Purchaser will not have any further obligation under this Section 2.11(b).

2.12 Withholding Taxes

The Purchaser, the Target, Target AmalCo, AmalCo or the Depositary, as applicable, shall be entitled to deduct or withhold from any amounts payable or otherwise deliverable to any person pursuant to the Arrangement or this Agreement (including any amount payable to a Target Shareholder who has validly exercised Dissent Rights) such amounts as the Purchaser, the Target, Target AmalCo, AmalCo, or the Depositary, as applicable, are required or reasonably believe to be required to deduct or withhold from such payment or delivery in accordance with applicable Laws. Any such amounts will be deducted or withheld

and remitted from amounts payable or otherwise deliverable pursuant to the Arrangement or this Agreement and shall be treated for all purposes under this Agreement as having been paid or delivered to the person to whom such amounts would otherwise have been paid or delivered, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Authority.

2.13 Support Agreements

The Target has, concurrently with the signing of this Agreement, delivered to the Purchaser the Support Agreements which have been executed and delivered by each of the Supporting Shareholders.

2.14 U.S. Securities Laws

Each Party agrees that the Arrangement will be carried out with the intention that, and will use their reasonable best efforts to ensure that, all: (i) Target AmalCo Shares issued pursuant to the Arrangement to the holders of Target Shares; and (ii) all Amalco Shares issued to the holders of Target Amalco Shares and holders of Purchaser Shares will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereunder. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement as set forth in this Section 2.14. In connection therewith, the Parties agree that: (a) the Target shall ensure that each Target Shareholder entitled to receive Target Amalco Shares and AmalCo Shares on completion of the Arrangement in exchange for Target Shares or Target Amalco Shares, as applicable; and (b) the Purchaser shall ensure that each Purchaser Shareholder entitled to receive AmalCo Shares on completion of the Arrangement in exchange for Purchaser Shares, in each case will be given adequate and timely notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right.

2.15 Adjustment to Exchange Ratios

Notwithstanding anything in this Agreement to the contrary, if, between the date of this Agreement and the Effective Time: (a) the issued and outstanding Purchaser Shares shall have been changed into a different number of shares by reason of any subdivision or consolidation of the issued and outstanding Purchaser Shares; or (b) the Target shall have paid any dividend or other distribution on the Target Shares (or declared such a dividend or distribution with a record date prior to the Effective Date) in excess of the Target Permitted Dividend with the consent of the Purchaser as required under this Agreement, then the Purchaser Class A Share Exchange Ratio, the Purchaser Class B Share Exchange Ratio and the Target Exchange Ratio shall each be appropriately adjusted to provide to the Target Shareholders and the Purchaser Shareholders the same economic effect as contemplated by this Agreement and the Arrangement prior to such action.

2.16 U.S. Tax Matters

The First Amalgamation is intended to qualify as a "complete liquidation" of the Target Subsidiary under section 332 of the Code, and the Second Amalgamation is intended to qualify as a "reorganization" within the meaning of section 368(a) of the Code. With respect to the Second Amalgamation, this Agreement and the Plan of Arrangement are intended to be (and hereby are adopted as) a "plan of reorganization" within the meaning of the Treasury Regulations promulgated under section 368 of the Code for purposes of sections 354 and 361 of the Code, and each Party is intended to be a "party to a reorganization" within the meaning of section 368(b) of the Code (this sentence together with the preceding sentence, the "**Intended Tax Treatment**"). Each Party shall (and shall cause its affiliates to) treat the First Amalgamation and the Second Amalgamation in accordance with the Intended Tax Treatment, and not take any position on any Tax return or otherwise take any Tax reporting position inconsistent with the Intended Tax Treatment, unless otherwise required by a final "determination" within the meaning of section 1313 of the Code that such treatment is not correct; provided that no representation is made with respect to the U.S. federal income Tax consequences of the First Amalgamation or the Second Amalgamation to any individual shareholder of any Party. Each Party shall (and shall cause its affiliates to) act in a manner that is consistent with the Parties' intention that the First Amalgamation and the Second Amalgamation be treated in a manner

consistent with the Intended Tax Treatment for all U.S. federal and applicable state and local income Tax purposes, and shall not (and shall cause its affiliates not to) take any action, or knowingly fail to take any action, if such action or failure to act would reasonably be expected to prevent or impede the First Amalgamation or the Second Amalgamation from qualifying for the Intended Tax Treatment. The Parties shall (and shall cause their respective affiliates to) cooperate with each other and their respective legal counsel to document and support the Intended Tax Treatment, including, if reasonably requested by a Party, providing factual support letters and customary Tax representations to legal counsel. Within forty-five (45) days after the Effective Date, AmalCo shall post on its website a completed U.S. Internal Revenue Service Form 8937 reporting the Second Amalgamation in a manner consistent with the Intended Tax Treatment.

ARTICLE 3 COVENANTS

3.1 Covenants of the Purchaser

From the date of this Agreement until the earlier of the Effective Date or termination of this Agreement, except: (i) with the prior written consent of the Target (such consent not to be unreasonably withheld, conditioned or delayed); (ii) as otherwise required, expressly permitted or specifically contemplated by this Agreement or the Arrangement; (iii) as required by applicable Laws; or (iv) with respect to the Competition Act Approval, which is governed by Section 3.3(h) hereof:

- (a) the Purchaser and its subsidiaries shall conduct their business in the usual and ordinary course of business, consistent with past practices and shall not do any of the following:
 - (i) conduct any activity or operations that would interfere with or adversely affect the consummation of the Arrangement; or
 - (ii) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or adversely affect the consummation of the Arrangement;
- (b) the Purchaser shall not, directly or indirectly, do or permit to occur any of the following:
 - (i) amend its constating documents; (ii) declare, set aside or pay any dividend, other distribution or payment (whether in cash, shares or property) in respect of the outstanding Purchaser Shares; (iii) split, combine or reclassify any of the Purchaser Shares; (iv) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any of the Purchaser Shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any of the Purchaser Shares; (v) redeem, purchase or otherwise acquire any of the Purchaser Shares or other securities of the Purchaser; (vi) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution; (vii) reduce its stated capital; or (viii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (c) except for expenditures considered necessary by the Purchaser, acting reasonably, to preserve or protect the health or safety of individuals or to preserve or protect property or the environment, the Purchaser shall not, directly or indirectly: (i) sell, pledge, dispose of, or encumber any assets having an individual or aggregate value in excess of \$150 million; (ii) expend or commit to expend any amount with respect to any capital expenditures having more than an individual or aggregate value of \$150 million in excess of the aggregate capital expenditures pursuant to the Purchaser's 2023 capital expenditure program (as set forth schedule 3.1(c)(ii) of the Purchaser Disclosure Letter); (iii) acquire or agree to acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof which is not an affiliate of the Purchaser, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (iv) acquire

any assets having an individual or aggregate value in excess of \$150 million; or
(v) authorize or propose to do any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (d) the Purchaser shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;
- (e) the Purchaser shall use its commercially reasonable efforts to obtain any third party consents required by it for the transactions contemplated hereby and provide such consents to the Target on or prior to the Effective Date;
- (f) the Purchaser shall use its commercially reasonable efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.3 hereof as soon as reasonably possible to the extent that the satisfaction thereof is within the control of the Purchaser;
- (g) as soon as reasonably practicable following the date hereof, the Purchaser shall make an application to the TSX, and shall use its commercially reasonable efforts to obtain the conditional approval of the TSX, for the listing and posting for trading of the AmalCo Shares on the TSX, including confirmation from the TSX that the AmalCo Shares will be listed and posted for trading not later than the third Business Day following the Effective Date, subject only to compliance with the customary requirements of the TSX, including customary post-closing deliveries, for transactions of this nature (collectively, the "**TSX Approval**");
- (h) except for non-substantive communications with third parties and communications with legal counsel and other advisors of the Purchaser, the Purchaser shall furnish promptly to the Target and the Target's legal counsel, a copy of each material notice, report, schedule or other document delivered, filed or received by the Purchaser in connection with: (i) the Arrangement; (ii) any filings under applicable Laws in connection with the Arrangement; and (iii) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (i) the Purchaser shall provide to the Target prompt notice and copies of all material correspondence (including e-mail correspondence) with Governmental Authorities, as well as provide the Target with prompt updates of any material verbal discussions held between the Purchaser and Governmental Authorities;
- (j) the Purchaser shall, as soon as reasonably practicable following the date of this Agreement, obtain and furnish to the Target the Purchaser Information required by Law to be included in the Target Information Circular. As of the date the Target Information Circular is first mailed to the Target Shareholders and the date of the Target Meeting, the Purchaser Information shall be complete and correct in all material respects, shall not contain any misrepresentation and shall comply in all material respects with all applicable Laws. The Purchaser agrees to promptly correct any Purchaser Information which shall have become false or misleading at any time prior to the Target Meeting;
- (k) the Purchaser shall assist the Target in securing all consents of third parties who are required under Canadian Securities Laws to provide consent for the inclusion of reference to their names in the Target Information Circular by virtue of a report, statement, valuation or opinion of such third party included in the Target Information Circular in regards to the Purchaser;
- (l) the Purchaser shall provide to the Target with an update on its material operations and affairs as may be reasonably requested from time to time by the Purchaser;

- (m) the Purchaser shall indemnify and save harmless the Target and its Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) suffered or incurred by any of them, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Purchaser Information included in the Target Information Circular or in any material filed in compliance or intended compliance with any applicable Laws; or
 - (ii) any order made or any inquiry, investigation or proceeding by any Governmental Authority based upon any misrepresentation or alleged misrepresentation in the Purchaser Information included in the Target Information Circular or in any material filed by or on behalf of the Purchaser in compliance or intended compliance with applicable Laws, which prevents or restricts the trading in the Purchaser Shares,

provided that the Purchaser shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation based on the Target Information or the negligence of the Target; and

- (n) in the event the Purchaser retains a proxy solicitation firm pursuant to Section 2.5(e) hereof, the Purchaser shall (unless the Target Board has made a Change in Recommendation, the Target has accepted, approved or entered into a Permitted Acquisition Agreement in accordance with Section 3.4(b)(viii) and/or the Target has materially breached any of its obligations under Section 3.4) instruct the proxy solicitation firm to, upon reasonable request by the Target, provide (i) an update to the Target of any material communications with Target Shareholders; and (ii) copies of any materials, or grant access to information regarding the Target Meeting, generated by such proxy solicitation firm.

3.2 Covenants of the Target

From the date of this Agreement until the earlier of the Effective Date or termination of this Agreement, except: (i) with the prior written consent of the Purchaser; (ii) as otherwise required, expressly permitted or specifically contemplated by this Agreement or the Arrangement; (iii) as required by applicable Laws; or (iv) with respect to the Competition Act Approval, which is governed by Section 3.3(h) hereof:

- (a) each of the Target and the Target Subsidiary shall conduct its business in the usual and ordinary course of business, consistent with past practices and shall not do any of the following:
 - (i) conduct any activity or operations that would interfere with or adversely affect the consummation of the Arrangement; or
 - (ii) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or adversely affect the consummation of the Arrangement;
- (b) the Target shall not, and shall not permit the Target Subsidiary to, directly or indirectly, do or permit to occur any of the following: (i) amend its constituting documents, except in connection with the Continuance; (ii) declare, set aside or pay any dividend, other distribution or payment (whether in cash, shares or property) in respect of the outstanding Target Shares, except for Target Permitted Dividends; (iii) issue (other than (A) the issuance of Target Options, Target RSUs and Target PSUs approved by the Target Board prior to the date of this Agreement that have not been issued by the Target as of the date

of this Agreement, as set forth in schedule 4.2(j) of the Target Disclosure Letter, in each case in accordance with the Target LTIP; and (B) up to 18,776 Target Shares to be issued pursuant to the Target ESPP), grant, sell or pledge or agree to issue, grant, sell or pledge any of the Target Shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any of the Target Shares; (iv) redeem, purchase or otherwise acquire any of the Target Shares or other securities (including pursuant to the Target NCIB); (v) split, combine or reclassify any of the Target Shares; (vi) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution or incorporate a subsidiary; (vii) make any material change to its business, capital or affairs; (viii) reduce its stated capital; (ix) pay, discharge or satisfy any material claims, liabilities or obligations other than as set forth in the Target Budget or as reflected or reserved for in the Target Financial Statements; or (x) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;

- (c) other than as set forth in the Target Budget and except for expenditures considered necessary by the Target, acting reasonably, to preserve or protect the health or safety of individuals or to preserve or protect property or the environment, the Target shall not, and shall not permit the Target Subsidiary to, directly or indirectly: (i) sell, pledge, dispose of or encumber any assets having an individual or aggregate value in excess of \$15 million; (ii) expend or commit to expend any amount with respect to any capital expenditures or general and administrative expenses having more than an individual or aggregate value of \$15 million and \$2 million, respectively; (iii) expend or commit to expend any amounts with respect to any operating expenses other than pursuant to the Arrangement and other transactions contemplated by this Agreement; (iv) acquire or agree to acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof which is not an affiliate of the Target, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (v) acquire any assets having an individual or aggregate value in excess of \$15 million; (vi) incur any indebtedness or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for the obligations of any other individual or entity, or make any loans or advances, other than borrowings made in the ordinary course of business under the Target RBL up to an aggregate principal amount not exceeding \$15 million or indebtedness of the Target in respect of fees payable to legal counsel or financial and other advisors or in respect of the Arrangement; (vii) authorize, recommend or propose any release or relinquishment of any material contract right; (viii) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, permit or other material document; (ix) enter into or terminate any hedges, swaps or other financial instruments or like transactions; (x) enter into, or amend to increase the amount of, any letters of credit or other similar types of borrowings or advances; or (xi) authorize or propose to do any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (d) the Target shall promptly advise the Purchaser at the end of every month following the date of this Agreement of any the Target Employees whose employment has been terminated by the Target;
- (e) except so as to permit the acceleration of the vesting and cash settlement of the outstanding Target Incentive Securities as contemplated in Section 2.8 hereof and the suspension and termination of the Target ESPP as contemplated in Section 2.9, and to otherwise fulfil the Target Employee Termination Obligations, the Target shall not, and shall not permit the Target Subsidiary to, adopt or amend (other than amendments that are administrative in nature) or make any contribution, to any bonus, employee benefit plan, profit sharing, stock option, incentive, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, program,

agreement, fund or arrangement, including the Target LTIP and the Target ESPP, for the benefit of directors, officers, employees or consultants (or amend any rights thereunder), except (i) as is necessary to comply with applicable Laws (ii) as required by the terms of any such plans, programs, agreements, funds or arrangements in existence as of the date hereof (including the crediting of Dividend Share Units under the Target LTIP in respect of the Target Incentive Awards set forth in schedule 4.2(j) of the Target Disclosure Letter) and as set forth in schedule 3.2(e) of the Target Disclosure Letter; or (iii) pursuant to the terms of any applicable employment, contractor or director agreements in existence as of the date hereof;

- (f) the Transaction Costs shall not exceed the amount set forth in schedule 3.2(f) of the Target Disclosure Letter;
- (g) except so as to permit the acceleration of the vesting of the outstanding Target Incentive Securities as contemplated in Section 2.8 hereof and to otherwise fulfil the Target Employee Termination Obligations, the Target shall not, and shall not permit the Target Subsidiary to: (i) grant any officer, director, employee or consultant an increase in compensation in any form, unless (A) necessary to comply with applicable Laws, (B) as required by the terms of any plan, program, agreement or arrangement in existence as of the date hereof (including the crediting of Dividend Share Units under the Target LTIP in respect of the Target Incentive Awards set forth in schedule 4.2(j) of the Target Disclosure Letter), or (C) pursuant to the terms of any applicable employment, contractor or director agreements in existence as of the date hereof; (ii) take any action with respect to the amendment or grant of any change of control, severance or termination pay policies or arrangements for any directors, officers, employees or consultants, unless necessary to comply with applicable Laws; or (iii) advance or forgive any loan to any director, officer, employee, consultant or any other party not at arm's length and shall cause any loan to any director, officer, employee, consultant or any other party not at arm's length to be paid in full by the Target or the Target Subsidiary, as applicable, prior to the Effective Time;
- (h) the Target shall use its commercially reasonable efforts to cause its and the Target Subsidiary's current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless, simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage substantially similar to the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect and shall pay all premiums in respect of such insurance policies that become due prior to the Effective Date, provided that the Target shall consult with the Purchaser with respect to all such matters prior to taking any action in respect thereof;
- (i) except as contemplated in Section 2.8 hereof, including pursuant to the Target Award Termination Agreements, the Target shall not pay the holders of the Target Incentive Securities any amount of consideration therefor or make any amendment to the outstanding Target Incentive Securities, except: (i) with respect to any exercise, surrender, settlement, termination or cancellation of the Target Incentive Securities in accordance with their terms prior to the Effective Time; or (ii) to permit the accelerated vesting and exercise, surrender, settlement, termination and/or cancellation of the Target Incentive Securities in accordance with this Agreement and the Target LTIP;
- (j) the Target shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;

- (k) the Target shall use its commercially reasonable efforts to obtain any third party consents required by it for the transactions contemplated hereby and provide such consents to the Purchaser on or prior to the Effective Date;
- (l) the Target shall use its commercially reasonable efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as reasonably possible to the extent that the satisfaction of the same is within the control of the Target;
- (m) the Target shall provide to the Purchaser reports on its material operations and affairs as may be reasonably requested from time to time by the Purchaser;
- (n) except for communications with legal counsel or other advisors of the Target, the Target shall furnish promptly to the Purchaser and the Purchaser's legal counsel, a copy of each material notice, report, schedule or other document delivered, filed or received by the Target in connection with: (i) the Arrangement; (ii) the Target Meeting; (iii) any filings under applicable Laws; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (o) the Target shall provide to the Purchaser prompt notice and copies of all material correspondence (including e-mail correspondence) with Governmental Authorities, as well as provide the Purchaser with prompt updates of any material verbal discussions held between the Target and Governmental Authorities;
- (p) the Target shall keep the Purchaser informed as to any material communications and discussions with any of the Target Shareholders in respect of the Arrangement;
- (q) the Target shall use its commercially reasonable efforts to preserve intact its and the Target Subsidiary's business organizations and goodwill and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it or the Target Subsidiary;
- (r) the Target shall make all necessary filings and applications under Canadian Securities Laws required to be made on the part of the Target in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with Canadian Securities Laws;
- (s) the Target shall continue to withhold from each payment to be made to, and each benefit to be conferred upon, any of the present Target Employees (which includes directors and officers) and to all persons who are non-residents of Canada for the purposes of the Tax Act, all amounts that are required to be withheld by any applicable Laws and the Target shall remit such withheld amounts to the proper Governmental Authority within the times prescribed by such applicable Laws; and
- (t) the Target shall, and shall cause the Target Subsidiary to:
 - (i) duly and on a timely basis file all Tax Returns required to be filed by it or the Target Subsidiary on or after the date of this Agreement pursuant to applicable Laws relating to Taxes in a manner consistent with past practice and all such Tax Returns will be true, complete and correct in all material respects;
 - (ii) fully and timely pay all Taxes shown on such Tax Returns;
 - (iii) promptly notify the Purchaser in writing of any audits, inquiries or investigations with respect to Taxes of the Target or the Target Subsidiary;

- (iv) not make or rescind any election relating to Taxes, or file any amended Tax Returns, where the result of such action is inconsistent with past practice or the applicable Laws relating to Taxes;
- (v) not make a request for a Tax ruling or enter into any agreement relating to Taxes with any Governmental Authority;
- (vi) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes except as reflected or reserved against in the Target Financial Statements; and
- (vii) properly reserve (and reflect such reserves in its books and records and financial statements) for all Taxes accruing in respect of the Target or the Target Subsidiary which are not due or payable prior to the Effective Date in a manner consistent with past practice and in accordance with the provisions of applicable Laws relating to Taxes.

3.3 Mutual Covenants

From the date of this Agreement until the earlier of the Effective Date and the termination of this Agreement, each of the Purchaser and the Target covenants and agrees to use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under applicable Laws to complete the Arrangement (and not to take, or cause to be taken, any action or cause anything to be done that would cause its obligations hereunder not to be fulfilled in a timely manner), including using commercially reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;
- (b) subject to Section 3.3(h), to obtain all necessary exemptions, consents, approvals and authorizations as are required to be obtained by it under applicable Laws;
- (c) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such actions in connection therewith as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (d) to defend all lawsuits or other legal, regulatory or other proceedings against it (or if applicable, its directors or officers) challenging or affecting the Arrangement or this Agreement, and oppose, lift or rescind any injunction or restraining order or other order or action seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the Arrangement;
- (e) to carry out the terms of the Interim Order and the Final Order applicable to it and comply with all requirements imposed by applicable Law on it with respect to this Agreement or the Arrangement;
- (f) to effect all necessary registrations and filings and submission of information requested by Governmental Authorities required to be effected and submitted by it in connection with the Arrangement, and each of the Purchaser and the Target shall use its commercially reasonable efforts to cooperate with the other in connection with the performance by the other of its obligations under this Section 3.3, including assisting with the preparation and filing of any required applications and continuing to provide reasonable access to information and to maintain ongoing communications between Representatives of the Purchaser and the Target, subject in all cases to the Confidentiality Agreement;

- (g) subject to Section 3.3(h), to:
 - (i) obtain all Regulatory Approvals;
 - (ii) respond promptly to all requests for information made by a Governmental Authority in respect of obtaining a Regulatory Approval; and
 - (iii) prepare and file, as promptly as practicable, all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, and authorizations in respect of the Regulatory Approvals;
- (h) in connection with obtaining the Competition Act Approval:
 - (i) to use commercially reasonable efforts to take such action as may be required to obtain the Competition Act Approval. The Purchaser shall have the primary responsibility for the preparation and submission of a request for an advance ruling certificate pursuant to section 102 of the Competition Act in respect of the transactions contemplated by this Agreement;
 - (ii) to coordinate and cooperate in exchanging information and supplying assistance that is reasonably requested in connection with Section 3.3(h)(i), including (i) providing each other with advance copies and reasonable opportunities to comment on all filings made to the Competition Bureau and any additional or supplementary information supplied pursuant thereto in respect of the Competition Act Approval (except for information which the Purchaser or the Target, in each case acting reasonably, consider highly confidential and sensitive which may be provided on a confidential and privileged basis to outside counsel of the other Party), (ii) sharing promptly all notices and correspondence received from the Competition Bureau with respect to any filings under the Competition Act; and (iii) providing each other the opportunity to participate in any meetings or material communications with the Competition Bureau with respect to the Competition Act Approval;
 - (iii) as promptly as reasonably practicable, and in any event within five Business Days after the date of this Agreement or such other date as the Parties may reasonably agree, the Purchaser shall prepare and file with the Commissioner a request for an advance ruling certificate under section 102(1) of the Competition Act or, in the alternative, a No Action Letter; and
 - (iv) either Party may, in its sole discretion, elect that the Parties file pre-merger notification forms under Part IX of the Competition Act, in which case, the Parties shall prepare and file their respective notification forms in a manner sufficient to start the waiting period prescribed under section 123(1)(a) of the Competition Act as soon as reasonably practicable and in any event within 10 Business Days following the date of such election; and
- (i) in respect of each Regulatory Approval (including the Competition Act Approval), nothing in this Section 3.3 shall require the Purchaser or any of its affiliates to agree to any hold separate, divestiture or other order, decree or restriction on the businesses of the Purchaser or its affiliates or any other business, the conduct thereof or future transactions.

3.4 Target's Covenants Regarding Non-Solicitation

- (a) The Target shall immediately cease and cause to be terminated all existing solicitations, discussions or negotiations (including through any of its Representatives), if any, with any

parties (other than the Purchaser and its Representatives) with respect to any Acquisition Proposal or any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal and, in connection therewith, the Target shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall immediately request (and exercise all rights it has to require) the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with the Target relating to an Acquisition Proposal and shall immediately request (and exercise all rights to require) the destruction of all material including or incorporating or otherwise reflecting any confidential information regarding the Target and shall use all commercially reasonable efforts to ensure that such requests are honoured and shall promptly provide the Purchaser with written confirmation that the Target has provided such requests.

- (b) Except as expressly provided in this Section 3.4, the Target shall not, directly or indirectly, do, authorize or permit any of its Representatives to do, any of the following:
- (i) solicit, facilitate, assist, initiate, entertain, knowingly encourage or take any action whatsoever to solicit, facilitate, assist, initiate, entertain or knowingly encourage any inquiries or communication regarding or the making of any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal, including by way of furnishing information;
 - (ii) enter into or otherwise engage or participate in any discussions or negotiations or initiate any discussion with respect to an Acquisition Proposal, or furnish to any person any information with respect to its business, operations, condition (financial or otherwise), assets, properties, results of operations, cash flows or prospects in connection with any inquiry, proposal or offer that constitutes, or could reasonably be expected to constitute or lead to, an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate, initiate or knowingly encourage, any effort or attempt of any person to do or seek to do any of the foregoing;
 - (iii) terminate, amend or modify any provision of any existing confidentiality agreements relating to an Acquisition Proposal or any standstill agreement or covenant to which it is a party and the Target agrees not to waive, or otherwise forbear in the enforcement of, or enter into, initiate, knowingly encourage or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under any such confidentiality agreements or standstill agreements or covenants and the Target undertakes to consult with the Purchaser and to fully enforce all standstill, confidentiality, non-disclosure, non-disturbance, non-solicitation and similar covenants granted in favour of the Target prior to the date of this Agreement or after the date of this Agreement in accordance with the terms hereof, including seeking specific performance or injunctive relief, provided that it is acknowledged by the Purchaser that the automatic termination or release of any such agreement or any provision thereof solely as a result of entering into this Agreement shall not be a violation of this Section 3.4;
 - (iv) make a Change in Recommendation, publicly propose or state an intention to make a Change in Recommendation or otherwise make any public announcement or take any other action inconsistent with the Target Board Recommendation;
 - (v) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal, it being understood that publicly taking no position or a

neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five Business Days following such public announcement or disclosure (or in the event that the Target Meeting is scheduled to occur within such five Business Day period, prior to the fifth Business Day prior to the date of the Target Meeting) will not be considered to be in violation of this Section 3.4 provided that the Target Board has rejected such Acquisition Proposal and affirmed the Target Board Recommendation before the end of such period; or

- (vi) accept, approve, endorse, recommend or enter into, or publicly propose to accept, approve, endorse, recommend or enter into, any agreement, understanding or arrangement (including any letter of intent, letter of understanding or agreement in principle) in respect of or in any way relating to any Acquisition Proposal or any inquiry, proposal or offer that could reasonably be expected to constitute or lead to an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, the Target and its Representatives may, prior to the occurrence of the Target Meeting:

- (vii) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, facilitation, assistance, initiation or known encouragement, directly or indirectly, after the date of this Agreement, by the Target or any of its Representatives) seeks to initiate such discussions or negotiations with the Target, provided that such discussions or negotiations did not result from, or are not connected to, a breach of this Agreement or any confidentiality or standstill agreement or covenant between such third party and the Target and, subject to the execution of a Permitted Confidentiality Agreement, may furnish to such third party information concerning the Target and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written *bona fide* Acquisition Proposal that did not result from a breach of this Agreement or any confidentiality or standstill agreement or covenant between such third party and the Target or the breach of any applicable Laws and in respect of which the Target Board determines in good faith: (1) is not subject to a financing condition and, after consultation with its financial advisor(s) and outside legal counsel, that the funds or other consideration necessary for the consummation of such Acquisition Proposal are available or that adequate financing arrangements will be in place to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (2) is not subject to a due diligence or access condition, other than, prior to the execution of any definitive agreement relating to such Acquisition Proposal, to permit access to the books, records or personnel of the Target which is not more extensive than that which would customarily be provided for confirmatory due diligence purposes; (3) after consultation with its financial advisor(s) is, if consummated in accordance with its terms and without assuming away the risk of non-completion, a transaction that is financially superior for the Target Shareholders than the Arrangement (including after considering the proposal to adjust the terms and conditions of the Arrangement as contemplated in Section 3.4(e)); (4) after consultation with its financial advisor(s) and outside legal counsel, as reflected in the minutes of the Target Board, is reasonably likely to be consummated without undue delay within the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person or a group of persons making such Acquisition Proposal; and (5) after receiving the advice of

outside legal counsel, as reflected in minutes of the Target Board, that the failure by the Target Board to accept, recommend, approve or enter into a definitive agreement to implement the Acquisition Proposal would be inconsistent with its fiduciary duties under applicable Laws (a "**Superior Proposal**"); and

- (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, the Target: (1) has provided the Purchaser with prior written notice stating that the Target intends to furnish information to or enter into or participate in discussions or negotiations with such third party (including the identity of the third party); (2) has provided the Purchaser with the final executed copy of the Permitted Confidentiality Agreement and a copy of any proposal (and any amendments or supplements thereto) from such third party, and copies of all information provided to such third party, which information shall be provided to the Purchaser concurrently with the provision of such information to the third party (only after the requisite prior notice of the Target's intent to enter such discussions or negotiations and furnish such information has been provided to the Purchaser), and all other information reasonably requested by the Purchaser; and (3) has kept the Purchaser fully informed of the status and details of any such inquiry, offer or proposal (and any amendments or supplements thereto), provided copies of all correspondence between the Target and the third party to the Purchaser and answered the Purchaser's questions with respect thereto; and
- (viii) accept, approve or enter into a Permitted Acquisition Agreement in respect of a Superior Proposal and/or make a Change in Recommendation, but only if prior to such acceptance, approval or entry into a Permitted Acquisition Agreement, or Change in Recommendation: (A) the Target Board concludes in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated in Section 3.4(e) and after receiving the advice of outside counsel, as reflected in minutes of the Target Board, that that the failure by the Target Board to take such action would be inconsistent with its fiduciary duties under applicable Laws; and (B) (1) the Target fully complies with its obligations set forth in this Section 3.4, and (2) if the Purchaser terminates this Agreement pursuant to Section 8.1(c)(ii), the Target pays the amount required by Section 6.1 to the Purchaser. For purposes of this Agreement, a "**Permitted Acquisition Agreement**" means an agreement, arrangement or understanding entered into by the Target to implement, pursue or support a Superior Proposal, which:
 - (A) other than in respect of the requirement for the Target Board to make a Change in Recommendation as provided in this Section 3.4(b)(viii), all obligations of the Target (other than confidentiality) contained in the agreement, arrangement or understanding are effective and may be completed only following the satisfaction of a condition precedent that the Arrangement Resolution shall have failed to receive the Required Target Shareholder Approval at the Target Meeting (including any adjournments or postponements thereof) in accordance with the Interim Order;
 - (B) other than as required by applicable Law prior to the satisfaction of the condition precedent referred to in clause (A) above, does not require or permit the Target to take any further steps in respect of the Superior Proposal, including any filing or notice to any Governmental Authority, until the condition precedent referred to in clause (A) above has been satisfied;

- (C) terminates automatically in accordance with its terms, and is of no further force or effect, immediately upon the failure of the condition precedent referred to in clause (A) above to be satisfied;
 - (D) does not contain any provisions providing for the payment of any amount or the taking of any other action by the Target or its affiliates as a result of the completion of the transactions contemplated by this Agreement or the failure to satisfy the condition precedent referred to in clause (A) above; and
 - (E) other than in respect of the ability of the Target Board to make a Change in Recommendation upon the entering into of the agreement, arrangement or understanding as provided in this Section 3.4(b)(viii), such agreement, arrangement or understanding does not by its terms otherwise prevent, delay or inhibit, in any way, the Target from completing the Arrangement in accordance with the terms of this Agreement unless and until such time as the condition precedent referred to in clause (i) above is satisfied;
- (c) Notwithstanding any Change in Recommendation or the acceptance, approval or entering into of any Permitted Acquisition Agreement, in each case in accordance with Section 3.4(b)(viii), unless this Agreement is terminated in accordance with the terms hereof, the Target shall continue to comply with its obligations under this Agreement in order to give effect to the Arrangement, including causing the Target Meeting to occur and the Arrangement Resolution to be voted on by the Target Shareholders in accordance with this Agreement, and shall not submit to a vote of the Target Shareholders any Acquisition Proposal.
- (d) In the event that the Target is in receipt of a Superior Proposal, it shall give the Purchaser, orally and in writing, at least five Business Days' advance notice (the "**Matching Period**") of any decision by the Target Board to make a Change in Recommendation and/or to accept, approve or enter into a Permitted Acquisition Agreement in respect of the Superior Proposal, which notice shall: (i) confirm that the Target Board has determined that such Acquisition Proposal constitutes a Superior Proposal; (ii) include the value that the Target Board, in consultation with its financial advisor(s), has determined should be ascribed to any non-cash consideration offered pursuant to such Superior Proposal; (iii) shall identify the third party making the Superior Proposal; and (iv) include a true and complete copy of the Superior Proposal and/or the proposed Permitted Acquisition Agreement, including all supporting materials, including financial documents, and any amendments or supplements thereto. In the event that the Target provides the notice or other materials contemplated in this Section 3.4(d) on a date which is less than five Business Days prior to the Target Meeting, the Purchaser shall be entitled to require the Target to adjourn or postpone the Target Meeting to a date that is not more than ten Business Days after the date of such notice.
- (e) During the Matching Period, the Target and the Target Board (as applicable) shall not: (i) accept, approve or enter into a Permitted Acquisition Agreement in respect of the Superior Proposal; (ii) make a Change in Recommendation; or (iii) release the third party making the Superior Proposal from any standstill provisions granted in favour of the Target. In addition, during the Matching Period, the Target shall, and shall cause its Representatives to, negotiate in good faith with the Purchaser and its Representatives to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable the Target to proceed with the Arrangement as amended rather than making a Change in Recommendation and/or accepting, approving or entering into a Permitted Acquisition Agreement in respect of the Superior Proposal. In the event that the Purchaser confirms in writing, prior to the expiry of the Matching Period, its commitment to amend this Agreement and the Arrangement on a basis such that the Target Board determines that

the Acquisition Proposal is no longer a Superior Proposal, the Target and the Target Board (as applicable) shall not: (i) accept, approve or enter into an agreement to implement such Acquisition Proposal (including, a Permitted Acquisition Agreement or any other agreement); (ii) make a Change in Recommendation; or (iii) release the third party making the Acquisition Proposal from any standstill provisions granted in favour of the Target. Notwithstanding the foregoing, and for greater certainty, the Purchaser shall have no obligation to make or negotiate any changes to this Agreement or the Arrangement in the event that the Target has received a Superior Proposal.

- (f) For greater certainty and notwithstanding anything in this Agreement to the contrary, the Target shall not be permitted to accept, approve or enter into an agreement providing for, or implementing, a Superior Proposal unless such agreement constitutes a Permitted Acquisition Agreement and it has complied with its obligations under this Section 3.4. In addition, the Target agrees that any Permitted Acquisition Agreement entered into in accordance with this Section 3.4 shall be required to satisfy each of the criteria of a Permitted Acquisition Agreement and it shall not amend, waive or otherwise vary any of the provisions of such Permitted Acquisition Agreement in a manner which would be inconsistent with each of the criteria of a Permitted Acquisition Agreement.
- (g) Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Target Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of this Section 3.4 and the Purchaser shall be afforded a new five Business Day Matching Period from the date on which the Purchaser received the notice and other materials contemplated in Section 3.4(d) in respect of such amendment or modification.
- (h) The Target Board shall promptly reaffirm the Target Board Recommendation by press release after the Target Board determines that: (i) an Acquisition Proposal which has been publicly announced or disclosed is not a Superior Proposal; or (ii) a proposed amendment to the terms of this Agreement and the Arrangement as contemplated under Section 3.4(e) would result in an Acquisition Proposal no longer being a Superior Proposal. The Target shall provide the Purchaser and its legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its legal counsel.
- (i) The Purchaser agrees that all information that may be provided to it by the Target with respect to any Superior Proposal pursuant to this Section 3.4 shall be treated as if it were "Evaluation Material" (as defined in the Confidentiality Agreement) and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement.
- (j) The Target shall ensure that its Representatives are aware of the provisions of this Section 3.4 and any violation of the restrictions set forth in this Section 3.4 by any Representative of the Target is deemed to be a breach of this Section 3.4 by the Target.
- (k) Nothing in this Agreement shall prohibit the Target or the Target Board from complying with National Instrument 62-104 — *Take-over Bids and Issuer Bids* and similar provisions under Canadian Securities Laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to the Target's securityholders; provided, however, that this Section 3.4(k) shall not be deemed to permit the Target Board to make a Change in Recommendation except to the extent otherwise permitted by this Agreement.

3.5 Access to Information

- (a) From and after the date of this Agreement, subject to applicable Laws and the Confidentiality Agreement, the Target shall provide the Purchaser and its Representatives access, during normal business hours and at such other time or times as the Purchaser may reasonably request, to its premises (including field offices and sites), books, financial information, contracts, records, computer systems, properties, employees and management personnel and shall furnish promptly to the Purchaser all information concerning its business, properties and personnel as the Purchaser may reasonably request, in order to permit the Purchaser to be in a position to expeditiously and efficiently integrate the business and operations of the Target and the Purchaser upon but not prior to the Effective Date, which information shall remain subject to the Confidentiality Agreement, provided that the Target's compliance with any request shall not unduly interfere with the conduct of the Target's business in a material respect. From and after the date of this Agreement, the Target agrees to keep the Purchaser fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising that would be relevant and material to a prudent operator of the business and operations of the Target.
- (b) Without limiting the generality of the foregoing, the Target shall make available to the Purchaser all land, legal, title documents and related files, geologic maps, well files and well logs, books, papers, financial information and pertinent documents and agreements that the Purchaser may reasonably request in furtherance of Section 3.5(a).

3.6 Target Pre-Arrangement Reorganization

- (a) Subject to Section 3.6(b) hereof, the Target agrees that, upon request of the Purchaser, the Target shall use its commercially reasonable efforts to: (i) perform such reorganizations of its corporate structure, capital structure, business, operations and assets or such other transactions as the Purchaser may request, acting reasonably, including the Continuance (each, a "**Target Pre-Arrangement Reorganization**"); (ii) cooperate with the Purchaser and its Representatives to determine the nature of the Target Pre-Arrangement Reorganizations that are proposed to be undertaken and the manner in which they would most effectively be undertaken; and (iii) cooperate with the Purchaser and its Representatives to seek to obtain consents or waivers which might be required from the Target's lenders under the Target Credit Facilities in connection with the Target Pre-Arrangement Reorganizations, if any, provided that any costs, fees or expenses associated therewith shall be at the Purchaser's sole expense, whether such Target Pre-Arrangement Reorganizations are completed or not.
- (b) Notwithstanding the foregoing, the Target shall not be obligated to participate in any Target Pre-Arrangement Reorganization under Section 3.6(a) unless the Target determines in good faith that such Target Pre-Arrangement Reorganization:
 - (i) does not reduce or modify or otherwise change the consideration to be received by the Target Shareholders under the Arrangement;
 - (ii) does not impair, impede, delay or prevent the satisfaction of any conditions set forth in Article 5 or the ability of the Target or the Purchaser to consummate, and would not materially delay the consummation of, the Arrangement;
 - (iii) does not result in the recognition of taxable income or gain for, and does not impose any incremental Tax on, any Target Shareholders;
 - (iv) does not require the Target to obtain the approval of any Target Shareholders (or, after the mailing of the Target Information Circular, to require any amendment thereto) or the holders of any Target Incentive Securities;

- (v) does not require the Target to contravene any Laws, its organization documents or any material contract;
 - (vi) would not have a Material Adverse Effect on the Target or the Purchaser; and
 - (vii) is effected as close as reasonably practicable prior to the Effective Time.
- (c) If the Arrangement is not completed, the Purchaser shall: (A) forthwith reimburse the Target for all reasonable and documented out of pocket costs and expenses incurred by the Target in connection with implementing a Target Pre-Arrangement Reorganization; and (B) indemnify and save harmless the Target from and against any and all liabilities, claims, demands, losses, costs, damages and expenses suffered or incurred by the Target in connection with any actions by it in connection with or arising directly or indirectly out of the implementation of any Target Pre-Arrangement Reorganization (which indemnity shall include any reasonable and documented out of pocket costs and expenses incurred by the Target in order to restore the organizational structure of the Target to a substantially similar structure of the Target as of the date of this Agreement).
- (d) The Purchaser must provide written notice to the Target of any proposed Target Pre-Arrangement Reorganization at least 10 Business Days prior to the Effective Date. Upon receipt of such notice, subject to Section 3.6(b), the Target and the Purchaser shall cooperate and use their commercially reasonable efforts to prepare, prior to the Effective Time, all documentation and do such other acts and things as are necessary to give effect to such Target Pre-Arrangement Reorganization, including any amendment to this Agreement or the Plan of Arrangement.
- (e) Each of the Parties acknowledges and agrees that the planning for and implementation of any Target Pre-Arrangement Reorganization pursuant to Section 3.6(a) shall not be considered a breach of any covenant under this Agreement and shall not be considered in determining whether a representation or warranty of a Party hereunder has been breached.

3.7 Financing Assistance

- (a) The Target shall use its commercially reasonable efforts to, and shall use its commercially reasonable efforts to have its Representatives, provide such cooperation to the Purchaser as the Purchaser may reasonably request in connection with any arrangements by the Purchaser to obtain a new or amend any existing credit rating or to obtain new or amend any existing credit facilities (including the Purchaser Credit Facilities and the Target Credit Facilities), subject to the terms hereof (provided that: (A) to the extent reasonably practicable, such request is provided with reasonable notice; (B) such cooperation does not unreasonably interfere with the ongoing business of the Target or unreasonably interfere with or hinder or delay the performance by the Target of its obligations hereunder; (C) the Target shall not be required to provide cooperation that involves any binding commitment by the Target that is not conditional on the completion of the Arrangement and does not terminate without liability to the Target upon the termination of this Agreement; and (D) any actions taken hereunder are in compliance with Sections 3.2 and 3.3), including one or more of the following cooperative actions as so requested:
- (i) participating in meetings, drafting sessions and due diligence sessions;
 - (ii) furnishing the Purchaser, credit ratings agencies and any lenders with such financial and other pertinent information regarding the Target as may be reasonably requested by the Purchaser; and

- (iii) taking all corporate actions, to be effective at the Effective Time, requested by the Purchaser that are necessary or customary to permit the consummation of such financing or such other matters contemplated by this Section 3.7(a).
- (b) Notwithstanding Section 3.7(a), the Target shall not be required by the Purchaser to:
 - (i) take any action or do anything that would:
 - (A) reduce or modify or otherwise change the consideration to be received by the Target Shareholders under the Arrangement,
 - (B) impair, impede, delay or prevent the satisfaction of any conditions set forth in Article 5 or the ability of the Target or the Purchaser to consummate, or materially delay the consummation of, the Arrangement; or
 - (C) have a Material Adverse Effect on the Target or the Purchaser;
 - (ii) commit to take any action that is not contingent on the consummation of the transactions contemplated by this Agreement at the Effective Time;
 - (iii) pay any commitment, consent or other fee or incur any other liability in connection with such financing prior to the Effective Date; or
 - (iv) except as required to comply with applicable Laws, disclose any information that in the reasonable judgment of the Target would violate any confidentially obligations of the Target or any other person.
- (c) If the Arrangement is not completed (other than as a result of the termination of this Agreement pursuant to Section 8.1(c)), the Purchaser shall: (A) forthwith reimburse the Target for all reasonable and documented out of pocket costs and expenses incurred by the Target in connection with providing such cooperation to the Purchaser pursuant to this Section 3.7; and (B) indemnify and save harmless the Target from and against any and all liabilities, claims, demands, losses, costs, damages and expenses suffered or incurred by the Target in connection with any actions by it in connection with or arising directly or indirectly out of the Target providing such cooperation with the Purchaser pursuant to this Section 3.7.
- (d) Each of the Parties acknowledges and agrees that the planning for and implementation of any arrangements by the Purchaser pursuant to Section 3.7(a) shall not be considered a breach of any covenant under this Agreement and shall not be considered in determining whether a representation or warranty of a Party hereunder has been breached.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Purchaser

- (a) The Purchaser hereby makes the representations and warranties set forth in Schedule "C" to and in favour of the Target and acknowledges that the Target is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.
- (b) The representations and warranties of the Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

4.2 Representations and Warranties of the Target

- (a) The Target hereby makes the representations and warranties set forth in Schedule "D" to and in favour of the Purchaser and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.
- (b) The representations and warranties of the Target contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

4.3 Privacy Matters

- (a) For the purposes of this Section 4.3, the following definitions shall apply:
 - (i) **"applicable law"** means, in relation to any person, transaction or event, all applicable Laws by which such person is bound or having application to the transaction or event in question, including applicable privacy laws;
 - (ii) **"applicable privacy laws"** means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada), the *Personal Information Protection Act* (Alberta) and/or any similar applicable provincial law in Canada; and
 - (iii) **"Personal Information"** means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) about or relating to an identifiable individual, or that, either alone or in combination with other information, identifies or can be used to identify an individual, and includes any information that constitutes personal information within the meaning of applicable privacy laws.
- (b) The Parties acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to either Party pursuant to or in connection with this Agreement (the **"Disclosed Personal Information"**).
- (c) Prior to the completion of the Arrangement, neither Party shall collect, use or disclose the Disclosed Personal Information for any purposes other than for the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless: (i) such Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose; or (ii) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual.
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the completion of the Arrangement.

- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
- (f) Subject to this Section 4.3, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those Representatives responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder and according to applicable law and agrees to employ appropriate technology and procedures to prevent accidental loss or corruption of such Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of the Disclosed Personal Information. Each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those Representatives of the respective Party who have a *bona fide* need to access such information in order to complete the Arrangement.
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the persons to whom the Disclosed Personal Information relates, and any Governmental Authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.
- (h) Where required by applicable privacy laws, the receiving Party of the Disclosed Personal Information will, within a reasonable period of time following completion of the Arrangement, notify the individuals to whom the Disclosed Personal Information relates that the Arrangement has been completed and that the Disclosed Personal Information has been disclosed to the receiving Party.
- (i) Upon the termination of this Agreement (other than as a result of the completion of the Arrangement), or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will promptly (and in no event later than five days after receipt of the request) return to the requesting Party or, at the requesting Party's request, destroy in a secured manner, in accordance with applicable law, the Disclosed Personal Information (and any copies thereof) in its possession, in which case the destroying Party will certify to the requesting Party that such Disclosed Personal Information has been destroyed.

ARTICLE 5

CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the Interim Order and the Final Order shall each have been granted on terms consistent with this Agreement, and such orders shall not have been set aside or modified in a manner

unacceptable to either the Purchaser or the Target, each acting reasonably, on appeal or otherwise;

- (b) the Arrangement Resolution shall have been passed by the Target Shareholders by the Required Target Shareholder Approval at the Target Meeting in accordance with the Interim Order;
- (c) the Competition Act Approval shall have been obtained and be in full force and effect;
- (d) the TSX Approval shall have been obtained;
- (e) no act, action, suit, proceeding, objection, opposition, order or injunction shall have been taken, entered or promulgated by any Governmental Authority, whether or not having the force of Law, which prevents, prohibits or makes (or which would reasonably be expected to prevent, prohibit or make) the consummation of the Arrangement illegal or otherwise prohibit or enjoin the Parties from consummating the Arrangement or that would be reasonably expected to have a Material Adverse Effect in respect of either the Purchaser (either before or after the completion of the Arrangement) or the Target; and
- (f) no Law (whether temporary, preliminary or permanent) shall be in effect or shall have been enacted, promulgated, amended or applied by any Governmental Authority which prevents, prohibits or makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Purchaser or the Target from consummating the Arrangement or that would be reasonably expected to have a Material Adverse Effect in respect of either the Purchaser (either before or after the completion of the Arrangement) or the Target.

The foregoing conditions are for the mutual benefit of the Purchaser and the Target and may be asserted by the Purchaser and the Target regardless of the circumstances and may be waived by the mutual written consent of the Purchaser and the Target (with respect to such Party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Purchaser or the Target may have.

5.2 Additional Conditions to Obligations of the Purchaser

The obligation of the Purchaser to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties of the Target:
 - (i) in paragraphs (a) [*Organization*], (b) [*Corporate Power and Due Authorization*], (e) [*No Contravention*], (j) [*Capitalization*] (except for de minimis inaccuracies), (p)(iii) [*No Material Adverse Change*], (zz) [*Brokers and Finders*] and (aaa) [*Confidentiality Agreement*] of Schedule "D" shall be true and correct in all respects as of the date of this Agreement and as of the Effective Date as if made on such date in all respects (except as a result of transactions, changes, conditions, events or circumstances permitted under this Agreement); and
 - (ii) in the remainder of this Agreement, including Schedule "D", shall be true and correct as of the date of this Agreement and as of the Effective Date as if made on such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) without regard to "material", "Material Adverse Effect" or any other concepts of materiality in such representations and warranties, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would not reasonably be expected to result in a Material

Adverse Change in respect of the Target or, directly or indirectly, adversely affect the completion of the Arrangement in accordance with its terms,

and the Target shall have provided to the Purchaser a certificate of two executive officers of the Target certifying, on behalf of the Target, as to such matters on the Effective Date;

- (b) the Target shall have complied in all material respects with its covenants in this Agreement to be complied with by it on or prior to the Effective Time, and the Target shall have provided to the Purchaser a certificate of two executive officers of the Target certifying, on behalf of the Target, as to such compliance;
- (c) since the date of this Agreement, there shall not have occurred and be continuing a Material Adverse Change in respect of the Target; and
- (d) holders of not more than 20.0% of the issued and outstanding Target Shares, in the aggregate, shall have validly exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as at the Effective Date.

The conditions in this Section 5.2 are for the exclusive benefit of the Purchaser and may be asserted by the Purchaser regardless of the circumstances or may be waived by the Purchaser, in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Purchaser may have.

5.3 Additional Conditions to Obligations of the Target

The obligation of the Target to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties of the Purchaser:
 - (i) in paragraphs (a) [*Organization*], (b) [*Corporate Power and Due Authorization*], (f) [*No Contravention*]; (n)(iii) [*No Material Adverse Change*]; and (j) [*Capitalization*] (except for de minimis inaccuracies) of Schedule "C" shall be true and correct in all respects as of the date of this Agreement and as of the Effective Date as if made on such date in all respects (except as a result of transactions, changes, conditions, events or circumstances permitted under this Agreement); and
 - (ii) in the remainder of this Agreement, including Schedule "C", shall be true and correct as of the date of this Agreement and as of the Effective Date as if made on such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) without regard to "material", "Material Adverse Effect" or any other concepts of materiality in such representations and warranties, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would not reasonably be expected to result in a Material Adverse Change in respect of the Purchaser or directly or indirectly, adversely affect the completion of the Arrangement in accordance with its terms,

and the Purchaser shall have provided to the Target a certificate of two executive officers of the Purchaser certifying, on behalf of the Purchaser, as to such matters on the Effective Date;

- (b) the Purchaser shall have complied in all material respects with its covenants in this Agreement to be complied with by it on or prior to the Effective Time, and the Purchaser

shall have provided to the Target a certificate of two executive officers of the Purchaser certifying, on behalf of the Purchaser, as to such compliance; and

- (c) since the date of this Agreement, there shall not have occurred and be continuing a Material Adverse Change in respect of the Purchaser.

The conditions in this Section 5.3 are for the exclusive benefit of the Target and may be asserted by the Target regardless of the circumstances or may be waived by the Target in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Target may have.

5.4 Notice and Effect of Failure to Comply with Conditions

- (a) Each Party will give prompt notice to the other Party of the occurrence, or failure to occur, at any time from the date of this Agreement until the Effective Date, of any event, state of facts, circumstance or change in circumstances (actual, anticipated, contemplated, or to the knowledge of such Party, threatened) which would, or would reasonably be expected to:
 - (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect (or, in the case of any representations or warranties that are not subject to materiality qualifications in respect of the conditions contained in Section 5.2(a)(i) and Section 5.3(a)(i) hereof, cause any of such representations or warranties to be untrue or inaccurate in any respect); or
 - (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party,

and it shall in good faith discuss with the other Party any event, state of facts, circumstance or change in circumstances (actual, anticipated, contemplated, or to the knowledge of such Party, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other Party pursuant to this Section 5.4. The delivery of any notice pursuant to this Section 5.4 shall not limit or otherwise affect the representations, warranties, covenants, conditions or agreements of the Parties under this Agreement or any remedies available pursuant to this Agreement with respect thereto to the Party receiving that notice.

- (b) Neither Party may elect to terminate this Agreement pursuant to Section 8.1(b)(iii) [*Failure to Satisfy Mutual Conditions*], Section 8.1(c)(i) [*Target Reps and Warranties and Covenants Conditions*] or Section 8.1(d) [*Purchaser Reps and Warranties and Covenants Conditions*], as applicable, unless promptly, and in any event prior to the issuance of the Certificate by the Registrar, the Party intending to terminate this Agreement (the "**Terminating Party**") has delivered a written notice (a "**Termination Notice**") to the other Party (the "**Receiving Party**") specifying in reasonable detail all breaches of covenants, inaccuracies of representations and warranties, inability to satisfy conditions or other matters which the Terminating Party is asserting as the basis for termination. If any Termination Notice is delivered: (i) if such matter is capable of being cured prior to the Outside Date, provided that the Receiving Party is proceeding diligently to cure such matter to the satisfaction of the Terminating Party, acting reasonably, the Terminating Party may not exercise such termination until the earlier of: (A) the expiration of a period of 10 Business Days from the date of receipt of the Termination Notice by the Receiving Party; and (B) the Outside Date, if such matter has not been cured by such date; and (ii) if such matter is incapable of being cured prior to the Outside Date (and any fraudulent, wilful or intentional breach shall be deemed to be incapable of being cured), or if the Receiving Party is not proceeding diligently to cure such matter to the satisfaction of the Terminating Party, acting reasonably, no cure period shall be provided in respect of such matter and

the Terminating Party may exercise such termination. If a Termination Notice has been delivered by the Purchaser within 10 Business Days prior to the date of the Target Meeting, then the Target may elect to postpone the Target Meeting until the expiry of such cure period.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Purchaser Damages

If at any time after the execution of this Agreement:

- (a) the Target Board has: (i) withdrawn, modified, qualified or changed the Target Board Recommendation in a manner adverse to the Purchaser or inconsistent with the completion of the transactions contemplated by this Agreement or shall have resolved to do so prior to the Effective Date; (ii) recommended an Acquisition Proposal; or (iii) failed to publicly reconfirm the Target Board Recommendation upon the request of the Purchaser prior to the earlier of five days following such request or 72 hours prior to the Target Meeting (unless the Purchaser is then in material breach of its obligations hereunder and such withdrawal, modification, qualification, change or failure relates to such breach) (each, a **"Change in Recommendation"**);
- (b) the Target has accepted, approved or entered into a Permitted Acquisition Agreement;
- (c) (i) the Target Board has made a Change in Recommendation or the Target has accepted, approved or entered into a Permitted Acquisition Agreement, and (ii) after such Change in Recommendation has been made or such Permitted Acquisition Agreement has been accepted, approved or entered into, this Agreement is terminated by either Party pursuant to Section 8.1(b)(i) [*No Required Target Shareholder Approval*] or Section 8.1(b)(ii) [*Outside Date*];
- (d) (i) an Acquisition Proposal in respect of the Target is publicly announced, proposed, disclosed, offered or made or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of the Target; (ii) after such Acquisition Proposal shall have been publicly announced, proposed, disclosed, offered or made, this Agreement is terminated: (A) by either Party pursuant to Section 8.1(b)(i) [*No Required Target Shareholder Approval*] or Section 8.1(b)(ii) [*Outside Date*] or (B) by the Purchaser pursuant to Section 8.1(c)(i) [*Target Reps and Warranties and Covenants Conditions*] as a result of the failure to satisfy the condition in Section 5.2(b) [*Target Covenants Condition*]; and (iii) such Acquisition Proposal, or an amended version thereof, or any other Acquisition Proposal relating to the Target is agreed to, entered into or consummated, as applicable, within 12 months of the date this Agreement is terminated; or
- (e) the Target materially breaches any of its obligations under Section 3.4 hereof,

(each of the above being a **"Purchaser Damages Event"**), provided no Target Damages Event has occurred, in the event of the termination of this Agreement pursuant to the applicable provision of Section 8.1, the Target shall pay to the Purchaser an amount equal to \$25,000,000 (the **"Termination Fee"**) as liquidated damages in immediately available funds to an account designated by the Purchaser. The Termination Fee shall be paid as follows:

- (f) in the case of a Purchaser Damages Event referred to in Section 6.1(a), Section 6.1(b), Section 6.1(c) or Section 6.1(e), within two Business Days of the termination of this Agreement; or
- (g) in the case of a Purchaser Damages Event referred to in Section 6.1(d), upon the earlier of the agreement to enter into, or the consummation of, the Acquisition Proposal referred to therein.

Following a Purchaser Damages Event but prior to payment of the Termination Fee, the Target shall, and shall be deemed to, hold such funds in trust for the Purchaser. The Target shall only be obligated to pay a maximum of \$25,000,000 pursuant to this Section 6.1.

6.2 Target Damages

If at any time after the execution of this Agreement, the Purchaser fails to complete the Arrangement prior to the Outside Date notwithstanding that each of the conditions contained in Sections 5.1 and 5.2 have been satisfied or waived by the Purchaser (the "**Target Damages Event**") provided no Purchaser Damages Event has occurred, in the event of the termination of this Agreement by the Target pursuant to Section 8.1(b)(ii) [*Outside Date*], the Purchaser shall pay to the Target the Termination Fee as liquidated damages in immediately available funds to an account designated by the Target within two Business Days after the occurrence of the Target Damages Event. Following the Target Damages Event, but prior to payment of the Termination Fee, the Purchaser shall, and shall be deemed to, hold in trust for the Target any amount owing to the Purchaser under this Section 6.2.

6.3 Liquidated Damages

Each Party acknowledges that the Termination Fee set out in Section 6.1 and Section 6.2 represents payment of liquidated damages which is a genuine pre-estimate of the damages which the Purchaser or the Target (as applicable) will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement and is not a penalty. Each of the Purchaser and the Target hereby irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that the payment of any amount pursuant to Section 6.1 and Section 6.2 is the sole monetary remedy of the Purchaser or the Target (as applicable) in respect of the events contemplated in Section 6.1 and Section 6.2, provided that, this limitation shall not (i) apply in the event a Party deliberately breaches this Agreement, and (b) prior to any termination of this Agreement, preclude the Purchaser from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of the Target set forth in this Agreement or the Confidentiality Agreement or to otherwise obtain specific performance of any such acts, covenants or agreements in accordance with Section 8.3 hereof.

ARTICLE 7 AMENDMENT

7.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Target Meeting but not later than the Effective Time, be amended by written agreement of the Parties without, subject to the Interim Order, the Final Order and applicable Laws, further notice to or authorization on the part of the Target Shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or adversely affects the consideration to be received by the Target Shareholders without approval by the Target Shareholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court (provided that a decrease in the market price or value of the Purchaser Shares shall not constitute a decrease in the amount of the consideration to be received by the Target Shareholders).

ARTICLE 8 TERMINATION

8.1 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of the Purchaser and the Target;
- (b) by either the Purchaser or the Target if:
 - (i) the Arrangement Resolution shall have failed to receive the Required Target Shareholder Approval at the Target Meeting (including any adjournments or postponements thereof) in accordance with the Interim Order;
 - (ii) the Effective Time shall not have occurred on or prior to the Outside Date, provided that the right to terminate this Agreement under this Section 8.1(b)(ii) [*Outside Date*] shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date; or
 - (iii) any condition in Section 5.1 hereof (other than the condition in Section 5.1(b) [*Arrangement Resolution Condition*]) becomes incapable of being satisfied by the Outside Date, provided that the right to terminate this Agreement under this Section 8.1(b)(iii) [*Failure to Satisfy Mutual Conditions*] shall not be available to any Party whose failure to fulfill any of its covenants or obligations or whose breach of any of its representations or warranties under this Agreement has been the cause of, or resulted in, the failure of such condition to be satisfied or where such Party has not complied with the applicable provisions of Section 5.4 hereof;
- (c) by the Purchaser:
 - (i) if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Target set forth in this Agreement occurs that would cause the condition in Section 5.2(a) [*Target Reps and Warranties Condition*] or Section 5.2(b) [*Target Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with Section 5.4 hereof, provided that: (A) the Purchaser is not then in breach of this Agreement so as to cause any condition in Section 5.3(a) [*Purchaser Reps and Warranties Condition*] or Section 5.3(b) [*Purchaser Covenants Condition*] not to be satisfied and (B) any termination pursuant to this Section 8.1(c)(i) is subject to and made in accordance with Section 5.4 hereof;

- (ii) prior to the Target Shareholders Meeting, upon the occurrence of a Purchaser Damages Event as provided in Section 6.1(a) or Section 6.1(b) hereof; or
- (iii) upon the occurrence of the Purchaser Damages Event as provided in Section 6.1(e) hereof; or
- (d) by the Target if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in this Agreement occurs that would cause the condition in Section 5.3(a) [*Purchaser Reps and Warranties Condition*] or Section 5.3(b) [*Purchaser Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date or is not cured in accordance with Section 5.4 hereof, provided that: (i) the Target is not then in breach of this Agreement so as to cause any condition in Section 5.2(a) [*Target Reps and Warranties Condition*] or Section 5.2(b) [*Target Covenants Condition*] to not be satisfied; and (ii) any termination pursuant to this Section 8.1(d) is subject to and made in accordance with Section 5.4 hereof.

8.2 Term and Effect of Termination

- (a) In the event of the termination of this Agreement pursuant to Section 8.1 or the Effective Date occurring, this Agreement shall forthwith become void and have no further force or effect, and neither Party (nor its Representatives or securityholders) shall have any liability or further obligation to the other Party hereunder, except:
 - (i) in the event of termination pursuant to Section 8.1, the provisions and obligations set forth in Section 4.3, Section 6.1, Section 6.2, Section 6.3 and this Section 8.2, (in each case to the extent applicable) and Article 10 shall survive such termination; and
 - (ii) in the event of the Effective Date occurring, the provisions and obligations set forth in Section 2.11, Section 4.3 and Article 10 shall survive any termination.
- (b) For greater certainty and notwithstanding anything in this Agreement to the contrary (other than being subject to Section 6.3 in the event the Purchaser is entitled to payment of a Termination Fee under Section 6.1 or the Target is entitled to payment of a Termination Fee under Section 6.2), nothing contained in this Section 8.2 shall relieve either Party from liability for: (i) failure to consummate the Arrangement when required pursuant to this Agreement; or (ii) any breach of any provision of this Agreement. No termination of this Agreement shall affect the obligations of the Parties pursuant to the Confidentiality Agreement or any other subsequent written agreement that addresses confidentiality between the Parties, except to the extent specified therein.

8.3 Specific Performance

The Purchaser and the Target agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed by the other Party in accordance with their specific terms or were otherwise breached. Subject to Section 6.3, it is accordingly agreed that each Party shall be entitled to an injunction or injunctions and other equitable relief to prevent breaches or threatened breaches of the provisions of this Agreement or to otherwise obtain specific performance of any such provisions, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived.

8.4 Return of Materials

If this Agreement is validly terminated pursuant to any provision of this Agreement, the Parties shall return all materials and copies of all materials delivered to the Target or the Purchaser, as applicable, or its Representatives.

ARTICLE 9 NOTICES

9.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by email, or as of the following Business Day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by either Party by notice to the other Party given in accordance with these provisions):

- (a) the Purchaser, addressed to:

Strathcona Resources Ltd.
Suite 1900, 421 – 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Rob Morgan, President and Chief Executive Officer
Email: [Redacted: Email address]

with a copy to (which shall not constitute notice):

Blake, Cassels & Graydon LLP
Suite 3500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4J8

Attention: Olga Kary / Kevin Kerr
Email: [Redacted: Email address] / [Redacted: Email address]

- (b) the Target, addressed to:

Pipestone Energy Corp.
Suite 3700, 888 3rd Street S.W.
Calgary, Alberta T2P 5C5

Attention: Dustin Hoffman, Chief Operating Officer and Interim President and Chief Executive Officer
Email: [Redacted: Email address]

with a copy to (which shall not constitute notice):

McCarthy Tétrault LLP
Suite 4000, 421 – 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Alyson Goldman
Email: [Redacted: Email address]

ARTICLE 10 GENERAL

10.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties hereto.

10.2 Effectiveness

The amendment and restatement of the Original Agreement shall have the same legal force and effect as if such amendment and restatement had occurred and was effected for all purposes hereof as of July 31, 2023. For avoidance of doubt, all references herein to terms such as "date of this Agreement", "date hereof" or words of similar effect shall be deemed to refer to July 31, 2023.

10.3 Assignment and Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns. This Agreement may not be assigned by any Party hereto without the prior consent of the other Party hereto except that the Purchaser may assign all or a portion of its rights under this Agreement to any subsidiary of the Purchaser, but no assignment shall relieve the Purchaser of its obligations hereunder.

10.4 Disclosure

- (a) A Party may not issue any press release or make any other public statement or disclosure with respect to this Agreement, the Plan of Arrangement or the Arrangement without the prior consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. Each Party shall use commercially reasonable efforts to provide the other Party prior oral or written notice and a reasonable opportunity for the other Party and its counsel to review and comment on all such press releases and other public statements or disclosures. The Party making such disclosure shall give reasonable consideration to any comments made by the other Party or its counsel, and, in the case of disclosures made by one Party about any other Party, each Party shall have the final and sole determination, acting reasonably, about the disclosure included in any press release or other public statements or disclosures with respect to itself.
- (b) This Section 10.4 is subject to each Party's overriding obligation to make disclosure in accordance with applicable Laws and, if such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party and, if such prior notice is not permitted by applicable Law, shall give such notice immediately following the making of such disclosure. For the avoidance of doubt, none of the foregoing in this Section 10.4 shall prevent or restrict the Target or the Purchaser from making internal announcements to employees or having discussions with, or disclosing this Agreement and the terms of the Arrangement to, securityholders, financial analysts, credit rating agencies, lenders and other stakeholders.

10.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof

contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

10.6 Costs and Expenses

Except as contemplated herein, each Party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby, whether or not the Arrangement is completed. The Purchaser shall be fully responsible for and shall pay any and all filing fees payable in respect of any filings made under the Competition Act with respect to the transactions contemplated by this Agreement.

10.7 Further Assurances

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.8 Time of Essence

Time shall be of the essence of this Agreement.

10.9 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Alberta and the Laws of Canada applicable therein and the Parties hereto irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Alberta. Each of the Parties hereto hereby irrevocably and unconditionally consents to and submits to the exclusive jurisdiction of the courts of the Province of Alberta in respect of all actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts) and further agrees that service of any process, summons, notice or document by single registered mail to the addresses of the Parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against either Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

10.10 Third Party Beneficiaries

The provisions of Section 2.11 and Section 3.1(m) hereof are intended for the benefit of all present and former directors and officers and Representatives of the Target, respectively, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and such persons' heirs, executors, administrators and other legal representatives and the provisions of Section 2.3(f) hereof are intended for the benefit of the Purchaser and its Representatives, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and such persons' heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and each of the Purchaser and the Target, as applicable, shall hold the rights and benefits of Sections

2.3(f), 2.11, and 3.1(m) hereof in trust for and on behalf of the Third Party Beneficiaries and each of the Purchaser and the Target hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of Third Party Beneficiaries, and in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.11 Waiver

No waiver by any Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

10.12 Counterparts

This Agreement may be executed by facsimile or other electronic signature in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

STRATHCONA RESOURCES LTD.

Per: (signed) "Rob Morgan"
Name: Rob Morgan
Title: President and Chief Executive
Officer

PIPESTONE ENERGY CORP.

Per: (signed) "Dustin Hoffman"
Name: Dustin Hoffman
Title: Chief Operating Officer and Interim
President and Chief Executive
Officer

Per: (signed) "Craig Nieboer"
Name: Craig Nieboer
Title: Chief Financial Officer

SCHEDULE "A"

PLAN OF ARRANGEMENT

UNDER SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the context or subject matter inconsistent therewith, the following terms have the indicated meanings and grammatical variations of such terms have corresponding meanings:

- (a) **"ABCA"** means the *Business Corporations Act* (Alberta);
- (b) **"AmalCo"** means the corporation resulting from the Second Amalgamation;
- (c) **"AmalCo Options"** means the options to acquire AmalCo Shares to be issued to holders of Target Options in exchange for the Target Options pursuant to Section 2.2(g) of this Plan of Arrangement;
- (d) **"AmalCo Shares"** means the common shares in the capital of AmalCo having the rights, privileges, restrictions and conditions set forth in Appendix I to this Plan of Arrangement;
- (e) **"Arrangement"** means the arrangement, pursuant to section 193 of the ABCA involving the Purchaser, the Target, the Target Subsidiary, the Target Shareholders and the Purchaser Shareholders, on the terms and conditions set forth in this Plan of Arrangement;
- (f) **"Arrangement Agreement"** means the arrangement agreement dated effective July 31, 2023, as amended and restated on August 22, 2023 between the Purchaser and the Target with respect to the Arrangement, as further supplemented, modified, amended or amended and restated in accordance with its terms;
- (g) **"Arrangement Resolution"** means a special resolution of the Target Shareholders in respect of the Arrangement to be voted on by the Target Shareholders at the Target Meeting, substantially in the form of Schedule "B" to the Arrangement Agreement;
- (h) **"Articles of Arrangement"** means the articles of arrangement of the Purchaser, the Target and the Target Subsidiary in respect of the Arrangement (which shall include this Plan of Arrangement) required under section 193(4.1) of the ABCA to be sent to the Registrar after the Final Order has been granted and all other conditions precedent to the Arrangement set forth in the Arrangement Agreement have been satisfied or waived, giving effect to the Arrangement;
- (i) **"Business Day"** means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for the transaction of commercial business;
- (j) **"Certificate"** means the certificate or proof of filing to be issued by the Registrar pursuant to section 193(11) of the ABCA in respect of the Articles of Arrangement giving effect to the Arrangement;

- (k) **"Code"** means the United States *Internal Revenue Code of 1986*, as amended;
- (l) **"Court"** means the Court of King's Bench of Alberta;
- (m) **"Depository"** means Odyssey Trust Company or such other person who may be appointed to act as depository under the Arrangement as agreed upon by the Parties, acting reasonably;
- (n) **"Dissent Rights"** has the meaning set forth in Section 5.1(a) hereof;
- (o) **"Dissenting Target Shareholder"** means a registered Target Shareholder who validly exercises Dissent Rights in accordance with this Plan of Arrangement and the Interim Order, which exercise of Dissent Rights has not been withdrawn or deemed to have been withdrawn prior to the Effective Time;
- (p) **"DRS Advice"** means a Direct Registration System (DRS) advice;
- (q) **"Effective Date"** means the date the Arrangement becomes effective under the ABCA, being the date shown on the Certificate;
- (r) **"Effective Time"** means 12:01 a.m. on the Effective Date or such other time on the Effective Date as may be agreed to in writing by the Parties;
- (s) **"Encumbrance"** means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, right of third parties or other charge, encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with any similar effect whatsoever;
- (t) **"Final Order"** means the final order of the Court approving the Arrangement pursuant to section 193(4) of the ABCA, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction (with the consent of the Target and the Purchaser, each acting reasonably) at any time prior to the Effective Date, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed, amended or modified (provided that such amendment or modification is acceptable to both the Target and the Purchaser, each acting reasonably) on appeal;
- (u) **"First Amalgamation"** means the amalgamation of the Target and the Target Subsidiary pursuant to Section 2.2(e) of this Plan of Arrangement;
- (v) **"Governmental Authority"** means the government of any country, province, state, county, territory, municipality or other political subdivision thereof, or any government, quasi-government, administrative or regulatory authority (including the Toronto Stock Exchange), agency, board, body, commission, instrumentality, court or tribunal or any central bank (or similar monetary or regulatory authority) thereof, any tax authority, any ministry or department or agency of the foregoing or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing;
- (w) **"Interim Order"** means the interim order of the Court concerning the Arrangement pursuant to section 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Target Meeting, as such order may be affirmed, amended or modified by the Court or any other court of competent jurisdiction with the consent of the Target and the Purchaser, each acting reasonably;
- (x) **"Laws"** means all laws, including the common law, by-laws, statutes, rules, regulations, principles of law, orders, ordinances, protocols, codes, guidelines, policies, instruments,

notices, directions and judgments or other requirements and the terms and conditions of any grant of approval, permit, authority or license of any Governmental Authorities or self-regulatory authority; and the term "**applicable**", with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

- (y) "**Letter of Transmittal**" means the letter of transmittal for use by registered Target Shareholders and registered Purchaser Shareholders, as applicable, in connection with the Arrangement;
- (z) "**Parties**" means, collectively, the Purchaser and the Target and "**Party**" means any one of them;
- (aa) "**person**" includes any individual, firm, partnership, joint venture, association, trust, trustee, executor, administrator, personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- (bb) "**Plan of Arrangement**" means this plan of arrangement (including the appendices hereto), as supplemented, modified or amended from time to time in accordance with the terms hereof or at the direction of the Court in the Final Order with the consent of the Target and the Purchaser, each acting reasonably;
- (cc) "**Purchaser**" means Strathcona Resources Ltd., a corporation existing under the laws of the Province of Alberta;
- (dd) "**Purchaser Class A Share Exchange Ratio**" means, subject to adjustment in accordance with section 2.15 of the Arrangement Agreement, 0.089278 of an AmalCo Share for each Purchaser Class A Share;
- (ee) "**Purchaser Class A Shares**" means the voting class A common shares in the capital of the Purchaser;
- (ff) "**Purchaser Class B Share Exchange Ratio**" means, subject to adjustment in accordance with section 2.15 of the Arrangement Agreement, 0.089278 of an AmalCo Share for each Purchaser Class B Share;
- (gg) "**Purchaser Class B Shares**" means the voting class B common shares in the capital of the Purchaser;
- (hh) "**Purchaser Shareholders**" means the holders of Purchaser Shares, collectively or individually, as the context requires;
- (ii) "**Purchaser Shares**" means, collectively, the Purchaser Class A Shares and the Purchaser Class B Shares;
- (jj) "**Purchaser USA**" means the unanimous shareholder agreement of the Purchaser dated effective as of March 15, 2022;
- (kk) "**Registrar**" means the Registrar of Corporations for the Province of Alberta duly appointed under section 263 of the ABCA;

- (ll) **"Second Amalgamation"** means the amalgamation of the Purchaser and Target AmalCo pursuant to Section 2.2(f) of this Plan of Arrangement;
- (mm) **"Target"** means Pipestone Energy Corp., a corporation existing under the laws of the Province of Alberta;
- (nn) **"Target AmalCo"** means the corporation resulting from the First Amalgamation;
- (oo) **"Target AmalCo Shares"** means the common shares in the capital of Target AmalCo;
- (pp) **"Target Exchange Ratio"** means, subject to adjustment in accordance with section 2.15 of the Arrangement Agreement, 0.067967 of an AmalCo Share for each Target AmalCo Share;
- (qq) **"Target Incentive Securities"** means, collectively: (i) outstanding stock options, whether or not vested, to acquire Target Shares granted pursuant to the Target LTIP; (ii) performance share units issued by the Target under the Target LTIP; and (iii) restricted share units issued by the Target under the Target LTIP;
- (rr) **"Target LTIP"** means the amended and restated long-term incentive plan of the Target approved by the board of directors of the Target on May 11, 2021, as amended or restated from time to time;
- (ss) **"Target Meeting"** means the meeting of the Target Shareholders, including any adjournment or postponement thereof, convened as provided by the Interim Order to consider, and if deemed advisable approve, the Arrangement Resolution;
- (tt) **"Target Options"** means the outstanding stock options, whether or not vested, to acquire Target Shares granted pursuant to the Target LTIP;
- (uu) **"Target Shareholders"** means, prior to the First Amalgamation, the holders of Target Shares or, following the First Amalgamation, the holders of Target AmalCo Shares, in each case, collectively or individually, as the context requires;
- (vv) **"Target Shares"** means the common shares in the capital of the Target;
- (ww) **"Target Subsidiary"** means Pennant Energy Inc., a corporation continued under the laws of the Province of Alberta;
- (xx) **"Target Subsidiary Shareholder"** means the Target, as the sole holder of Target Subsidiary Shares;
- (yy) **"Target Subsidiary Shares"** means the common shares in the capital of the Target Subsidiary; and
- (zz) **"Tax Act"** means the *Income Tax Act* (Canada).

1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and does not affect the construction or interpretation of this Plan of Arrangement. Unless the contrary intention appears, references in this Agreement to an Article, Section or Appendix refer to the Article, Section or Appendix bearing that designation in this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof.

1.3 Other Definitional and Interpretive Provisions

- (a) References in this Plan of Arrangement to the words "include", "includes" or "including" shall, unless the context otherwise requires, be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of similar import.
- (b) In this Plan of Arrangement, unless the contrary intention appears, words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.5 Time

References in this Plan of Arrangement to time are to local time in Calgary, Alberta.

1.6 References to Legislation

References in this Plan of Arrangement to any statute include the regulations promulgated thereunder and references to a statute or regulation or sections thereof shall include such statute or regulation as amended or substituted.

ARTICLE 2 ARRANGEMENT

2.1 Arrangement Agreement

- (a) This Plan of Arrangement is made pursuant and subject to the provisions of and forms part of the Arrangement Agreement.
- (b) This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) all registered and beneficial Target Shareholders; (ii) the Target (including as the Target Subsidiary Shareholder); (iii) the Target Subsidiary; (iv) Target AmalCo; (v) all registered and beneficial Purchaser Shareholders; (vi) the Purchaser; (vii) AmalCo; and (viii) all other persons.
- (c) The Articles of Arrangement and the Certificate shall be delivered and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective at the Effective Time and that each of the provisions of Section 2.2 have become effective in the sequence, at the times and in the manner set out therein. If no Certificate is required to be issued by the Registrar pursuant to section 193(11) of the ABCA, the Arrangement shall become effective at the Effective Time on the date the Articles of Arrangement are delivered to the Registrar pursuant to section 193(4.1) of the ABCA.

2.2 Arrangement

Commencing at the Effective Time, each of the steps, events or transactions set forth in this Section 2.2 shall occur and shall be deemed to occur consecutively in two minute intervals in the following order without any further act or formality, except as otherwise provided herein:

Treatment of Target Incentive Securities

- (a) notwithstanding the terms of the Target LTIP or any applicable agreements in relation thereto, each Target Incentive Security (other than a Target Option) that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall be, and shall be deemed to be, surrendered to the Target (free and clear of all Encumbrances) and terminated, and all instruments and agreements relating to the Target Incentive Securities (other than Target Options) shall be terminated in its entirety and shall cease to have any further force or effect;

Dissenting Target Shareholders

- (b) subject to Article 5, each issued and outstanding Target Share held by a Dissenting Target Shareholder immediately prior to the Effective Time shall be, and shall be deemed to be, transferred to and acquired by the Target (free and clear of all Encumbrances) and cancelled, upon such transfer:
 - (i) the holders of such Target Shares shall cease to be the holders thereof or to have any rights as holders of Target Shares other than the right to be paid the fair value of such Target Shares in accordance with Article 5; and
 - (ii) such holders' names shall be removed from the register of holders of Target Shares maintained by or on behalf of the Target;

Termination of Purchaser USA

- (c) the Purchaser USA shall be terminated in its entirety and shall cease to have any further force or effect;

Reduction of Stated Capital

- (d) the stated capital in respect of the Target Subsidiary Shares shall be reduced to \$1.00;

Amalgamation of the Target and Target Subsidiary

- (e) the Target and the Target Subsidiary shall be amalgamated and continued as one corporation under the ABCA in accordance with this Plan of Arrangement, including the following:
 - (i) Name. The name of Target AmalCo shall be "Pipestone Energy Corp.";
 - (ii) Share Provisions. The authorized share capital and share provisions of Target AmalCo shall be the same as the authorized share capital and share provisions of the Target;
 - (iii) Restrictions on Transfer. There shall be no restrictions on the transfer of shares in the capital of Target AmalCo;
 - (iv) Other Provisions. The other provisions forming part of the articles of amalgamation of Target AmalCo shall be the same as the other provisions forming part of the articles of the Target immediately prior to the First Amalgamation;

- (v) Directors and Officers. The directors and officers of Target AmalCo shall be the same as the directors and officers of the Target;
- (vi) Business and Powers. There shall be no restrictions on the business that Target AmalCo may carry on or on the powers it may exercise;
- (vii) Stated Capital. The aggregate stated capital of Target AmalCo shall be an amount equal to the aggregate paid-up capital (for the purposes of the Tax Act) of the Target Shares outstanding immediately prior to the First Amalgamation;
- (viii) Registered Office. The registered office of Target AmalCo shall be the registered office of the Target;
- (ix) Effect of Amalgamation. The provisions of sections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the First Amalgamation with the result that:
 - (A) all of the property of the Target and the Target Subsidiary shall continue to be the property of Target AmalCo;
 - (B) Target AmalCo shall continue to be liable for the obligations of the Target and the Target Subsidiary;
 - (C) any existing cause of action, claim or liability to prosecution of the Target or the Target Subsidiary shall be unaffected;
 - (D) any civil, criminal or administrative action or proceeding pending by or against the Target or the Target Subsidiary may be continued to be prosecuted by or against Target AmalCo; and
 - (E) a conviction against, or ruling, order or judgment in favour of or against, the Target or the Target Subsidiary may be enforced by or against Target AmalCo;
- (x) Articles. The articles of amalgamation of Target AmalCo filed to give effect to the First Amalgamation shall be deemed to be the articles of incorporation of Target AmalCo and the certificate of amalgamation issued in respect of the articles of amalgamation by the Registrar shall be deemed to be the certificate of incorporation of Target AmalCo;
- (xi) Cancellation of Shares. On the First Amalgamation, each issued and outstanding Target Subsidiary Share shall be cancelled, without any repayment of capital in respect of such Target Subsidiary Share, and each issued and outstanding Target Share (excluding Target Shares held by Dissenting Target Shareholders) shall remain unaffected and issued and outstanding.

Amalgamation of the Purchaser and Target AmalCo

- (f) the Purchaser and Target AmalCo shall be amalgamated and continued as one corporation under the ABCA in accordance with this Plan of Arrangement, including the following:
 - (i) Name. The name of AmalCo shall be "Strathcona Resources Ltd.";
 - (ii) Share Provisions. The authorized share capital of AmalCo shall consist of: (A) an unlimited number of AmalCo Shares; and (B) an unlimited number of preferred shares issuable in series. The rights, privileges, restrictions and conditions

attaching to shares of AmalCo shall be as set forth in Appendix I to this Plan of Arrangement;

- (iii) Restrictions on Transfer. There shall be no restrictions on the transfer of shares in the capital of AmalCo;
- (iv) Other Provisions. The other provisions forming part of the articles of amalgamation of AmalCo shall be as set forth in Appendix II to this Plan of Arrangement;
- (v) Directors and Officers.
 - (A) *Minimum and Maximum Number of Directors.* The directors of AmalCo shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of three and a maximum number of 15 directors;
 - (B) *Initial Directors.* The number of directors on the board of directors of AmalCo shall initially be set at 9. The initial directors of AmalCo immediately following the Second Amalgamation shall be as follows:

Name	Address
Adam Waterous	[Redacted: Address]
Steve Fagan	[Redacted: Address]
Henry Hager	[Redacted: Address]
Andrew Kim	[Redacted: Address]
Navjeet (Bob) Singh Dhillon	[Redacted: Address]
Cody Church	[Redacted: Address]
Rob Morgan	[Redacted: Address]
Connor Waterous	[Redacted: Address]
Connie De Ciano	[Redacted: Address]

The initial directors of AmalCo shall hold office until the close of the first annual meeting of holders of AmalCo Shares or until their successors are duly elected or appointed. The actual number of directors of AmalCo within the minimum and maximum number set out in Section 2.2(f)(v)(A) may be determined from time to time by resolution of the directors of AmalCo.

- (C) *Initial Officers.* The initial officers of AmalCo immediately following the Second Amalgamation shall be as follows:

Name	Title(s)
Rob Morgan	President & Chief Executive Officer
Connor Waterous	Senior Vice-President & Chief Financial Officer

Name	Title(s)
Dale Babiak	Vice-President, Production Operations
Connie De Ciano	Vice-President, Corporate
Al Grabas	Vice-President, Capital Operations
Nolan Lerner	Vice-President, Development – Montney & Conventional Heavy Oil
Scott Seipert	Vice-President, Finance
Mark Teasdale	Vice-President, Development – Thermal

- (vi) Business and Powers. There shall be no restrictions on the business that AmalCo may carry on or on the powers it may exercise;
- (vii) Stated Capital. An amount equal to the aggregate paid-up capital (for the purposes of the Tax Act) of: (A) the Target AmalCo Shares outstanding immediately prior to the Second Amalgamation and not owned by the Purchaser or a Dissenting Target Shareholder; and (B) the Purchaser Shares outstanding immediately prior to the Second Amalgamation, shall be added to the stated capital of the AmalCo Shares;
- (viii) By-laws. The by-laws of AmalCo shall be as set forth in Appendix III;
- (ix) Registered Office. The registered office of AmalCo shall be the registered office of the Purchaser;
- (x) Effect of Amalgamation. The provisions of sections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the Second Amalgamation with the result that:
 - (A) all of the property of the Purchaser and Target AmalCo shall continue to be the property of AmalCo;
 - (B) AmalCo shall continue to be liable for the obligations of the Purchaser and Target AmalCo;
 - (C) any existing cause of action, claim or liability to prosecution of the Purchaser and Target AmalCo shall be unaffected;
 - (D) any civil, criminal or administrative action or proceeding pending by or against the Purchaser and Target AmalCo may be continued to be prosecuted by or against AmalCo; and
 - (E) a conviction against, or ruling, order or judgment in favour of or against, the Purchaser and Target AmalCo may be enforced by or against AmalCo;
- (xi) Articles. The articles of amalgamation filed to give effect to the Second Amalgamation shall be deemed to be the articles of incorporation of AmalCo and the certificate of amalgamation issued in respect of the articles of amalgamation by the Registrar shall be deemed to be the certificate of incorporation of AmalCo;
- (xii) Auditors. The initial auditors of AmalCo shall be Deloitte LLP, who shall continue in office until the close of the first annual meeting of holders of AmalCo Shares, and the directors of AmalCo are authorized to fix the remuneration of such auditors; and

(xiii) Exchange and Cancellation of Shares. On the Second Amalgamation:

- (A) each issued and outstanding Target AmalCo Share (excluding Target AmalCo Shares held by Dissenting Target Shareholders) shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to the Target Exchange Ratio and, upon such exchange, the names of the holders of such Target AmalCo Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo;
- (B) each issued and outstanding Purchaser Class A Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to the Purchaser Class A Share Exchange Ratio and, upon such exchange, the names of the holders of such Purchaser Class A Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo; and
- (C) each issued and outstanding Purchaser Class B Share shall be exchanged for such number of fully paid and non-assessable AmalCo Shares equal to the Purchaser Class B Share Exchange Ratio and, upon such exchange, the names of the holders of such Purchaser Class B Shares shall be added to the register of holders of AmalCo Shares maintained by or on behalf of AmalCo;

Exchange of Stock Options

- (g) each issued and outstanding Target Option held by Target Shareholders immediately prior to the Effective Time shall be (notwithstanding the terms of the Target LTIP or any award or similar agreement pursuant to which any Target Options were granted or awarded, as applicable), and shall be deemed to be, disposed of in exchange for an AmalCo Option. The number of AmalCo Shares subject to an AmalCo Option shall be equal to: (i) the Target Exchange Ratio multiplied by (ii) the number of Target Shares subject to the Target Option issuable in exchange for such AmalCo Option immediately prior to the Effective Time. The per share exercise price for the AmalCo Shares issuable upon exercise of an AmalCo Option shall be equal to (rounded up to the nearest whole cent): (x) the exercise price per Target Share of the Target Option such AmalCo Option issuable in exchange for immediately prior to the Effective Time; divided by (y) the Target Exchange Ratio. All other terms and conditions applicable to an AmalCo Option, including the terms of expiry, vesting and conditions to and manner of exercising shall remain the same as the Target Option for which it was exchanged, and any certificate or option agreement previously evidencing such Target Option shall thereafter evidence and be deemed to evidence such AmalCo Option. Following this exchange of Target Options for AmalCo Options, the Target LTIP shall be terminated in its entirety and shall cease to have any further force or effect. Notwithstanding the foregoing, the exchange of Target Options for AmalCo Options effected by this Section 2.2(g) is intended to occur on a tax-deferred basis under subsection 7(1.4) of the Tax Act and AmalCo and the former holders of Target Options shall make such adjustment as is necessary to qualify for such treatment; and

Surrender of AmalCo Options

- (h) each such AmalCo Option that is outstanding immediately following the exchange of options described in Section 2.2(g) shall be, and shall be deemed to be, surrendered to AmalCo (free and clear of all Encumbrances) and terminated, and all instruments and agreements relating to the AmalCo Options shall be terminated in their entirety and shall cease to have any further force or effect, in exchange for the right of a former holder of an AmalCo Option to receive a payment by AmalCo of an amount, for each such AmalCo

Option held, equal to the five-day volume weighted average trading price of the Target Shares on the Toronto Stock Exchange immediately preceding the date of the Target Meeting less the exercise price of the corresponding Target Option (provided that for greater certainty, no payment will be made by AmalCo to the extent the exercise price of the corresponding Target Option is greater than or equal to the five-day volume weighted average trading price of the Target Shares on the Toronto Stock Exchange immediately preceding the date of the Target Meeting).

ARTICLE 3 CERTAIN AMALGAMATION MATTERS

3.1 First Amalgamation

On the First Amalgamation, the Target and the Target Subsidiary shall amalgamate to form one corporate entity with the same effect as if the Target and the Target Subsidiary had amalgamated under section 181 of the ABCA except that the separate legal existence of the Target will not cease and the Target will survive such amalgamation as Target AmalCo under the ABCA notwithstanding the assignment of a new corporate access number to Target AmalCo. For the avoidance of doubt, the amalgamation of the Target and the Target Subsidiary is intended to qualify as (a) an amalgamation as defined in subsection 87(1) of the Tax Act and be governed by subsections 87(1), 87(2), 87(4) and 87(5) of the Tax Act, as applicable, and (b) a "complete liquidation" of the Target Subsidiary under Section 332 of the Code.

3.2 Second Amalgamation

For the avoidance of doubt, the amalgamation of the Purchaser and Target AmalCo is intended to qualify as (a) an amalgamation as defined in subsection 87(1) of the Tax Act and be governed by subsections 87(1), 87(2), 87(4) and 87(5) of the Tax Act, as applicable and (b) a "reorganization" within the meaning of Section 368(a) of the Code.

ARTICLE 4 DELIVERY OF CONSIDERATION AND OUTSTANDING CERTIFICATES

4.1 Delivery of AmalCo Shares by the Depositary

Upon surrender to the Depositary for cancellation of a certificate or DRS Advice that, immediately prior to the Effective Time, represented Target Shares or Purchaser Shares (as applicable) that were exchanged for AmalCo Shares pursuant to the Arrangement, together with a completed and duly executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of such certificate or DRS Advice shall be entitled to receive in exchange therefore, and the Depositary shall deliver to such holder, a certificate or DRS Advice representing that number of AmalCo Shares which such holder has the right to receive pursuant to the Arrangement, less any amounts withheld pursuant to Article 6, and any certificate or DRS Advice so surrendered shall forthwith be cancelled.

4.2 Outstanding Certificates

Until deposited as contemplated by Section 4.1, each certificate or DRS Advice that, immediately prior to the Effective Time, represented Target Shares or Purchaser Shares (as applicable) that were exchanged for AmalCo Shares pursuant to the Arrangement shall be deemed after the Effective Time to represent only the right to receive, upon such deposit, the AmalCo Shares to which the holder of the Target Shares or Purchaser Shares (as applicable) represented by such certificate or DRS Advice is entitled to receive pursuant to the Arrangement. Any certificate or DRS Advice formerly representing Target Shares or Purchaser Shares (as applicable) not duly surrendered on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a claim by or interest of any former Target Shareholder or Purchaser Shareholder (as applicable) of any kind or nature against the Purchaser, the Target, Target AmalCo or AmalCo. On such date, all consideration and other property to which such former

Target Shareholders and Purchaser Shareholders were entitled to receive pursuant to the Arrangement shall be, and shall be deemed to be, surrendered to AmalCo.

4.3 No Additional Consideration

No Target Shareholder, Target Subsidiary Shareholder, Purchaser Shareholder or holder of Target Incentive Securities shall be entitled to receive any consideration with respect to any Target Shares, Target Subsidiary Shares, Target AmalCo Shares, Purchaser Shares or Target Incentive Securities (as applicable) other than the applicable consideration to which such holder is entitled to receive under the Arrangement in accordance with Section 2.2 and, for greater certainty, no such holder will be entitled to receive any interest, dividend, premium or other payment in connection therewith.

4.4 Lost Share Certificates

If any certificate that, immediately prior to the Effective Time, represented Target Shares or Purchaser Shares (as applicable) that were exchanged for AmalCo Shares pursuant to the Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate, a certificate or DRS Advice representing the AmalCo Shares to which the holder is entitled to receive pursuant to the Arrangement as determined in accordance with this Plan of Arrangement. The person who is entitled to receive such AmalCo Shares shall, as a condition precedent to the receipt thereof, give a bond satisfactory to AmalCo and the registrar and transfer agent for the AmalCo Shares in such form as is satisfactory to AmalCo and such registrar transfer agent, or otherwise indemnify AmalCo and the registrar and transfer agent, to the reasonable satisfaction of such persons, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 Fractional AmalCo Shares

No certificates or DRS Advices representing fractional AmalCo Shares shall be issued pursuant to the Arrangement. In lieu of any fractional AmalCo Shares, each registered Target Shareholder or Purchaser Shareholder (as applicable) otherwise entitled to a fractional interest in an AmalCo Share will receive the nearest whole number of AmalCo Shares. For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of AmalCo Shares to be issued will be rounded up to the nearest whole number, and where such fractional interest is less than 0.5, the number of AmalCo Shares to be issued will be rounded down to the nearest whole number. In calculating such fractional interests, all Target AmalCo Shares and/or Purchaser Shares (as applicable) registered in the name of or beneficially held by such holder thereof or their nominee shall be aggregated.

4.6 Paramountcy

From and after the Effective Time:

- (a) this Plan of Arrangement shall take precedence and priority over any and all rights related to the Target Shares and Target Incentive Securities that are issued and outstanding immediately prior to the Effective Time and the terms and conditions thereof, including the terms and conditions of the Target LTIP and any agreement, certificate or other instrument granting or confirming the grant of a Target Incentive Security;
- (b) the rights and obligations of the registered holders of Target Shares and Target Incentive Securities and of the Target, Target AmalCo, the Purchaser, AmalCo, the Depositary and any transfer agent or other depositary in relation thereto, shall be solely as provided for in this Plan of Arrangement and the Arrangement Agreement; and
- (c) all actions, causes of action, claims or proceedings (actual or contingent, and whether or not previously asserted) based on or in any way relating to any Target Shares and Target

Incentive Securities shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

ARTICLE 5

DISSENTING TARGET SHAREHOLDERS

5.1 Rights of Dissent for Target Shareholders

- (a) Each registered Target Shareholder shall have the right to dissent with respect to the Arrangement pursuant to and in the manner set forth in section 191 of the ABCA, as modified by the Interim Order and this Article 5 ("**Dissent Rights**").
- (b) Notwithstanding section 191 of the ABCA, the written objection to the Arrangement Resolution must be received by the Target from the Dissenting Target Shareholder not later than 4:00 p.m. on the date that is five Business Days prior to the date of the Target Meeting (as it may be adjourned or postponed from time to time).
- (c) Dissenting Target Shareholders who validly exercise Dissent Rights shall be deemed to have transferred the Target Shares held by them to the Target as provided in Section 2.2(b) and if they are ultimately:
 - (i) entitled to be paid the fair value of such Target Shares, they shall: (A) be deemed not to have participated in the transactions set forth in Section 2.2 (other than Section 2.2(a), if applicable, and Section 2.2(b)); (B) subject to Section 4.2, be entitled to be paid the fair value of such Target Shares by the Target, which fair value shall be determined as of the close of business on the day before the Arrangement Resolution was adopted at the Target Meeting; and (C) not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such Dissenting Target Shareholders not exercised their Dissent Rights; or
 - (ii) not entitled to be paid the fair value of such Target Shares for any reason, they shall: (A) be deemed to have participated in the Arrangement on the same basis as a non-dissenting Target Shareholder; and (B) be entitled to receive only the consideration contemplated in Section 2.2 that such Target Shareholder would have received pursuant to the Arrangement if the Target Shareholder had not exercised Dissent Rights.

5.2 Recognition of Dissenting Target Shareholders

- (a) In no circumstances shall the Purchaser, the Target, AmalCo, the Depositary or any other person be required to recognize a Target Shareholder who exercises Dissent Rights: (i) unless, as of the deadline for exercising Dissent Rights (as set forth in Section 5.1(b)), such Target Shareholder is a registered holder of Target Shares; (ii) if such Target Shareholder has voted or instructed a proxyholder to vote such Target Shares in favour of the Arrangement Resolution; or (iii) unless such Target Shareholder has strictly complied with the procedures for exercising Dissent Rights and does not withdraw such exercise of Dissent Rights prior to the Effective Time.
- (b) For greater certainty, in no case shall the Purchaser, the Target, Target AmalCo, AmalCo, the Depositary or any other person be required to recognize a Dissenting Target Shareholder as a holder of Target Shares after the completion of the transfer of Target Shares pursuant to Section 2.2(b).

- (c) In addition to any other restrictions under section 191 of the ABCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Target Incentive Securities; (ii) Target Shareholders who have voted or instructed a proxyholder to vote Target Shares in favour of the Arrangement Resolution; (iii) any person (including any beneficial owner of Target Shares) who is not a registered Target Shareholder; and (iv) the Purchaser, the holders of Purchaser Shares or their respective affiliates (as defined in the Arrangement Agreement).

ARTICLE 6 WITHHOLDING TAXES

- 6.1** The Purchaser, the Target, Target AmalCo, AmalCo or the Depositary, as applicable, shall be entitled to deduct or withhold from any amounts payable or otherwise deliverable to any person pursuant to the Arrangement or the Arrangement Agreement (including any amount payable to a Target Shareholder who has validly exercised Dissent Rights) such amounts as the Purchaser, the Target, Target AmalCo, AmalCo or the Depositary, as applicable, are required or reasonably believe to be required to deduct or withhold from such payment or delivery in accordance with applicable Laws. Any such amounts will be deducted or withheld and remitted from amounts payable or otherwise deliverable pursuant to the Arrangement or the Arrangement Agreement and shall be treated for all purposes under this Plan of Arrangement as having been paid or delivered to the person to whom such amounts would otherwise have been paid or delivered, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Authority.

ARTICLE 7 AMENDMENTS

- 7.1** The Purchaser and the Target may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) approved by the Purchaser and the Target; (c) filed with the Court and, if made following the Target Meeting, approved by the Court; and (d) communicated to the Target Shareholders and the Purchaser Shareholders, if and as required by the Court.
- 7.2** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Purchaser or the Target at any time prior to or at the Target Meeting (provided that the other Party shall have approved it, acting reasonably) with or without any other prior notice or communication, and, if so proposed and accepted, in the manner contemplated and to the extent required by the Arrangement Agreement by the Target Shareholders at the Target Meeting (other than as may be required pursuant to the Interim Order or other order of the Court), shall become part of this Plan of Arrangement for all purposes.
- 7.3** Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Target Meeting shall be effective only: (a) if it is approved in writing by each of the Purchaser and the Target, each acting reasonably, and (b) if required by the Court or applicable Laws, it is approved by the Target Shareholders and/or the Purchaser Shareholders.
- 7.4** Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by the Purchaser if it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the

implementation of this Plan of Arrangement and it is not adverse to the financial or economic interests of any former Target Shareholders or any former Purchaser Shareholder.

- 7.5** In addition, to the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with applicable Laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency.

APPENDIX I

SHARE TERMS

Strathcona Resources Ltd. (the "**Corporation**") is authorized to issue an unlimited number of common shares ("**Common Shares**") and an unlimited number of preferred shares ("**Preferred Shares**"). The rights, privileges, restrictions and conditions attached to the Common Shares and Preferred Shares are as follows:

1. Common Shares

The rights of the holders of the Common Shares are equal in all respects and include the following rights:

- (a) to vote at all meetings of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive any dividend declared by the Corporation on the Common Shares; and
- (c) subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution.

2. Preferred Shares

- (a) The Preferred Shares may be issued from time to time in one or more series with such rights, restrictions, privileges, conditions and designations attached thereto as shall be fixed from time to time before issuance by any resolution or resolutions providing for the issue of the shares of any series which may be passed by the board of directors of the Corporation and confirmed and declared by articles of amendment. Reference to one class or series of shares ranking on a parity with another class or series of shares shall mean ranking on a parity with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation whether voluntary or involuntary to the extent of their respective rights in that connection.
- (b) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series, provided, however, that when in the case of any of such shares any cumulative dividends or amounts payable on a return of capital are not paid in full in accordance with their respective terms, the Preferred Shares of all series shall participate ratably in respect of such dividends (including all unpaid accumulated dividends which for such purpose shall be calculated as if the same were accruing up to the date of payment) in accordance with the sums which would be payable on said shares if all such dividends were declared and paid in full in accordance with their respective terms, and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full in accordance with their respective terms, and provided further that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the said shares with respect to return of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends as aforesaid.
- (c) The Preferred Shares shall be entitled to preference over the Common Shares of the Corporation and any other shares of the Corporation ranking junior to the said Preferred Shares with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary,

to the extent fixed in the case of each respective series, and may also be given such other preferences over the Common Shares of the Corporation and any other shares of the Corporation ranking junior to the said Preferred Shares as may be fixed in the case of each such series.

APPENDIX II
OTHER PROVISIONS

1. The directors of the Corporation may, between annual meetings, appoint one or more additional directors of the Corporation to serve until the next annual meeting, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

APPENDIX III
BY-LAWS OF AMALCO

(See attached)

BY-LAW NO. 1

A by-law relating generally to the
transaction of the business and affairs of

STRATHCONA RESOURCES LTD.

Contents

One	- Interpretation
Two	- Business of the Corporation
Three	- Borrowing and Security
Four	- Directors
Five	- Committees
Six	- Officers
Seven	- Protection of Directors, Officers and Others
Eight	- Shares
Nine	- Dividends and Rights
Ten	- Meetings of Shareholders
Eleven	- Notices
Twelve	- Effective Date

BE IT ENACTED as a by-law of the Corporation as follows:

TABLE OF CONTENTS

SECTION ONE - INTERPRETATION

- 1.01 Definitions

SECTION TWO - BUSINESS OF THE CORPORATION

- 2.01 Registered Office
- 2.02 Agent for Service
- 2.03 Corporate Seal
- 2.04 Financial Year
- 2.05 Execution of Instruments
- 2.06 Banking Arrangements
- 2.07 Voting Rights in Other Bodies Corporate
- 2.08 Divisions

SECTION THREE - BORROWING AND SECURITY

- 3.01 Borrowing Power

SECTION FOUR - DIRECTORS

- 4.01 Number of Directors
- 4.02 Qualification
- 4.03 Board Composition
- 4.04 Election and Term
- 4.05 Removal of Directors
- 4.06 Vacation of Office
- 4.07 Vacancies
- 4.08 Action by the Board
- 4.09 Meeting by Electronic Means
- 4.10 Place of Meetings
- 4.11 Calling of Meetings
- 4.12 Notice of Meeting
- 4.13 First Meeting of New Board
- 4.14 Adjourned Meeting
- 4.15 Regular Meetings
- 4.16 Chair of the Board
- 4.17 Board Meeting Chair
- 4.18 Lead Director
- 4.19 Managing Director
- 4.20 Quorum
- 4.21 Votes to Govern
- 4.22 Conflict of Interest
- 4.23 Remuneration and Expenses

SECTION FIVE - COMMITTEES

- 5.01 Committees of the Board

- 5.02 Transaction of Business
- 5.03 Audit Committee
- 5.04 Advisory Bodies
- 5.05 Procedure

SECTION SIX - OFFICERS

- 6.01 Appointment
- 6.02 Chief Executive Officer
- 6.03 President
- 6.04 Chief Financial Officer
- 6.05 Chief Operating Officer
- 6.06 Secretary
- 6.07 Treasurer
- 6.08 Powers and Duties of Officers
- 6.09 Term of Office
- 6.10 Agents and Attorneys
- 6.11 Conflict of Interest

SECTION SEVEN - PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

- 7.01 Limitation of Liability
- 7.02 Indemnity
- 7.03 Insurance

SECTION EIGHT - SHARES

- 8.01 Issuances of Shares, Options or Rights
- 8.02 Commissions
- 8.03 Non-recognition of Trusts
- 8.04 Security Certificates
- 8.05 Replacement of Security Certificates
- 8.06 Joint Shareholders
- 8.07 Deceased Shareholders
- 8.08 Transfer Agents and Registrars
- 8.09 Electronic, Book-Based or Other Non-Certificated Registered Positions

SECTION NINE - DIVIDENDS AND RIGHTS

- 9.01 Dividends
- 9.02 Dividend Payments
- 9.03 Record Date for Dividends and Rights

SECTION TEN - MEETINGS OF SHAREHOLDERS

- 10.01 Annual Meetings
- 10.02 Special Meetings
- 10.03 Place of Meetings
- 10.04 Meeting by Electronic Means
- 10.05 Participation in Meeting by Electronic Means
- 10.06 Notice of Meetings

- 10.07 List of Shareholders Entitled to Notice
- 10.08 Record Date for Notice
- 10.09 Chair, Secretary and Scrutineers
- 10.10 Persons Entitled to be Present
- 10.11 Quorum
- 10.12 Right to Vote
- 10.13 Proxyholders and Representatives
- 10.14 Time for Deposit of Proxies
- 10.15 Joint Shareholders
- 10.16 Votes to Govern
- 10.17 Show of Hands / Voice Vote
- 10.18 Ballots
- 10.19 Termination, Adjournment and Postponement

SECTION ELEVEN - NOTICES

- 11.01 Method of Giving Notices
- 11.02 Notice to Joint Shareholders
- 11.03 Computation of Time
- 11.04 Undelivered Notices
- 11.05 Omissions and Errors
- 11.06 Persons Entitled by Death or Operation of Law
- 11.07 Waiver of Notice
- 11.09 Interpretation

SECTION TWELVE - EFFECTIVE DATE

- 12.01 Effective Date
- 12.02 Repeal

SECTION ONE - INTERPRETATION

1.01 Definitions. - In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Business Corporations Act* (Alberta), and any regulations promulgated thereunder, including the Regulations, or any statute that may be substituted therefor, as amended from time to time;

"applicable securities laws" means the applicable securities legislation of each relevant province and territory of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings and published policies, policy statements and notices of the securities commission and similar regulatory authorities of each such province and territory of Canada, in each case as amended from time to time;

"appoint" includes "elect" and vice versa;

"articles" means the articles attached to the Certificate of Amalgamation of the Corporation as amended or restated from time to time;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation in force and effect from time to time ;

"cheque" includes a draft;

"close of business" means 5:00 pm (Calgary time) on a business day in Calgary, Alberta or Toronto, Ontario;

"Corporation" means the corporation amalgamated under the Act by the certificate to which the articles are attached and named "**STRATHCONA RESOURCES LTD.**";

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System for Electronic Document Analysis and Retrieval + at www.sedarplus.ca;

"recorded address" has the meaning set forth in section 11.09;

"Regulations" means the Regulations under the Act as published or from time to time amended and every regulation that may be substituted therefor and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefor in the new regulations; and

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

Except as defined above, words and expressions defined in the Act and the Regulations, including the terms "reporting issuer", "electronic means" and "resident Albertan", have the same meanings when used herein. Words importing the singular number include the plural and vice versa; words importing one gender include all genders; and words importing a person include an individual, partnership, association, body corporate, trustee, executor, administrator and legal representative.

SECTION TWO - BUSINESS OF THE CORPORATION

2.01 Registered Office. - The registered office of the Corporation shall be at the place within the Province of Alberta as is specified in the notice thereof filed with the articles and thereafter as the board may determine from time to time .

2.02 Agent for Service.

- (a) The Corporation shall appoint an agent for service who is a resident Albertan as is specified in the notice thereof filed with the articles and thereafter as the board may determine from time to time, and may appoint an alternative agent for service in accordance with the Act.
- (b) Upon the resignation, death or revocation of the appointment of the agent for service or any alternative agent for service, the Corporation shall comply with all notice requirements under the Act and, in the case of an agent for service, forthwith appoint a new agent for service.

2.03 Corporate Seal. - The Corporation may have one or more different corporate seals, which seals may be adopted or changed by the board from time to time.

2.04 Financial Year. - The financial year of the Corporation shall end on such date as may be determined by the directors from time to time.

2.05 Execution of Instruments. - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one person who is an officer or director of the Corporation. In addition, the board may, by resolution, establish certain protocols and authorities for signing of deeds, transfers, assignments, contracts, obligations, certificates and other instruments on behalf of the Corporation. Any signing authority may affix the corporate seal to any instrument requiring the same. The secretary of the Corporation, acting alone, may certify the accuracy and subsisting nature of minutes (or extracts thereof) of any meetings of shareholders, other security holders, directors and committees of the board, or any written resolutions adopted in lieu of any such meeting.

2.06 Banking Arrangements. - The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may be designated by or under the authority of the board from time to time. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may prescribe from time to time.

2.07 Voting Rights in Other Bodies Corporate. - The signing authorities of the Corporation under section 2.05 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities

held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for them. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.08 Divisions. - The board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon a basis, including, without limitation, types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division, the board or, subject to any direction by the board, the chief executive officer, may authorize from time to time, upon such basis as may be considered appropriate in each case:

- (a) Subdivision and Consolidation - the further division of the business and operations of any division into sub-units and the consolidation of the business and operations of any divisions and sub-units;
- (b) Name - the designation of any division or sub-unit by, and the carrying on of the business and operations of any division or sub-unit under, a name other than the name of the Corporation, provided that the Corporation shall set out its name in legible characters in all places required by law; and
- (c) Officers - the appointment of officers for any division or sub-unit, the determination of their powers and duties, and the removal of any officers so appointed, provided that any such officers shall not, by reason of their being officers of a division or sub-unit, be officers of the Corporation.

SECTION THREE - BORROWING AND SECURITY

3.01 Borrowing Power. - Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any obligation; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. – Subject to the Act, the board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of such delegation.

SECTION FOUR - DIRECTORS

4.01 Number of Directors. - Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles. The board shall consist of not fewer than the minimum number of directors required by the Act for a reporting issuer, applicable securities laws and applicable stock exchange requirements.

4.02 Qualification. - No person shall be qualified for election as a director if: they are less than 18 years of age; if they are a represented adult as defined in the *Adult Guardianship and Trusteeship Act* (Alberta) or are the subject of a certificate of incapacity that is in effect under the *Public Trustee Act*, are a formal patient as defined in the *Mental Health Act* (Alberta), or have been found to be a person of unsound mind by a court elsewhere than in Alberta; if they are not an individual; or if they have the status of bankrupt. A director need not be a shareholder.

4.03 Board Composition. - At least such number of directors as may be specified by the Act for a reporting issuer, applicable securities laws, and applicable stock exchange requirements shall not be officers or employees of the Corporation or of its affiliates.

4.04 Election and Term. - The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors otherwise determine. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.05 Removal of Directors. - Subject to the Act, the shareholders may by resolution passed at a meeting of shareholders specially called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board.

4.06 Vacation of Office. - A director ceases to hold office when: the director dies; the director is removed from office by the shareholders; the director ceases to be qualified for election as a director; or their resignation is sent or delivered to the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.

4.07 Vacancies. - Subject to the Act, a quorum of the board may appoint a qualified individual to fill a vacancy in the board.

4.08 Action by the Board. - The board shall manage the business and affairs of the Corporation. The powers of the board may be exercised at a meeting (subject to section 4.09) at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Any such resolution in writing may be signed in counterparts

and if signed as of any date shall be deemed to have been passed on such date. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

4.09 Meeting by Electronic Means. - A director may participate in a meeting of the board or of a committee of the board by electronic means, and a director participating in such a meeting by electronic means is deemed to be present at the meeting, and the directors may determine that the meeting shall be held, in accordance with the Act, entirely by electronic means.

4.10 Place of Meetings. - Subject to section 4.09, meetings of the board may be held at any place.

4.11 Calling of Meetings. - Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the lead director, the managing director, the chief executive officer, the president or any two directors may determine.

4.12 Notice of Meeting. - Notice of the time and location, or information required to access the meeting in the case of a meeting held by electronic means, of each meeting of the board shall be given in the manner provided in Section Eleven to each director not less than forty-eight hours before the time when the meeting is to be held. No notice of a meeting of the board shall be necessary if all the directors in office are present or if those absent waive notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

4.13 First Meeting of New Board. - Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.14 Adjourned Meeting. - Notice of an adjourned meeting of the board is not required if the date, time and place of the adjourned meeting is announced at the original meeting.

4.15 Regular Meetings. - The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.16 Chair of the Board. - The board shall appoint a director as the chair of the board. The chair of the board shall have such other powers and duties as the board may specify.

4.17 Board Meeting Chair. - The chair of any meeting of the board shall be the first mentioned of the following as have been appointed and who is a director and is present at the meeting: chair of the board, the lead director, the managing director, the chief executive officer or the president. If no such individual is present, the directors present shall choose one of their number to be chair of the meeting. The secretary of the Corporation shall act as secretary at any meeting of the board and, if the secretary of the Corporation is absent, the chair of the meeting shall appoint a person, who need not be a director, to act as secretary of the meeting.

4.18 Lead Director. - If the chair of the board is not an independent member of the board, as determined under applicable securities laws, the board may appoint a lead director from among the Corporation's independent directors. If appointed, the board may assign to the lead director any of the powers and duties that are by any provisions of this by-law assigned to the chair of the board.

4.19 Managing Director. - The board may appoint from among the directors a managing director and delegate to such managing director, subject to the restrictions contained in the Act, any of the powers of the board, except authority to conduct extraordinary business.

4.20 Quorum. - The quorum for the transaction of business at any meeting of the board shall be a majority of directors.

4.21 Votes to Govern. - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.22 Conflict of Interest. - A director, or person who is acting in the capacity of a director, who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation, shall disclose in writing to the Corporation, or request to have entered in the minutes of the meetings of directors, the nature and extent of that interest at the time and in the manner provided by the Act whether or not such material contract or material transaction or proposed material contract or proposed material transaction is one that, in the ordinary course the Corporation's business would require approval by directors or shareholders. Such a director, or person who is acting in the capacity of a director, shall not vote on any resolution to approve any such contract or transaction or proposed contract or transaction except as permitted by the Act.

4.23 Remuneration. - The directors shall be paid such remuneration for their services as the board may from time to time determine. Subject to section 4.03, nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION FIVE - COMMITTEES

5.01 Committees of the Board. - The board may appoint, from among its number, one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.

5.02 Transaction of Business. - The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Subject to section 4.09, meetings of such committee may be held at any place in or outside Canada.

5.03 Audit Committee. - The board shall appoint annually, from among its number, an audit committee to be composed of not fewer than three directors who meet the applicable requirements as may be specified by the Act, applicable securities laws and applicable stock exchange requirements. The audit committee shall have the powers and duties provided for in

the Act and applicable securities laws and, in addition, such other powers and duties as the board may determine.

5.04 Advisory Bodies. - The board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 Procedure. - Unless otherwise determined by the board, each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

SECTION SIX - OFFICERS

6.01 Appointment. - The board shall appoint a chief executive officer, a chief financial officer and a secretary, and may from time to time appoint an executive chair, president, one or more vice-presidents (to which title may be added words indicating seniority or function) and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. One person may hold more than one office, provided that the chief financial officer shall not be the chief executive officer. The board may specify the duties of and, in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to section 6.02, an officer may but need not be a director.

6.02 Chief Executive Officer. - Subject to the authority of the board, the chief executive officer shall have general supervision of the business of the Corporation and such other powers and duties as the board may specify.

6.03 President. - The chief executive officer shall also be the president, unless otherwise determined by the board, in which case the president shall have such powers and duties as the board may specify.

6.04 Chief Financial Officer. - The chief financial officer shall have such powers and duties as the board may specify.

6.05 Secretary. - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat. The secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board. The secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, records and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose. In addition to the foregoing, the secretary shall have such other powers and duties as otherwise may be specified.

6.06 Powers and Duties of Officers. - The powers and duties of all officers shall be such as the terms of their engagement call for or as the board or (except for those whose powers and duties are to be specified only by the board) the chief executive officer may specify, and, to the extent not otherwise so specified or delegated, and subject to the Act, shall be those usually incidental and pertaining to their respective offices. The board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.07 Term of Office. - The board, in its discretion, may remove any officer of the Corporation. Otherwise, each officer appointed by the board shall hold office until their successor is appointed or until their earlier resignation.

6.08 Agents and Attorneys. - The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to subdelegate) of management, administration or otherwise as may be thought fit.

6.09 Conflict of Interest. - An officer, or person who is acting in the capacity of an officer, shall disclose their interest in any material contract or material transaction or proposed material contract or material transaction with the Corporation in accordance with section 4.22.

SECTION SEVEN - PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. - Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on their part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of their office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the Regulations or from liability for any breach thereof.

7.02 Indemnity. - Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal administrative, investigative or other action or proceeding to which they are involved by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) they acted honestly and in good faith with a view to the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful. The Corporation may also indemnify such person in such other circumstances as the Act or law permits. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

7.03 Insurance. - Subject to the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as the board may from time to time determine.

SECTION EIGHT - SHARES

8.01 Issuances of Shares, Options or Rights. - Subject to the Act and the articles, the board may from time to time authorize the issuance of shares of the Corporation, and may allot or grant options or other rights or instruments to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 Commissions. - The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of their purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 Dealing with Registered Holders. - Subject to the Act, the Corporation may treat the registered holder of any share of the Corporation as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.04 Security Certificates. - Every holder of one or more securities of the Corporation shall be entitled, at their option, to a security certificate that complies with the Act, or to a non-transferable written acknowledgement of their right to obtain a security certificate in accordance with the Act.

Any such certificates shall be in such form as the board may from time to time approve. Any such certificate shall be signed in accordance with section 2.05, which signatures may be printed or otherwise mechanically reproduced thereon. Every such printed or mechanically reproduced signature shall for all purposes be deemed to be the signature of the signing authority whose signature it reproduces and shall be binding upon the Corporation and need not be under the corporate seal. A certificate executed as aforesaid shall be valid notwithstanding that the signing authority whose printed or mechanically reproduced signature appears thereon no longer holds office at the date of issue of the certificate. Notwithstanding the foregoing, unless the board otherwise determines, certificates in respect of which a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent has been appointed shall not be valid unless countersigned by or on behalf of such registrar, transfer agent, branch transfer agent or issuing or other authenticating agent.

8.05 Replacement of Security Certificates. - The board or any officer or agent designated by the board may in the board or such officer or agent's discretion direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.06 Joint Shareholders. - If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate or other evidence of ownership in respect thereof, and delivery of such certificate or other evidence of ownership to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate or other evidence of ownership issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.07 Deceased Shareholders. - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents (if any).

8.08 Transfer Agents and Registrars. - The Corporation may from time to time, in respect of each class of securities issued by it, appoint a trustee, transfer or other agent to keep the securities register and the register of transfers and a registrar, trustee or agent to maintain a record of issued security certificates and may appoint one or more persons or agents to keep branch registers, and, subject to the Act, one person may be appointed to keep the securities register, register of transfers and the records of any issued security certificates. Such appointment may be terminated at any time by the board.

8.09 Electronic, Book-Based or Other Non-Certificated Registered Positions. - For greater certainty but subject to section 8.04, a registered shareholder may have their holdings of securities of the Corporation evidenced by an electronic, book-based, direct registration system or account or other non-certificated entry or position on the register of securityholders to be kept by the Corporation in place of a physical security certificate pursuant to a registration system that may be adopted by the Corporation, in conjunction with its transfer agent (if any). This by-law shall be read such that a registered holder of securities of the Corporation pursuant to any such electronic, book-based, direct registration system or account or other non-certificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of securities evidenced by a physical security certificate. The Corporation and its transfer agent (if any) may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a security registration system by electronic, book-based, direct registration system or account or other non-certificated means.

SECTION NINE - DIVIDENDS AND RIGHTS

9.01 Dividends. - Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation. Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

9.02 Dividend Payments. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at their recorded address, or, by electronic funds transfer to the bank account designated by the registered holder, unless such holder otherwise directs. In the case of joint holders, the cheque or payment shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, or the electronic funds transfer as aforesaid, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. In the event of non-receipt of any dividend cheque or payment by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque or payment for a like amount on

such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.03 Record Date for Dividends and Rights. – The board may, within the period prescribed by the Act, fix in advance a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. If no record date is so fixed, the record date for the determination of the shareholders entitled to receive payment of any dividend shall be at the close of business on the day on which the board passes the resolution relating to such dividend.

SECTION TEN - MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings. – Subject to the Act, the board shall call an annual meeting of shareholders: (a) not later than 18 months after the date of the Corporation's articles; and (b) subsequently, not later than 15 months after holding the last preceding annual meeting of shareholders, but no later than six months after the end of the Corporation's preceding financial year, unless such longer period is permitted under applicable securities laws and applicable stock exchange requirements. The annual meeting of shareholders shall be held for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 Special Meetings. - The board shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. - Subject to section 10.04, meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in or outside Alberta.

10.04 Meeting by Electronic Means. - If the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, the directors or shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the Act, entirely by electronic means.

10.05 Participation in Meeting by Electronic Means. - Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act, by any electronic, telephonic or other method that the Corporation has made available for that purpose. A person participating in a meeting by electronic means is deemed for the purposes of the Act to be present at the meeting.

10.06 Notice of Meetings. - Notice of the time and location, or information required to access the meeting in the case of a meeting held by electronic means, of each meeting of shareholders shall be given in the manner provided in Section Eleven within the period prescribed by the Act to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting.

10.07 List of Shareholders Entitled to Notice. - The Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, showing the number of shares held by each shareholder entitled to vote at the meeting, within the period prescribed by the Act. If a record date for the meeting is fixed pursuant to section 10.08, the shareholders listed shall be those registered at the close of business on such record date. If no record date for notice of the meeting is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the records office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.08 Record Date for Notice. - If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

10.09 Chair, Secretary and Scrutineers. - The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the board, lead director, managing director, chief executive officer, president or a vice-president who is a shareholder. If no such person is present within fifteen minutes from the time fixed for holding the meeting of shareholders, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The chair of any meeting of shareholders may appoint one or more persons (who need not be shareholders) to act as scrutineer or scrutineers at the meeting of shareholders.

10.10 Persons Entitled to be Present. - The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.11 Quorum. - A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled, and together holding or representing by proxy shares of the Corporation having not less than twenty five percent of the outstanding votes entitled to be cast at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.12 Right to Vote. - Every person named in the list referred to in section 10.07 shall be entitled to vote the shares shown thereon opposite their name at the meeting to which such list relates, except to the extent that: (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of their shares after such record date or, where the Corporation has not fixed a record date in respect of such meeting, such person has transferred

any of their shares after the date on which such list is prepared, and (b) the transferee, having produced properly endorsed certificates or other evidence of registered ownership evidencing such shares or having otherwise established that they own such shares, has demanded not later than two days before the meeting or any shorter period that the chair of the meeting may permit that their name be included in such list. In any such excepted case the transferee shall be entitled to vote the transferred shares at such meeting.

10.13 Proxyholders and Representatives. - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder and one or more alternate proxyholders, to attend and act as their representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or their attorney and shall conform with the requirements of the Act. Alternatively, every such shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting. Any such proxyholder or representative need not be a shareholder.

10.14 Time for Deposit of Proxies. - The board may specify in a notice calling a meeting of shareholders a time not exceeding forty-eight hours, excluding Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting. Notwithstanding the foregoing, the chair of a meeting of shareholders may, in their sole discretion, determine to accept all, but not less than all, proxies which have been deposited following the time so specified.

10.15 Joint Shareholders. - If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares, but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.16 Votes to Govern. - At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands, voice vote or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

10.17 Show of Hands / Voice Vote. - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands or voice vote, unless a ballot thereon is required or demanded as hereinafter provided, and upon a show of hands or voice vote every person who is present and entitled to vote shall have one vote, subject to any provision of the Act restricting the ability of a proxyholder or alternate proxyholder to vote by way of show of hands where such person has conflicting instructions from more than one shareholder. Whenever a vote by show of hands or voice vote shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the

said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question. Any vote referred to in this section 10.17 may be held, in accordance with the Act, partly or entirely by electronic means if made available by the Corporation. Any person participating in a meeting of shareholders under sections 10.04 or 10.05 and entitled to vote at that meeting may vote by electronic means if made available by the Corporation.

10.18 Ballots. - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands or voice vote has been taken thereon, the chair may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which they are entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.19 Termination, Adjournment and Postponement. - The chair of a meeting of shareholders may terminate the meeting following the conclusion of all business which may properly come before the meeting. A meeting of shareholders may be adjourned only upon the affirmative vote of a majority of the votes cast in respect of the shares present or represented in person or by proxy at the meeting. Any business may be brought before or dealt with at any adjourned meeting which may have been brought up or dealt with at the original meeting. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of less than thirty days, it is not necessary to give notice of the resumption of the meeting if the time and place for resuming the meeting are announced at the meeting which is adjourned. The directors may postpone any meeting of shareholders previously called by the directors.

SECTION ELEVEN - NOTICES

11.01 Method of Giving Notices. - Any notice (including any communication or document) to be given (including sent, delivered or served) pursuant to the Act, the Regulations, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to their recorded address or if mailed to them at their recorded address by prepaid ordinary or air mail or if sent to them at their recorded address by any means of prepaid transmitted or recorded communication or if sent to them by electronic transmission in accordance with the provisions of applicable laws relating to the sending of such documents by electronic transmission. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given, with the exception of any notice given pursuant to section 10.06, when deposited in a post office or public letter box, and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable.

11.02 Notice to Joint Shareholders. - If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be included, unless the computation of time is required by law to be performed differently.

11.04 Undelivered Notices. - If any notice given to a shareholder pursuant to section 11.01 is returned on two consecutive occasions because they cannot be found, the Corporation shall not be required to give any further notices to such shareholder until they inform the Corporation in writing of their new address.

11.05 Omissions and Errors. - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom they derive their title to such share prior to their name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which they became so entitled) and prior to their furnishing to the Corporation the proof of authority or evidence of their entitlement prescribed by the Act.

11.07 Waiver of Notice. - Any shareholder, proxyholder or other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to them under the Act, the Regulations, the articles, the by-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

11.08 Electronic Documents. - A requirement under the by-laws that a notice, document or other information be provided in writing may be satisfied by providing an electronic document and a requirement under the by-laws for a signature or that a document be executed, in relation to an electronic document, may be satisfied, in each case, if the requirements in the Act in respect thereof are met.

11.09 Interpretation. - In this by-law, "recorded address" means: in the case of a shareholder their address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there is more than one; and in the case of a director, officer, auditor or member of a committee of the board, their latest address as recorded in the records of the Corporation.

SECTION TWELVE - EFFECTIVE DATE

12.01 Effective Date. - This by-law shall come into force when made by the board in accordance with the Act.

12.02 Repeal. - All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

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BY-LAW NO. 2

A by-law relating to advance notice of nominations
of directors

STRATHCONA RESOURCES LTD.

SECTION ONE - INTRODUCTION

Strathcona Resources Ltd. (the "Corporation") is committed to: (a) facilitating an orderly and efficient process for annual meetings of shareholders or, where the need arises, special meetings of shareholders; (b) ensuring that all shareholders receive adequate notice of director nominations and sufficient information with respect to all director nominees; (c) allowing the board and shareholders a reasonable timeframe to evaluate each nominee's qualifications and suitability as a director of the Corporation; and (d) allowing shareholders to cast an informed vote with respect to the election of directors of the Corporation.

The purpose of this by-law no. 2 of the Corporation (this "by-law") is to provide shareholders, directors and management of the Corporation with guidance on the nomination of directors of the Corporation. This by-law is the framework by which the Corporation fixes a deadline by which holders of record of shares of the Corporation carrying the right to vote must submit director nominations to the Corporation prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to the Corporation in order for such notice to be in proper written form.

It is the belief of the Corporation and the board that this by-law is beneficial to the Corporation, its shareholders and its other stakeholders. This by-law will be subject to periodic review and, subject to the Act, will reflect changes as required by applicable securities laws or applicable stock exchange requirements and, at the discretion of the board, amendments necessary to meet evolving corporate governance standards and requirements.

SECTION TWO - INTERPRETATION

2.01 Definitions. - In this by-law, unless the context otherwise requires:

"Act" means the *Business Corporations Act* (Alberta), and any regulations promulgated thereunder, including the Regulations, or any statute that may be substituted therefor, as amended from time to time;

"applicable securities laws" means the applicable securities legislation of each relevant province and territory of Canada and the respective rules, regulations, instruments, blanket orders and blanket rulings and published policies, policy statements and notices of the securities commission and similar regulatory authorities of each such province and territory of Canada, in each case as amended from time to time;

"articles" means the articles attached to the Certificate of Amalgamation of the Corporation as amended or restated from time to time;

"board" means the board of directors of the Corporation;

"close of business" means 5:00 pm (Calgary time) on a business day in Calgary, Alberta or Toronto, Ontario;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System for Electronic Document Analysis and Retrieval + at www.sedarplus.ca;

"Regulations" means the Regulations under the Act as published or from time to time amended and every regulation that may be substituted therefor and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefor in the new regulations; and

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

Except as defined above, words and expressions defined in the Act and the Regulations have the same meanings when used herein. Words importing the singular number include the plural and vice versa; words importing one gender include all genders; and words importing a person include an individual, partnership, association, body corporate, trustee, executor, administrator and legal representative.

SECTION THREE – ADVANCE NOTICE OF NOMINATIONS OF DIRECTORS

3.01 Nomination Procedures. - Subject only to the Act, applicable securities law and the articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if the election of directors is a matter specified in the notice of meeting:

- (a) by or at the direction of the board, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of a meeting of shareholders by one or more of the shareholders made in accordance with the provisions of the Act;
- (c) by any shareholder holding contractual nomination rights according to the terms of the agreement granting such contractual nomination rights;
- (d) by any person (a "nominating shareholder") who:
 - (i) at the close of business on the date of the giving of the notice provided for in this by-law and on the record date for notice of such meeting of shareholders, is entered in the securities register of the Corporation as a

holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and

- (ii) complies with the notice procedures set forth below in this by-law.

3.02 Nominations for Election. - For the avoidance of doubt, the procedures set forth in this by-law shall be the exclusive means for any person to bring nominations for election to the board before any annual or special meeting of shareholders of the Corporation.

3.03 Timely Notice. - In addition to any other applicable requirements, for a nomination to be made by a nominating shareholder, the nominating shareholder must have given timely notice thereof in proper written form to the secretary of the Corporation in accordance with this by-law.

3.04 Manner of Timely Notice. - To be timely, a nominating shareholder's notice must be given:

- (a) in the case of an annual meeting (including an annual and special meeting) of shareholders, not less than thirty days prior to the date of the meeting, provided, however, that in the event that the meeting is to be held on a date that is less than fifty days after the date (the "notice date") on which the first public announcement of the date of the meeting was made, notice by the nominating shareholder may be made not later than the close of business on the tenth day following the notice date;
- (b) in the case of a special meeting (which is not also not an annual meeting) of shareholders called for the purpose of electing directors (whether or not also called for other purposes), not later than the close of business on the fifteenth day following the notice date; and
- (c) notwithstanding the foregoing, in the case of an annual meeting of shareholders or a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not also called for other purposes) where "notice-and-access" (as defined in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy-related materials and the notice date is not less than fifty days before the date of the meeting, not less than forty days prior to the date of the meeting.

3.05 Proper Form of Notice. - To be in proper written form, a nominating shareholder's notice must set forth or be accompanied by, as applicable:

- (i) as to each person whom the nominating shareholder proposes to nominate for election as a director:
 - (A) the name, age, province or state, and country of residence of the person;
 - (B) the principal occupation, business or employment of the person, both present and within the five years preceding the notice; and

- (C) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by such person, as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and
 - (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws;
- (ii) as to the nominating shareholder:
- (A) the name, age, province or state, and country of residence of the nominating shareholder;
 - (B) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by such person and persons acting jointly or in concert (within the meaning set forth in National Instrument 62-104 *Take-Over Bids and Issuer Bids*) with such person, as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
 - (C) full particulars regarding any proxy, contract, arrangement, agreement, understanding or relationship pursuant to which such nominating shareholder has a right to vote or to direct or to control the voting of any shares of the Corporation; and
 - (D) any other information relating to the nominating shareholder that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.

References to "nominating shareholder" in this section 3.05 shall be deemed to refer to each shareholder that nominates a person for election as a director in the case of a nomination proposal where more than one shareholder is involved in making such nomination proposal.

3.06 Notice to be Updated. - In addition, to be considered timely and in proper written form, a nominating shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

3.07 Power of the Chair. - The chair of the applicable meeting of shareholders shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

3.08 Delivery of Notice. – Notwithstanding any other provision of this by-law, notice given to the secretary of the Corporation pursuant to this by-law may only be given by personal delivery, facsimile transmission or by email (provided that the secretary of the Corporation has stipulated an email address for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery or sent by facsimile transmission (provided that receipt of the confirmation of such transmission has been received) or email (at the address as aforesaid) to the secretary of the Corporation at the address of the principal executive offices of the Corporation, provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

3.09 Increase in Directors for Election. - Notwithstanding any provisions in this by-law to the contrary, in the event that the number of directors to be elected at a meeting is increased effective after the time period for which the nominating shareholder's notice would otherwise be due under this by-law, a notice with respect to nominees for the additional directorships required by this by-law shall be considered timely if it shall be given not later than the close of business on the tenth day following the day on which the first public announcement of such increase was made by the Corporation.

3.10 Board Discretion. – Notwithstanding the foregoing, the board may, in its sole discretion, waive any or all requirements in this by-law.

SECTION FOUR - EFFECTIVE DATE

4.01 Effective Date. - This by-law shall come into force when made by the board in accordance with the Act.

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SCHEDULE "B"

FORM OF ARRANGEMENT RESOLUTION

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Pipestone Energy Corp. (the "**Corporation**"), the holders of common shares of the Corporation (the "**Shareholders**"), Pennant Energy Inc. ("**Pennant**"), a wholly-owned subsidiary of the Corporation, and Strathcona Resources Ltd. (the "**Purchaser**"), as more particularly described and set forth in the management information circular of the Corporation dated August [●], 2023 (the "**Circular**"), as the Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**") involving, among others, the Corporation, the Shareholders, Pennant and the Purchaser, the full text of which is set out in Schedule "A" to the Arrangement Agreement dated effective as of July 31, 2023, as amended and restated on August 22, 2023, between the Corporation and the Purchaser (as may be further supplemented, modified, amended or amended and restated with its terms, the "**Arrangement Agreement**"), as the Plan of Arrangement may be further modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. Any actions of the directors of the Corporation in approving the Arrangement Agreement, the Plan of Arrangement and any related transaction, and the actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement, the Plan of Arrangement and any related transaction, and any amendments, modifications or supplements to any of the foregoing, and any transaction contemplated by any of the foregoing, are hereby ratified, approved and confirmed in all respects.
4. Any one director or officer of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to execute, under the corporate seal of the Corporation or otherwise, and to deliver to the Registrar under the ABCA for filing, articles of arrangement and such other documents as are necessary or advisable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
5. Notwithstanding that this resolution has been passed (and the Plan of Arrangement adopted) by the Shareholders or that the Arrangement has been approved by the Court of King's Bench of Alberta, the directors of the Corporation are hereby authorized and empowered without further notice to or approval of the Shareholders: (a) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; and (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
6. Any one director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute or cause to be executed, under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or advisable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE "C"

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

- (a) Organization. The Purchaser and each of its subsidiaries is validly existing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable.
- (b) Corporate Power and Due Authorization. The Purchaser and each of its subsidiaries has the requisite power and capacity to own and operate its property and assets, carry on its business as now conducted, and to own, lease and operate its assets and properties. The Purchaser and each of its subsidiaries is duly registered to carry on its business as currently conducted and is in good standing in each jurisdiction in which the nature and character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such registration or authorization necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect. The Purchaser has the requisite corporate power and capacity to enter into and to perform its obligations under this Agreement. The execution and delivery of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated by this Agreement have been duly authorized by the board of directors of the Purchaser and no other corporate proceedings on the part of the Purchaser are necessary to authorize this Agreement or the consummation by the Purchaser of the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by the Purchaser and is a valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar applicable Laws relating to or affecting the rights of creditors and others generally and by general equitable principles.
- (c) Subsidiaries. Except as set forth in schedule 4.1(c) of the Purchaser Disclosure Letter, the Purchaser does not have any subsidiaries nor does it hold, directly or indirectly, any interests in any person and is not, directly or indirectly, a partner of any partnerships, limited partnerships or joint ventures.
- (d) Ownership of Subsidiaries. The Purchaser is the beneficial direct or indirect owner of all of the outstanding securities, partnership interests and other ownership interests of its subsidiaries with good title thereto free and clear of any and all Encumbrances (other than Permitted Encumbrances). No person has any agreement, warrant, commitment, option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase, directly or indirectly, of any securities or other ownership interests of any subsidiaries of the Purchaser and none of the outstanding securities of any subsidiaries of the Purchaser were issued in violation of or subject to the pre-emptive or similar rights of any person. All outstanding securities or other ownership interests of the subsidiaries of the Purchaser have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive right.
- (e) Purchaser Shareholder Approval. The Purchaser has obtained the requisite approval of the Purchaser Shareholders in respect of the Arrangement and the other transactions contemplated in this Agreement, a copy of which has been provided to the Target.
- (f) No Contravention. The entering into of this Agreement and the performance by the Purchaser of any of its obligations under this Agreement, do not and will not:
 - (i) contravene, breach or result in any default under the constating documents of the Purchaser or its subsidiaries;

- (ii) except as set forth in schedule 4.1(f)(ii) of the Purchaser Disclosure Letter, require the consent of any person under, violate or be in conflict with, result in the breach of or constitute a default (or with notice or lapse of time or both, constitute a default) under, or result in the termination or suspension of, or accelerate the performance required by the terms, conditions or provisions of, any material contract to which the Purchaser or any of its subsidiaries is a party or by which the properties or assets of the Purchaser or its subsidiaries are or may be bound;
- (iii) result in the creation or imposition of any material Encumbrance on any property or asset of the Purchaser or any of its subsidiaries; or
- (iv) subject to receipt of the Competition Act Approval, the Final Order, compliance with Canadian Securities Laws and U.S. Securities Laws, the delivery of the Articles of Arrangement and the receipt of the Certificate, result in a violation of any applicable Law to which the Purchaser, any of its subsidiaries or their respective properties or assets are subject,

except, in the case of paragraph (f)(ii), paragraph (f)(iii) and paragraph (f)(iv), for such violations, conflicts, breaches, defaults, terminations, suspensions, accelerations of performance and Encumbrances which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (g) Litigation. Except as set forth in schedule 4.1(g) of the Purchaser Disclosure Letter, there are no material claims, actions, suits, arbitrations, inquiries, investigations or proceedings against or involving the Purchaser or any of its subsidiaries (whether in progress or, to the Purchaser's knowledge, threatened).
- (h) Taxes, etc.
 - (i) All Tax Returns required to be filed by or on behalf of the Purchaser or any of its subsidiaries have been duly filed on a timely basis with each relevant Governmental Authority. All such Tax Returns are correct and complete in all material respects, and no material fact has been omitted therefrom. No waiver or extension of time in which to file any such Tax Returns is in effect. No Governmental Authority has asserted that the Purchaser or any of its subsidiaries is required to file Tax Returns or pay any Taxes in any jurisdiction where it does not do so. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by the Purchaser or its subsidiaries with respect to items or periods covered by such Tax Returns.
 - (ii) The Purchaser has paid or provided adequate accruals in the Purchaser Financial Statements for the period from January 1, 2023 to March 31, 2023 for Taxes, including income taxes and related future taxes, if applicable, for such periods, in conformity with IFRS, and has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year, that are due and payable.
 - (iii) To the Purchaser's knowledge, no material deficiencies exist or have been asserted with respect to Taxes of the Purchaser or any of its subsidiaries.
 - (iv) Except as set forth in schedule 4.1(h)(iv) of the Purchaser Disclosure Letter, no assessments or reassessments of the Taxes of the Purchaser or any of its subsidiaries are currently the subject of an objection or appeal, no audit of the Purchaser by any Governmental Authority is currently ongoing and there are no outstanding issues (including collection action) which have been raised and communicated to the Purchaser by any Governmental Authority. Neither the

Purchaser nor any of its subsidiaries has received any notice in writing from any Governmental Authority that an audit, assessment or reassessment of the Purchaser or any of its subsidiaries is proposed in respect of any Taxes, regardless of its merits. Neither the Purchaser nor any of its subsidiaries has executed or filed with any Governmental Authority any agreement or waiver extending the period for assessment, reassessment or collection of any Taxes.

- (v) The Purchaser and each of its subsidiaries has withheld from each payment made to any person, including any of its present or former employees, officers and directors, and all persons who are or are deemed to be non residents of Canada for purposes of the Tax Act, all material amounts required by applicable Law to be withheld, and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. The Purchaser and each of its subsidiaries has remitted all Canada Pension Plan contributions, provincial pension plan contributions, employment insurance premiums, employer health taxes and other Taxes payable or required to be withheld and remitted by it in respect of the employees to the appropriate Governmental Authority within the time required under applicable Law.
- (vi) The Purchaser and each of its subsidiaries has charged, collected and remitted on a timely basis all Taxes as required under any applicable Law on any sale, supply or delivery whatsoever, made by it, and is validly registered as a vendor with the relevant Governmental Authorities for the collection of such Taxes. All input tax credits, refunds, rebates and similar adjustments of Taxes claimed by the Purchaser and its subsidiaries have been validly claimed and correctly calculated as required by applicable Law, and the Purchaser and its subsidiaries have retained appropriate documentation prescribed by applicable Law to support such claims. Where applicable, the Purchaser and each of its subsidiaries: (A) has obtained all required information and documentation to support any zero-rating treatment of its supplies; and (B) has been furnished with valid exemption certificates or their equivalent and has retained all such records and supporting documents in the manner required by applicable Law.
- (vii) Neither the Purchaser nor any of its subsidiaries has taken or agreed to take any action, or has knowledge of any fact or circumstance related solely to the Purchaser or its subsidiaries, that could reasonably be expected to prevent or impede the First Amalgamation or the Second Amalgamation from qualifying for the Intended Tax Treatment.
- (i) Reporting Issuer Status. The Purchaser is not a reporting issuer under applicable Laws in any jurisdiction, nor are any of its outstanding securities listed or posted for trading on any stock exchange. No class of the Purchaser's securities are registered or required to be registered pursuant to section 12 of the U.S. Securities Exchange Act of 1934, as amended, nor does the Purchaser have a reporting obligation pursuant to section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as amended.
- (j) Capitalization.
 - (i) The authorized capital of the Purchaser consists of an unlimited number of Purchaser Class A Shares, an unlimited number of Purchaser Class B Shares and an unlimited number of Purchaser Preferred Shares, issuable in series, of which no series have been authorized. As of the date of this Agreement, there were no more than 932,573,693 Purchaser Class A Shares and 1,254,131,751 Purchaser Class B Shares issued and outstanding and no Purchaser Preferred Shares issued and outstanding. All of the issued and outstanding Purchaser Class A Shares and Purchaser Class B Shares, respectively, have been duly authorized and validly

issued and are fully paid and non-assessable, and are not subject to, nor were they issued in violation of, any pre-emptive rights.

- (ii) There are no:
 - (A) issued, outstanding or authorized options, equity-based awards, warrants, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation, subscription or other rights, or any other agreements, arrangements, understandings, instruments or commitments of any kind that obligate the Purchaser to, directly or indirectly, issue or sell any, or create any additional classes of, securities of the Purchaser, or give any person a right to subscribe for or acquire, any securities of the Purchaser; or
 - (B) outstanding contractual or other obligations of the Purchaser to repurchase, redeem or otherwise acquire any securities of the Purchaser or to qualify securities for public distribution in Canada, the U.S. or elsewhere.
- (k) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Purchaser Shares or any other securities of the Purchaser has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of the Purchaser, are contemplated or threatened under any applicable Laws or by any Governmental Authority.
- (l) Shareholders' and Similar Agreements. Except for the Purchaser USA, neither the Purchaser nor any of its subsidiaries is party to any unanimous shareholders agreement, shareholder agreement, pooling, voting or other similar arrangement or agreement relating to the ownership or voting of any securities of the Purchaser or any of its subsidiaries, or pursuant to which any person may have any right or claim in connection with any existing or past equity interest in the Purchaser or any of its subsidiaries. To the knowledge of the Purchaser, there are no irrevocable proxies or voting agreements with respect to any securities issued by the Purchaser or any of its subsidiaries.
- (m) Material Agreements. There are no agreements material to the conduct of the Purchaser's or any of its subsidiaries affairs or businesses, as applicable, except for those agreements entered into in the ordinary course of business, and except as set forth in schedule 4.1(m) of the Purchaser Disclosure Letter, copies of which have been provided to the Target, and all such material agreements are valid and subsisting and none of the Purchaser or its subsidiaries, or to the knowledge of the Purchaser, any counterparty to such material agreements, is in material default under any such agreement.
- (n) No Material Adverse Change. Since December 31, 2022 and except as contemplated herein: (i) the Purchaser and each of its subsidiaries has conducted its business in the ordinary and normal course and consistent with past practices; (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to the Purchaser, has been incurred other than in the ordinary course of business; and (iii) there has not been any Material Adverse Change of respect of the Purchaser.
- (o) Books and Records. The records and minute books of the Purchaser and each of its subsidiaries have been maintained substantially in accordance with all applicable Laws and are complete and accurate in all material respects, except for any resolutions or minutes relating to this Agreement and the Arrangement.

- (p) Purchaser Financial Statements. The Purchaser Financial Statements were prepared in accordance with IFRS, and present fairly in accordance with IFRS the financial position, results of operations and cash flows of the Purchaser as of the dates thereof and for the periods indicated therein and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Purchaser as of the dates thereof. Since December 31, 2022, there has been no material change in the Purchaser's accounting policies, except as set forth in schedule 4.1(p) of the Purchaser Disclosure Letter.
- (q) Absence of Undisclosed Liabilities. The Purchaser has no material liabilities of any nature (matured or unmatured, absolute, accrued, contingent or otherwise), other than:
- (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Purchaser Financial Statements (the "**Purchaser Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Purchaser Balance Sheet under IFRS;
 - (iii) those incurred in the ordinary course of business since the date of the Purchaser Balance Sheet and consistent with past practices, which are not, individually or in the aggregate, material to the Purchaser; and
 - (iv) those incurred in connection with the execution of this Agreement, which would not, individually or in the aggregate, reasonably be expected to be material to the Purchaser or its business.
- (r) Information to Independent Engineer. The Purchaser has no reason to believe that the Purchaser Reserves Reports and, if applicable, any updates to such reports were not accurate in all material respects as at the applicable effective date of such reports or updates and, except for any impact of changes in commodity prices, which may or may not be material, the Purchaser has no knowledge of a change in the production, costs, reserves, estimates of future net production revenues or other relevant information from that disclosed in any of the Purchaser Reserves Reports or any updates that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Purchaser provided: (i) to McDaniel, prior to the issuance of the Purchaser Heavy Oil Reserves Report and the Purchaser Bitumen Reserves Report for the purpose of preparing such reports; and (ii) to Sproule, prior to the issuance of the Purchaser Petroleum and Gas Reserves Report for the purposes of preparing such report, all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the applicable principal oil and gas assets of the Purchaser and, in particular, all material information respecting the interests of the Purchaser in its applicable principal oil and gas assets and royalty burdens and net profits interest burdens thereon, and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no material change in any of the material information so provided since the date thereof that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (s) Environmental. Except to the extent that any violation or other matter referred to in this paragraph (s) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:
- (i) neither the Purchaser nor any of its subsidiaries has received any notice, claim or demand from any Governmental Authority that it is in violation of any applicable Environmental Laws;

- (ii) the Purchaser and each of its subsidiaries have operated their respective businesses at all times, and have received, handled, used, stored, treated, shipped and disposed of all Contaminants, in material compliance with Environmental Laws;
- (iii) to the knowledge of the Purchaser, there have been no material releases of Contaminants into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Purchaser or any of its subsidiaries that have not been or are not in the process of being remedied or identified for future remediation;
- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Purchaser or any of its subsidiaries of which the Purchaser or its subsidiaries has notice other than abandonment orders, directions or notices issued in connection with the normal course of business;
- (v) neither the Purchaser nor any of its subsidiaries has failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and
- (vi) as of the date hereof, where the Purchaser or any of its subsidiaries is the operator, the Purchaser or such subsidiary holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of such assets, all such licences, permits and approvals are in full force and effect and neither the Purchaser nor any of its subsidiaries has received any notification from any Governmental Authority pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.
- (t) Title. Although it does not warrant title to any of its assets or properties, the Purchaser does represent and warrant that it does not have reason to believe that the Purchaser or its subsidiaries do not have title to or the irrevocable right to produce and sell their petroleum, natural gas and related hydrocarbons (the "**Purchaser Interests**"), as set forth in schedule 4.1(t) of the Purchaser Disclosure Letter.
- (u) Licences. The Purchaser and each of its subsidiaries has obtained and is in compliance with all licences, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Authority necessary to conduct its business as it is now being or is proposed to be conducted, other than such licenses, permits, certificates, consents, orders, grants and other authorizations the absence of which, or the non-compliance with which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Purchaser.
- (v) Compliance with Laws. The Purchaser and each of its subsidiaries has complied with and is in compliance with all applicable Laws in connection with the operation of its business in all material respects.
- (w) No Defaults under Applicable Laws, Leases and Agreements.
 - (i) As of the date of this Agreement, neither the Purchaser nor any of its subsidiaries has received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument, pertaining to the

Purchaser Interests to which it is a party or by or to which it or any of the Purchaser Interests are bound or subject, or under any applicable Laws pertaining to the Purchaser Interests.

(ii) To the knowledge of the Purchaser:

- (A) the Purchaser and each of its subsidiaries is in good standing under all, and is not in default under any; and
- (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice or both, would constitute a default under any,

applicable Laws pertaining to the Purchaser Interests, except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Purchaser.

(iii) To the knowledge of the Purchaser:

- (A) the Purchaser and each of its subsidiaries is in good standing under all, and is not in default under any; and
- (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice or both, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to the Purchaser Interests to which it is a party or by or to which it or the Purchaser Interests are bound or subject and, to the knowledge of the Purchaser, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Purchaser.

(x) No Encumbrances. Neither the Purchaser nor any of its subsidiaries has encumbered or alienated the Purchaser Interests or agreed to do so and the Purchaser Interests are free and clear of all Encumbrances created by, through or under the Purchaser or any of its subsidiaries except for or pursuant to any Permitted Encumbrances or the Purchaser Credit Facilities or those arising in the ordinary course of business, which are not material, individually or in the aggregate.

(y) Royalties, Rentals and Taxes Paid. To the knowledge of the Purchaser, all royalties, and all ad valorem, property, production, severance and similar Taxes, assessment and rentals payable on or prior to the date hereof and based on, or measured by, the Purchaser's or its subsidiaries' ownership of the Purchaser Interests, the production of petroleum substances from the Purchaser Interests or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to the Purchaser Interests and all ad valorem, property, production, severance and similar Taxes and assessments based upon or measured by the ownership of the Purchaser Interests or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or prior to the date hereof have been properly paid in full and in a timely manner or accrued in the Purchaser Financial Statements, except to the extent that such non-payment would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(z) Production Allowables and Production Penalties.

- (i) None of the wells in which the Purchaser or its subsidiaries holds an interest have been produced in excess of applicable production allowables imposed by any applicable Law or any Governmental Authority and the Purchaser has no knowledge of any impending change in production allowables imposed by any applicable Law or any Governmental Authority that may be applicable to any of the wells in which any of them holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; and
- (ii) the Purchaser has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including overproduction penalties imposed by any Governmental Authority that may be applicable, and, to the knowledge of the Purchaser, none of the wells in which any of them holds an interest is subject to any such penalty or restriction;

except, in either case, to the extent that such events would not, individually or in the aggregate, reasonably be expected to be material to the Purchaser or its business.

- (aa) Take-or-pay and Offset Obligations. Except as set forth in schedule 4.1(aa) of the Purchaser Disclosure Letter, the Purchaser has no take-or-pay obligations or similar obligations or requirements of any kind or nature whatsoever. The Purchaser is not aware of any outstanding offset obligations, and has not received any offset notices or default notices under the terms of any lease to which it is a party, including from any Governmental Authority.

- (bb) Pre-Emptive Rights. There are no outstanding rights of first refusal, rights of first offer, pre-emptive rights of purchase, consents to transfer, recall rights or other pre-emptive rights or similar rights of purchase which entitle any person to acquire any of the material rights, title, interests, property, licenses or assets of the Purchaser that will be triggered or accelerated by the Arrangement.

- (cc) Operation and Condition of Wells. All wells in which the Purchaser or its subsidiaries holds an interest:

- (i) for which the Purchaser or any of its subsidiaries was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law; and
- (ii) for which the Purchaser or any of its subsidiaries was not or is not operator, to the knowledge of the Purchaser, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices or applicable Law would not, individually or in the aggregate, reasonably be expected to be material to the Purchaser or its business.

- (dd) Operation and Condition of Tangibles. The Purchaser's and its subsidiaries' tangible depreciable property used or intended for use in connection with the Purchaser Interests:

- (i) for which the Purchaser or any of its subsidiaries was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law during all periods in which the Purchaser or any of its subsidiaries was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
- (ii) for which the Purchaser or any of its subsidiaries was not or is not operator, to the knowledge of the Purchaser, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law during all periods in which neither the Purchaser nor any of its subsidiaries was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices or applicable Law would not, individually or in the aggregate, reasonably be expected to be material to the Purchaser or its business.

- (ee) Corrupt Practices. None of the Purchaser nor, to the Purchaser's knowledge, any of its directors, officers, employees or other persons associated with or acting on behalf of the Purchaser, has, directly or indirectly:
 - (i) used, or authorized the use of, any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
 - (ii) violated or is in violation of any provisions of anti-corruptions Laws applicable to such person;
 - (iii) made any unlawful payment or offer or promise to pay any money, gift or anything of value to any foreign public official, domestic official or employee; or
 - (iv) made any illegal bribe, rebate, payoff, influence payment, kickback or other unlawful payment.
- (ff) Insurance. Except as set forth in schedule 4.1(ff) of the Purchaser Disclosure Letter, policies of insurance are in force as of the date hereof naming the Purchaser and its subsidiaries, as applicable, as an insured that adequately cover all risks as are customarily covered by oil and gas producers in the jurisdictions in which the Purchaser and its subsidiaries operate. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement. The Purchaser and its subsidiaries, as applicable, are in compliance with the terms of such policies in all material respects and there are no material claims by the Purchaser or any of its subsidiaries under any such policy as to which any insurance company is denying liability or defending under a reservation of rights clause.
- (gg) No Limitation. There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which the Purchaser or any of its subsidiaries is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of the Purchaser or any of its subsidiaries in any material respect or to a particular locality or geographic region or for a limited period of time, which agreement, commitment or understanding would not, individually or in the aggregate, reasonably be expected to be material to the Purchaser, its subsidiaries or their respective businesses (including, for greater certainty, following the completion of the Arrangement), and the execution, delivery and performance of this Agreement does not and will not result

in the restriction of the Purchaser or any of its subsidiaries from engaging in its business or from competing with any person or in any geographic area.

- (hh) Debt. As of March 31, 2023, the total consolidated indebtedness of the Purchaser, including long-term debt and bank debt, working capital surplus or deficiency, as applicable, and loans receivable, but excluding unrealized gains and losses on hedging obligations and commodity contracts and any related future income taxes was approximately \$[Redacted: Amount].
- (ii) Funds Available. The Purchaser has, and will until the Effective Time have, sufficient funds available to pay the Termination Fee that may be payable pursuant to Section 6.2.
- (ij) Investment Canada Act. The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).
- (kk) Foreign Private Issuer. The Purchaser is a "foreign private issuer" within the meaning of Rule 3b-4 under the U.S. *Securities Exchange Act of 1934*, as amended.
- (ll) Not an Investment Company. The Purchaser is not registered or required to be registered as an "investment company" within the meaning of the U.S. *Investment Company Act of 1940*, as amended.

SCHEDULE "D"

REPRESENTATIONS AND WARRANTIES OF THE TARGET

- (a) Organization. Each of the Target and the Target Subsidiary is validly existing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable.
- (b) Corporate Power and Due Authorization. Each of the Target and the Target Subsidiary has the requisite corporate power and capacity to own and operate its property and assets, carry on its business as now conducted, and to own, lease and operate its assets and properties. Each of the Target and the Target Subsidiary is duly registered to carry on its business as currently conducted and is in good standing in each jurisdiction in which the nature and character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such registration or authorization necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect. The Target has the requisite corporate power and capacity to enter into and to perform its obligations under this Agreement. The execution and delivery of this Agreement by the Target and the consummation by the Target of the transactions contemplated by this Agreement have been duly authorized by the Target Board and, subject to obtaining the Required Target Shareholder Approval and the Interim Order and the Final Order, no other corporate proceedings on the part of the Target are necessary to authorize this Agreement or the consummation by the Target of the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by the Target and is a valid and binding obligation of the Target, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar applicable Laws relating to or affecting the rights of creditors and others generally and by general equitable principles.
- (c) Subsidiaries. The Target does not have any subsidiaries other than the Target Subsidiary, which is not material to the Target as a whole, nor does it hold, directly or indirectly, any interests in any person and is not, directly or indirectly, a partner of any partnerships, limited partnerships or joint ventures.
- (d) Ownership of Subsidiaries. The Target is the beneficial direct or indirect owner of all of the outstanding securities and other ownership interests of the Target Subsidiary with good title thereto free and clear of any and all Encumbrances (other than Permitted Encumbrances). No person has any agreement, warrant, commitment, option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase, directly or indirectly, of any securities or other ownership interests of the Target Subsidiary and none of the outstanding securities of the Target Subsidiary were issued in violation of or subject to the pre-emptive or similar rights of any person. All outstanding securities or other ownership interests of the Target Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive right.
- (e) No Contravention. The entering into of this Agreement and the performance by the Target of any of its obligations under this Agreement, do not and will not:
 - (i) contravene, breach or result in any default under the constating documents of the Target or the Target Subsidiary;
 - (ii) require the consent of any person under, violate or be in conflict with, result in the breach of or constitute a default (or with notice or lapse of time or both, constitute a default) under, or result in the termination or suspension of, or accelerate the performance required by the terms, conditions or provisions of, any material

contract to which the Target or the Target Subsidiary is a party or by which the properties or assets of the Target or the Target Subsidiary are or may be bound;

- (iii) result in the creation or imposition of any material Encumbrance on any property or asset of the Target or the Target Subsidiary; or
- (iv) subject to receipt of the Competition Act Approval, the Final Order, compliance with Canadian Securities Laws and U.S. Securities Laws, the delivery of the Articles of Arrangement and the receipt of the Certificate, result in a violation of any applicable Law to which the Target, the Target Subsidiary or their respective properties or assets are subject,

except, in the case of paragraph (e)(ii), paragraph (e)(iii) and paragraph (e)(iv), for such violations, conflicts, breaches, defaults, terminations, suspensions, accelerations of performance and Encumbrances which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (f) Funds Available. The Target has, and will until the Effective Time have, sufficient funds available to pay the Termination Fee that may be payable pursuant to Section 6.1;
- (g) Litigation. Except as set forth in schedule 4.2(g) of the Target Disclosure Letter, there are no material claims, actions, suits, arbitrations, inquiries, investigations or proceedings against or involving the Target or the Target Subsidiary (whether in progress or, to the Target's knowledge, threatened).
- (h) Taxes, etc.
 - (i) Each of the Target and the Target Subsidiary is a "taxable Canadian corporation" and is not a non-resident of Canada for purposes of the Tax Act.
 - (ii) All Tax Returns required to be filed by or on behalf of the Target or the Target Subsidiary have been duly filed on a timely basis with each relevant Governmental Authority. All such Tax Returns are correct and complete in all material respects, and no material fact has been omitted therefrom. No waiver or extension of time in which to file any such Tax Returns is in effect. No Governmental Authority has asserted that the Target or the Target Subsidiary is required to file Tax Returns or pay any Taxes in any jurisdiction where it does not do so. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by the Target or the Target Subsidiary with respect to items or periods covered by such Tax Returns.
 - (iii) The Target and the Target Subsidiary have paid or provided adequate accruals in the Target Financial Statements for the period from January 1, 2023 to March 31, 2023 for Taxes, including income taxes and related future taxes, if applicable, for such periods, in conformity with IFRS, and has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year, that are due and payable.
 - (iv) For all periods ended on and after December 31, 2022, the Target has made available to the Purchaser true and complete copies of: (A) material portions of income tax audit reports, statement of deficiencies, closing or other agreements or correspondence concerning assessments or audits pursuant to which a taxing authority has proposed material amendments to previously filed Tax Returns received by or on behalf of the Target or the Target Subsidiary relating to Taxes;

and (B) any material federal, provincial, state, local or foreign income or franchise Tax Returns for the Target and the Target Subsidiary.

- (v) To the Target's knowledge, no material deficiencies exist or have been asserted with respect to Taxes of the Target or the Target Subsidiary.
- (vi) Except as set forth in schedule 4.2(h)(vi) of the Target Disclosure Letter, no assessments or reassessments of the Taxes of the Target or the Target Subsidiary are currently the subject of an objection or appeal, no audit of the Target or the Target Subsidiary by any Governmental Authority is currently ongoing and there are no outstanding issues (including collection action) which have been raised and communicated to the Target by any Governmental Authority. Neither the Target nor the Target Subsidiary has received any notice in writing from any Governmental Authority that an audit, assessment or reassessment of the Target or the Target Subsidiary is proposed in respect of any Taxes, regardless of its merits. Neither the Target nor the Target Subsidiary has executed or filed with any Governmental Authority any agreement or waiver extending the period for assessment, reassessment or collection of any Taxes.
- (vii) Each of the Target and the Target Subsidiary has withheld from each payment made to any person, including any of its present or former employees, officers and directors, and all persons who are or are deemed to be non residents of Canada for purposes of the Tax Act, all material amounts required by applicable Law to be withheld, and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Each of the Target and the Target Subsidiary has remitted all Canada Pension Plan contributions, provincial pension plan contributions, employment insurance premiums, employer health taxes and other Taxes payable or required to be withheld and remitted by it in respect of the employees to the appropriate Governmental Authority within the time required under applicable Law.
- (viii) Each of the Target and the Target Subsidiary has charged, collected and remitted on a timely basis all Taxes as required under any applicable Law on any sale, supply or delivery whatsoever, made by it, and is validly registered as a vendor with the relevant Governmental Authorities for the collection of such Taxes. All input tax credits, refunds, rebates and similar adjustments of Taxes claimed by each of the Target and the Target Subsidiary have been validly claimed and correctly calculated as required by applicable Law, and each of the Target and the Target Subsidiary has retained appropriate documentation prescribed by applicable Law to support such claims. Where applicable, each of the Target and the Target Subsidiary: (A) has obtained all required information and documentation to support any zero-rating treatment of its supplies; and (B) has been furnished with valid exemption certificates or their equivalent and has retained all such records and supporting documents in the manner required by applicable Law.
- (ix) Each of the Target and the Target Subsidiary has maintained and continues to maintain at its place of business in Canada all records and books of account required to be maintained under the Tax Act, the *Excise Tax Act* (Canada) and any comparable Law of any province or territory in Canada, including Laws relating to sales and use taxes.
- (x) The terms and conditions made or imposed in respect of every transaction (or series of transactions) between the Target or the Target Subsidiary and any person that is: (A) a non-resident of Canada for purposes of the Tax Act; and (B) not dealing at arm's length with the Target or the Target Subsidiary for purposes of the

Tax Act, do not differ from those that would have been made between persons dealing at arm's length for purposes of the Tax Act.

- (xi) Each of the Target and the Target Subsidiary has made or obtained records or documents that meet the requirements of paragraphs 247(4)(a) to (c) of the Tax Act with respect to all material transactions between it and any non-resident of Canada with whom it was not dealing at arm's length for purposes of the Tax Act.
 - (xii) Neither the Target nor the Target Subsidiary is party to or bound by any tax sharing agreement, tax indemnity obligation in favour of any person or similar agreement in favour of any person with respect to Taxes (including any advance pricing agreement or other similar agreement relating to Taxes with any Governmental Authority) excluding any agreement not specifically contemplated by applicable Law governing Taxes.
 - (xiii) There are no transactions or events that have resulted, and no circumstances existing, which could result in the application to the Target or the Target Subsidiary of sections 17, 78, 80, 80.01, 80.02, 80.03, 80.04, 160 or 191.3 of the Tax Act or any analogous provision of any comparable Law of any province or territory of Canada.
 - (xiv) Neither the Target nor the Target Subsidiary has claimed any amount under the Canada Emergency Wage Subsidy, Canada Emergency Rent Subsidy or any other COVID-19 related assistance or subsidies that it was not otherwise entitled to claim in respect of any period (or portion thereof) ending on or prior to the Effective Date.
 - (xv) Neither the Target nor the Target Subsidiary has taken or agreed to take any action, or has knowledge of any fact or circumstance related solely to the Target and the Target Subsidiary, that could reasonably be expected to prevent or impede the First Amalgamation or the Second Amalgamation from qualifying for the Intended Tax Treatment.
- (i) Reporting Issuer Status. The Target is a reporting issuer in each of the provinces of Canada and is in material compliance with all applicable Canadian Securities Laws therein. The Target Shares are listed and posted for trading on the TSX and the Target is in material compliance with the applicable rules of the TSX.
- (j) Capitalization.
- (i) The authorized capital of the Target consists of an unlimited number of Target Shares and an unlimited number of Target Preferred Shares, issuable in series. As of the date of this Agreement, there were 279,689,285 Target Shares and no Target Preferred Shares issued and outstanding. All of the issued and outstanding Target Shares have been duly authorized and validly issued and are fully paid and non-assessable, and are not subject to, nor were they issued in violation of, any pre-emptive rights.
 - (ii) Other than the Target Shares, there are no securities of the Target outstanding which have the right to vote generally with Target Shareholders on any matter relating to the approval of the Arrangement.
 - (iii) As of the date of this Agreement, an aggregate of up to 18,776 Target Shares are to be issued under the Target's ESPP.

- (iv) As of the date of this Agreement, there were 2,143,365 Target Shares issuable upon the exercise of outstanding Target Options, plus \$294,000 in value of additional Target Options that have been approved by the Target Board prior to the date of this Agreement that have not been issued by the Target to the individuals entitled thereto. Schedule 4.2(j)(iv) of the Target Disclosure Letter contains a complete and accurate list of the outstanding and Target Options with details regarding the exercise price and the vesting terms and status of such securities. All of the outstanding Target Options have been duly authorized by Target Board (or a duly authorized committee thereof) and issued in compliance with applicable Laws and the terms of the Target LTIP.
- (v) As of the date of this Agreement, there were 2,033,542 outstanding Target RSUs, plus \$1,237,000 in value of additional Target RSUs and an aggregate of 39,000 additional RSUs that have been approved by the Target Board prior to the date of this Agreement that have not been issued by the Target to the individuals entitled thereto. Schedule 4.2(j)(v) of the Target Disclosure Letter contains a complete and accurate list of all outstanding Target RSUs with details regarding the vesting terms and status of such securities. All of the outstanding Target RSUs have been duly authorized by the Target Board (or a duly authorized committee thereof) and issued in compliance with applicable Laws and the terms of the Target LTIP.
- (vi) As of the date of this Agreement, there were 2,444,056 outstanding Target PSUs, plus \$1,763,000 in value of additional Target PSUs that have been approved by the Target Board prior to the date of this Agreement that have not been issued by the Target to the individuals entitled thereto. Schedule 4.2(j)(vi) of the Target Disclosure Letter contains a complete and accurate list of all outstanding Target PSUs with details regarding the vesting terms and status of such securities. All of the outstanding Target PSUs have been duly authorized by the Target Board (or a duly authorized committee thereof) and issued in compliance with applicable Laws and the terms of the Target LTIP.
- (vii) All Target Shares, if any, issued upon the exercise or settlement, as applicable, of Target Options, Target RSUs or Target PSUs will be duly authorized, validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.
- (viii) The Target has provided to the Purchaser true and complete copies of the Target LTIP and all related award agreements under which any outstanding Target Options, Target RSUs or Target PSUs have been granted are substantially in the form of the award agreements provided to the Purchaser.
- (ix) All outstanding Target Options, Target RSUs and Target PSUs have been recorded in the Target Financial Statements in accordance with IFRS and no such grants involved any "back dating", "forward dating", "spring loading" or similar concept.
- (x) Except for outstanding Target Options, Target RSUs and Target PSUs and the Target ESPP and except as set forth in schedule 4.2(j)(x) of the Target Disclosure Letter, there are no:
 - (A) issued, outstanding or authorized options, equity-based awards, warrants, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation, subscription or other rights, or any other agreements, arrangements, understandings, instruments or commitments of any kind that obligate the Target to, directly or indirectly, issue or sell any, or create

any additional classes of, securities of the Target, or give any person a right to subscribe for or acquire, any securities of the Target; or

- (B) outstanding contractual or other obligations of the Target to repurchase, redeem or otherwise acquire any securities of the Target or to qualify securities for public distribution in Canada, the U.S. or elsewhere.
- (xi) All dividends or distributions on the securities of the Target that have been declared or authorized have been paid in full.
- (k) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Target Shares or any other securities of the Target has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of the Target, are contemplated or threatened under any applicable Laws or by any Governmental Authority.
- (l) Shareholders' and Similar Agreements. Other than the Target Investor Rights Agreements, neither the Target nor the Target Subsidiary is party to any unanimous shareholders agreement, shareholder agreement, pooling, voting or other similar arrangement or agreement relating to the ownership or voting of any securities of the Target or the Target Subsidiary, or pursuant to which any person may have any right or claim in connection with any existing or past equity interest in the Target or the Target Subsidiary. To the knowledge of the Target, there are no irrevocable proxies or voting agreements with respect to any securities issued by the Target or the Target Subsidiary other than the Support Agreements.
- (m) Rights Plan. The Target Board has not adopted and the Target is not a party to any shareholder rights plan or, except for the Target ESPP and the Target LTIP, any other form of plan, agreement, contract or instrument that shall trigger any rights to acquire Target Shares or other securities of the Target or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Arrangement.
- (n) Material Agreements. Except as set forth in schedule 4.2(n) of the Target Disclosure Letter, there are no agreements material to the conduct of the Target's or the Target Subsidiary's affairs or businesses, as applicable, except for those agreements entered into in the ordinary course of business, and except as disclosed in the Target Public Record, copies of which have been provided to the Purchaser, and all such material agreements are valid and subsisting and neither the Target nor the Target Subsidiary, or to the knowledge of the Target, any counterparty to such material agreements, is in material default under any such agreement.
- (o) Target Public Record. The information and statements set forth in the Target Public Record were true, correct and complete and did not contain any misrepresentation as of the respective dates of such information or statements or, if amended, as of the date of such amendment. The Target has timely filed all material forms, reports, schedules, statements and other documents required to be filed under Canadian Securities Laws since becoming a "reporting issuer". The Target has not filed any confidential material change report that, at the date hereof, remains confidential.
- (p) No Material Adverse Change. Since December 31, 2022 and except as contemplated herein: (i) each of the Target and the Target Subsidiary has conducted its business in the ordinary and normal course and consistent with past practices; (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to the Target or the Target Subsidiary has been incurred other than in the ordinary course of business; and (iii) there has not been any Material Adverse Change of respect of the Target.

- (q) Books and Records. The records and minute books of each of the Target and the Target Subsidiary have been maintained substantially in accordance with all applicable Laws and are complete and accurate in all material respects, except for any resolutions or minutes relating to this Agreement and the Arrangement.
- (r) Target Financial Statements. The Target Financial Statements were prepared in accordance with IFRS, and present fairly in accordance with IFRS the consolidated financial position, results of operations and cash flows of the Target as of the dates thereof and for the periods indicated therein and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Target and the Target Subsidiary as of the dates thereof. Since December 31, 2022, there has been no material change in the Target's accounting policies.
- (s) Financial Reporting. The Target maintains a system of internal control over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and has otherwise complied with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, except where the failure to maintain such a system would not reasonably be expected to have a Material Adverse Effect on the Target; management of the Target has assessed the effectiveness of the Target's internal control over financial reporting, as at December 31, 2022, and has concluded that such internal control over financial reporting was effective as of such date.
- (t) Disclosure Controls and Procedures. The Target maintains disclosure controls and procedures that comply with the requirements of Canadian Securities Laws and applicable U.S. Securities Laws, as applicable; such disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Target in the reports that it files or submits under Canadian Securities Laws is recorded, processed, summarized and reported within the time periods specified in such securities Laws; such disclosure controls and procedures were effective as of December 31, 2022 at a reasonable assurance level.
- (u) Absence of Undisclosed Liabilities. Neither the Target nor the Target Subsidiary has any material liabilities of any nature (matured or unmatured, absolute, accrued, contingent or otherwise), other than:
- (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Target Financial Statements (the "**Target Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Target Balance Sheet under IFRS;
 - (iii) those incurred in the ordinary course of business since the date of the Target Balance Sheet and consistent with past practices, which are not, individually or in the aggregate, material to the Target; and
 - (iv) those incurred in connection with the execution of this Agreement, which would not, individually or in the aggregate, reasonably be expected to be material to the Target or its business.
- (v) Information to Independent Engineer. The Target has no reason to believe that the Target Reserves Report and, if applicable, any updates to such report was not accurate in all material respects as at the effective date of such report or update and, except for any

impact of changes in commodity prices, which may or may not be material, the Target has no knowledge of a change in the production, costs, reserves, estimates of future net production revenues or other relevant information from that disclosed in Target Reserves Report or any update that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Target provided to McDaniel, prior to the issuance of the Target Reserves Report for the purpose of preparing such report, all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of the Target and the Target Subsidiary and, in particular, all material information respecting the interests of the Target and the Target Subsidiary in their principal oil and gas assets and royalty burdens and net profits interest burdens thereon, and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no material change in any of the material information so provided since the date thereof that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (w) Environmental. Except to the extent that any violation or other matter referred to in this paragraph 4.2(w) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:
- (i) neither the Target nor the Target Subsidiary has received any notice, claim or demand from any Governmental Authority that it is in violation of any applicable Environmental Laws;
 - (ii) each of the Target and the Target Subsidiary have operated their respective businesses at all times, and have received, handled, used, stored, treated, shipped and disposed of all Contaminants, in material compliance with Environmental Laws;
 - (iii) to the knowledge of the Target, there have been no material releases of Contaminants into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Target or the Target Subsidiary that have not been or are not in the process of being remedied or identified for future remediation;
 - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Target or the Target Subsidiary of which the Target or the Target Subsidiary has notice other than abandonment orders, directions or notices issued in connection with the normal course of business;
 - (v) neither the Target nor the Target Subsidiary has failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and
 - (vi) as of the date hereof, where the Target or the Target Subsidiary is the operator, the Target or the Target Subsidiary holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of such assets, all such licences, permits and approvals are in full force and effect and neither the Target nor the Target Subsidiary has received any notification from any Governmental Authority pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval

issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.

- (x) Title. Although it does not warrant title to any of its assets or properties, the Target does represent and warrant that it does not have reason to believe that the Target or the Target Subsidiary do not have title to or the irrevocable right to produce and sell their petroleum, natural gas and related hydrocarbons (the "**Target Interests**"), as set forth in schedule 4.2(x) of the Target Disclosure Letter.
- (y) Licences. Each of the Target and the Target Subsidiary has obtained and are in compliance with all licences, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Authority necessary to conduct its business as it is now being or is proposed to be conducted, other than such licenses, permits, certificates, consents, orders, grants and other authorizations the absence of which, or the non-compliance with which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Target.
- (z) Compliance with Laws. Each of the Target and the Target Subsidiary has complied with and are in compliance with all applicable Laws in connection with the operation of its business in all material respects.
- (aa) No Defaults under Applicable Laws, Leases and Agreements.
 - (i) As of the date of this Agreement, neither the Target nor the Target Subsidiary has received notice of any default under any of the leases and other title and operating documents or any other agreement or instrument, pertaining to the Target Interests or to which it is a party or by or to which it or any the Target Interests are bound or subject, or under any applicable Laws pertaining to the Target Interests.
 - (ii) To the knowledge of the Target:
 - (A) each of the Target and the Target Subsidiary is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice or both, would constitute a default under any, applicable Laws pertaining to the Target Interests, except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Target.
 - (iii) To the knowledge of the Target:
 - (A) each of the Target and the Target Subsidiary is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice or both, would constitute a default under any, leases and other title and operating documents or any other agreements and instruments pertaining to the Target Interests to which it is a party or by or to which it or the Target Interests are bound or subject and, to the knowledge of the Target, all such leases, title and operating documents and other agreements and

instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Target.

- (bb) No Encumbrances. Neither the Target nor the Target Subsidiary has encumbered or alienated the Target Interests or agreed to do so and the Target Interests are free and clear of all Encumbrances created by, through or under the Target or the Target Subsidiary except for or pursuant to any Permitted Encumbrances or the Target Credit Facilities or those arising in the ordinary course of business, which are not material, individually or in the aggregate.
- (cc) No Reduction of Interests. None of the Target's or the Target Subsidiary's oil and gas assets are subject to reduction by reference to payout of, or production penalty on, any well or otherwise or to change to an interest of any other size or nature by virtue of, or through, any right or interest granted by, through or under the Target or the Target Subsidiary, which would, individually or in the aggregate, reasonably be expected to be material to the Target or its business.
- (dd) Receipt of Revenues. To the knowledge of the Target, the Target has been receiving the share of the net proceeds of production from its assets attributable to its interest in such assets and no person has provided the Target with written notice of, nor does the Target have any knowledge of, a claim by any person that the Target is not entitled to such amounts.
- (ee) Royalties, Rentals and Taxes Paid. To the knowledge of the Target, all royalties, and all ad valorem, property, production, severance and similar Taxes, assessment and rentals payable on or prior to the date hereof and based on, or measured by, the Target's or the Target Subsidiary's ownership of the Target Interests, the production of petroleum substances from the Target Interests or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to the Target Interests and all ad valorem, property, production, severance and similar Taxes and assessments based upon or measured by the ownership of the Target Interests or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or prior to the date hereof have been properly paid in full and in a timely manner or accrued in the Target Financial Statements, except to the extent that such non-payment would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (ff) Production Allowables and Production Penalties.
 - (i) None of the wells in which the Target or the Target Subsidiary holds an interest have been produced in excess of applicable production allowables imposed by any applicable Law or any Governmental Authority and the Target has no knowledge of any impending change in production allowables imposed by any applicable Law or any Governmental Authority that may be applicable to any of the wells in which any of them holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; and
 - (ii) the Target has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including overproduction penalties imposed by any Governmental Authority that may be applicable, and, to the knowledge of the Target, none of the wells in which any of them holds an interest is subject to any such penalty or restriction;

except, in either case, to the extent that such events would not, individually or in the aggregate, reasonably be expected to be material to the Target or its business.

- (gg) Take-or-pay and Offset Obligations. Except as set forth in schedule 4.2(gg) of the Target Disclosure Letter, neither the Target nor the Target Subsidiary has any take-or-pay obligations or similar obligations or requirements of any kind or nature whatsoever. The Target is not aware of any outstanding offset obligations, and has not received any offset notices or default notices under the terms of any lease to which it or the Target Subsidiary is a party, including from any Governmental Authority.
- (hh) Pre-Emptive Rights. There are no outstanding rights of first refusal, rights of first offer, pre-emptive rights of purchase, consents to transfer, recall rights or other pre-emptive rights or similar rights of purchase which entitle any person to acquire any of the material rights, title, interests, property, licenses or assets of the Target or the Target Subsidiary that will be triggered or accelerated by the Arrangement.
- (ii) Operation and Condition of Wells. All wells in which the Target or the Target Subsidiary hold an interest:
 - (i) for which the Target or the Target Subsidiary was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law; and
 - (ii) for which the Target or the Target Subsidiary was not or is not operator, to the knowledge of the Target, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices or applicable Law would not, individually or in the aggregate, reasonably be expected to be material to the Target or its business.

- (jj) Operation and Condition of Tangibles. The Target's and the Target Subsidiary's tangible depreciable property used or intended for use in connection with the Target Interests:
 - (i) for which the Target or the Target Subsidiary was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law during all periods in which the Target or the Target Subsidiary was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
 - (ii) for which the Target or the Target Subsidiary was not or is not operator, to the knowledge of the Target, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law during all periods in which neither the Target nor the Target Subsidiary was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices or applicable Law would not, individually or in the aggregate, reasonably be expected to be material to the Target or its business.

- (kk) Area of Mutual Interest. None of the Target's or the Target Subsidiary's oil and gas assets is subject to an agreement that provides for an area of mutual interest or an area of exclusion.
- (ll) Long Term and Derivative Transactions. Except as set forth in schedule 4.2(ll) of the Target Disclosure Letter, neither the Target nor the Target Subsidiary has any obligations or liabilities, direct or indirect, absolute, accrued, contingent or otherwise, in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.
- (mm) Outstanding Acquisitions and Dispositions. Neither the Target nor the Target Subsidiary has any rights to purchase or obligations to sell or otherwise dispose of assets, properties or undertakings of third parties under any agreements.
- (nn) Fairness Opinions. The Target Independent Committee has received the BMO Fairness Opinion from BMO on the date hereof and will receive a written fairness opinion from BMO to the same effect as the BMO Fairness Opinion prior to the mailing of the Target Information Circular for inclusion therein. The Target Board has received the RJL Fairness Opinion from RJL on the date hereof and will receive a written fairness opinion from RJL to the same effect as the RJL Fairness Opinion prior to the mailing of the Target Information Circular for inclusion therein.
- (oo) Employment and Officer Obligations.
- (i) Except as set forth in schedule 4.2(oo) of the Target Disclosure Letter, the Target Executive Employment Agreements, the Target ESPP and the Target LTIP, there are no other material employment or consulting services agreements, termination, severance, bonus or retention plans or policies of the Target or the Target Subsidiary which contemplates any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be required by applicable Law or as may be required by the terms of such agreement, plan or policy. The obligations of the Target under the Target Executive Employment Agreements and all other employment or consulting services agreements, termination, severance plans or policies for severance, termination or bonus payments (other than settlement of the Target Incentive Securities as contemplated by Section 2.8) or any other payments related to any Target LTIP, arising out of or in connection with the Arrangement shall not exceed the amounts disclosed in schedule 4.2(oo) of the Target Disclosure Letter.
- (ii) All amounts due or accrued for all salary, wages, fees, bonuses, incentive compensation, deferred compensation, commissions, vacation with pay, sick days and benefits and other similar accruals related to the Target Employees and each independent contractor, consultants and contract operator of the Target or the Target Subsidiary have either been paid or are accrued and accurately reflected in the books and records of the Target.
- (pp) Employment Matters. Schedule 4.2(pp) of the Target Disclosure Letter includes the Target Employee Information for each Target Employee and each independent contractor, consultant and contract operator of the Target or the Target Subsidiary. Each of the Target and the Target Subsidiary is in material compliance with all applicable Laws respecting

employment, employment practices and standards, terms and conditions of employment, wages and hours, occupational health and safety, human rights, accessibility, labour relations, employment equity, pay equity and workers' compensation. Except as set out in schedule 4.2(pp) the Target Disclosure Letter, no Target Employee is on short-term or long-term disability benefits or, to the knowledge of the Target, in the process of applying for short-term or long-term disability benefits. With respect to any the Target Employee whose employment or engagement has been terminated within two years prior to the date of this Agreement, all amounts owing in respect of such termination (whether as salary, benefits, severance or termination pay) have been paid and no such the Target Employee has made or, to the Target's knowledge, has any legal basis to make, any claim for further payment, whether in respect of salary, benefits, severance or termination payments or otherwise. Neither the Target nor the Target Subsidiary has agreed to recognize any union, nor has any union been certified as the exclusive bargaining representative of any of the Target Employees, independent contractors or consultants, and neither the Target nor the Target Subsidiary is a party to, or bound by, any collective bargaining agreement, labour contract, letter of understanding, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labour union, trade union or employee organization or group. Neither the Target nor the Target Subsidiary has engaged in any unfair labour practice, nor is the Target aware of any pending or threatened complaint regarding any unfair labour practice. To the knowledge of the Target, no union organizational campaign or representation petitions are currently pending with respect to any of the Target Employees. There is no labour strike or labour dispute, slowdown, lockout or stoppage actually pending or, to the knowledge of the Target, threatened against or affecting the Target or the Target Subsidiary, and neither the Target nor the Target Subsidiary has experienced any labour strikes or labour disputes, slowdowns, lockouts or stoppages within the last three years. All current premiums or assessments under applicable workers' compensation Laws that relate to the Target or the Target Subsidiary have been paid or accrued, and neither the Target nor the Target Subsidiary have been subject to any specialty or penalty assessment under such Laws which has not been paid. There are no outstanding inspection orders made under applicable occupational health and safety Laws relating to the Target or the Target Subsidiary. There have been no fatal or critical accidents which have occurred in the course of the operation of the Target's or the Target Subsidiary's business which might lead to charges under applicable occupational health and safety Laws.

(qq) Employee Benefit Plans.

- (i) All material contributions to employee benefit plans (including premiums) required by applicable Law or contract to have been made or accrued by the Target or the Target Subsidiary, have been paid or accrued, as applicable.
- (ii) Except for the Target LTIP and the Target ESPP, neither the Target nor the Target Subsidiary offers any equity or equity-based compensation arrangements.

(rr) No Pension Plans. Neither the Target nor the Target Subsidiary sponsors or administers any "registered pension plan" as such term is defined in subsection 248(1) of the Tax Act.

(ss) Corrupt Practices. None of the Target, the Target Subsidiary nor, to the Target's knowledge, any of their respective directors, officers, employees or other persons associated with or acting on behalf of the Target or the Target Subsidiary, has, directly or indirectly:

- (i) used, or authorized the use of, any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;

- (ii) violated or is in violation of any provisions of anti-corruptions Laws applicable to such person;
 - (iii) made any unlawful payment or offer or promise to pay any money, gift or anything of value to any foreign public official, domestic official or employee; or
 - (iv) made any illegal bribe, rebate, payoff, influence payment, kickback or other unlawful payment.
- (tt) Intellectual Property.
- (i) The Target and the Target Subsidiary collectively own, with good and valid title thereto, free and clear of all Encumbrances except for the Permitted Encumbrances, or has the full right or license to use, and to continue to use, the Intellectual Property used by each of the Target and the Target Subsidiary in the operation, conduct or maintenance of their respective businesses in the manner presently operated, conducted and maintained (the "**Target IP**").
 - (ii) The Target IP is sufficient for each of the Target and the Target Subsidiary to operate, conduct and maintain their respective businesses in the manner presently operated, conducted and maintained.
 - (iii) Neither the operation, conduct or maintenance by the Target or the Target Subsidiary of their respective businesses in the manner presently and historically operated, conducted and maintained, nor the use by the Target or the Target Subsidiary of any the Target IP in respect thereto infringes, misappropriates, misuses or violates the Intellectual Property rights or any other rights of any person, or breaches any duty or obligation owed to any person.
 - (iv) Neither the Target nor the Target Subsidiary have received any claim alleging: (i) the infringement, misappropriation, misuse or violation of any Intellectual Property right or other right of any person or breach of any duty or obligation owed to any person; or (ii) that the Target or the Target Subsidiary do not own or have the right to use the Target IP in connection with the operation, conduct and maintenance of their respective businesses in the manner presently operated, conducted and maintained.
 - (v) There are no judicial, administrative or other actions, suits or proceedings initiated by any person pending against the Target or the Target Subsidiary concerning the Target IP.
 - (vi) The entering into of this Agreement will not trigger any material change of control payments or fees under any seismic license agreements.
 - (vii) To the knowledge of the Target, no person is engaging in any activity that infringes the Target IP.
 - (viii) Each of the Target and the Target Subsidiary has used and continues to use commercially reasonable efforts (including measures to protect secrecy and confidentiality, where appropriate) to protect the Target IP.
 - (ix) The Information Technology owned, licensed, leased or used by each of the Target and the Target Subsidiary (the "**Target IT**") meets or exceeds industry standards and adequately satisfies the data processing and other computing needs of the respective businesses and operations of the Target and the Target Subsidiary as presently operated, conducted and maintained.

- (x) Each of the Target and the Target Subsidiary:
 - (A) has and continues to use commercially reasonable efforts to protect the security and integrity of the Target IT and the information thereon; and
 - (B) has adopted administrative, procedural, physical and technological safeguards (including disaster recovery and business continuity plans), which adequately and properly ensure the protection of its business.
- (xi) Each of the Target and the Target Subsidiary has collected, used, disclosed, stored, and otherwise processed all personal information under its custody and control materially in accordance with applicable data protection and privacy Laws.
- (uu) Insurance. Policies of insurance are in force as of the date hereof naming the Target and the Target Subsidiary, as applicable, as an insured that adequately cover all risks as are customarily covered by oil and gas producers in the jurisdictions in which the Target and the Target Subsidiary operate. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement. Each of the Target and the Target Subsidiary, as applicable, is in compliance with the terms of such policies in all material respects and there are no material claims by the Target or the Target Subsidiary under any such policy as to which any insurance company is denying liability or defending under a reservation of rights clause.
- (vv) No Limitation. There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which the Target or the Target Subsidiary is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of the Target or the Target Subsidiary in any material respect or to a particular locality or geographic region or for a limited period of time, which agreement, commitment or understanding would not, individually or in the aggregate, reasonably be expected to be material to the Target, the Target Subsidiary or their respective businesses (including, for greater certainty, following the completion of the Arrangement), and the execution, delivery and performance of this Agreement does not and will not result in the restriction of the Target or the Target Subsidiary from engaging in its business or from competing with any person or in any geographic area.
- (ww) Debt. As of March 31, 2023, the Target Debt was approximately \$151 million.
- (xx) Guarantees and Indemnification. Other than agreements entered into in the ordinary course of business, neither the Target nor the Target Subsidiary is a party to or bound by any agreement of guarantee or indemnification (other than an indemnification of directors and officers in accordance with their respective constating documents or applicable Laws) in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.
- (yy) Flow Through Obligations. The Target does not have any outstanding obligations to incur and/or renounce any Canadian exploration expenditures or Canadian development expenditures (each as defined in the Tax Act) to any purchaser of Target Shares that have not yet been fully expended and renounced and reflected in the Target Financial Statements.
- (zz) Brokers and Finders. Other than BMO Capital Markets, RJL and parties in respect of which amounts have been included in the Transaction Costs, the Target has not entered into any contract that would entitle any person to any valid claim against the Target for a broker's commission, finder's fee or any similar payment in respect of the Arrangement or any other matter contemplated by this Agreement.

- (aaa) Confidentiality Agreement. All agreements entered into by the Target with persons other than the Purchaser regarding the confidentiality of information provided to such persons or reviewed by such persons with respect to the sale of the Target or a substantial portion of its assets or any other business combination or similar transaction between the Target and such person contain customary provisions, including standstill provisions, and the Target has not waived, released or amended the standstill or other provisions of any such agreements.

APPENDIX "D"

BMO FAIRNESS OPINION

(See attached)

July 31, 2023

The Special Committee of the Board of Directors
Pipestone Energy Corp.
3700, 888 – 3rd Street SW
Calgary, AB
T2P 5C5, Canada

To the Special Committee of the Board of Directors:

BMO Nesbitt Burns Inc. (“BMO Capital Markets” or “we” or “us”) understands that Pipestone Energy Corp. (the “Company” or “Pipestone”) and Strathcona Resources Ltd. (“Strathcona”) propose to enter into an arrangement agreement to be dated July 31, 2023 (the “Arrangement Agreement”) providing for a plan of arrangement under the *Business Corporations Act* (Alberta) pursuant to which, among other things, Strathcona and Pipestone will be amalgamated to form a new corporation, which will continue as “Strathcona Resources Ltd.” (“AmalCo”), all of the outstanding common shares of the Company (the “Pipestone Shares”) will be exchanged for the common shares of AmalCo on the basis of 0.067967 common shares of AmalCo (the “Consideration”) per Pipestone Share, all of the Strathcona Class A common shares will be exchanged for common shares of AmalCo on the basis of 0.089278 common shares of AmalCo per Strathcona Class A common share, and all of the Strathcona Class B common shares will be exchanged for common shares of AmalCo on the basis of 0.089278 common shares of AmalCo per Strathcona Class B common share (the “Arrangement”). The terms and conditions of the Arrangement Agreement will be summarized in the Company’s management information circular (the “Circular”) to be mailed to holders of Pipestone Shares (the “Shareholders”) in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the special committee of the board of directors of the Company (the “Special Committee” and the “Board of Directors”, respectively), including our opinion (the “Opinion”) to the Special Committee and the Board of Directors as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement.

Engagement of BMO Capital Markets

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment on March 14, 2022. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated June 26, 2023 (the “Engagement Agreement”), effective March 15, 2022. The Engagement Agreement replaced an earlier engagement agreement dated June 22, 2022. Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.



Under the terms of the Engagement Agreement, BMO Capital Markets will receive a fee for rendering the Opinion, which is not contingent on the completion of the Arrangement. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

Credentials of BMO Capital Markets

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, Strathcona, or any of their respective associates or affiliates (collectively, the "Interested Parties").

Neither BMO Capital Markets nor any of its affiliates has been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties since the date which was two years prior to initial contact in connection with our engagement, other than: (i) acting as financial advisor to the Special Committee of the Board of Directors pursuant to the Engagement Agreement; (ii) acting as co-lead arranger and lender in the Company's credit facility extension in July 2020; (iii) acting as private placement advisor to the Company in connection with its \$70 million convertible preferred share financing in September 2020; (iv) acting as co-lead arranger and lender in the Company's reserve-based loan in April 2021, October 2021, May 2022 and in May 2023; (v) providing various commodities and trading products services to the Company; (vi) acting as joint bookrunner in connection with Strathcona's US\$500 million senior notes private offering in July 2021; (vii) acting as lender in Strathcona's revolving credit facility in August 2020; (viii) acting as lender in Strathcona's refinanced revolving credit facility in June 2021; (ix) acting as financial advisor to Strathcona in connection with its acquisition of Caltex Resources Ltd. in March 2022; (x) acting as lead arranger right and lender in Strathcona's \$1.5 billion revolving credit facility in March 2022; (xi) acting as financial advisor to Strathcona in connection with its acquisition of Serafina Energy Ltd. in August 2022; (xii) acting as lead arranger right and lender for Strathcona's \$2.0 billion revolving credit facility and \$700 million term loan in August 2022 and (xiii) providing various treasury, foreign exchange, commodities and trading products services to Strathcona.

Other than as set forth above and certain commitments made by the Company to BMO Capital Markets under the Engagement Agreement with respect to potential future financial advisory engagements, there are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal (“BMO”), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the Arrangement Agreement dated July 31, 2023;
2. a draft of the Plan of Arrangement under section 193 of the *Business Corporations Act* (Alberta) dated July 28, 2023;
3. a draft of the voting support agreements (the “Support Agreements”) dated July 31, 2023, between Strathcona and certain Pipestone Shareholders;
4. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public companies we considered relevant;
5. reserve report summaries for each of the Company and Strathcona, as of December 31, 2022;
6. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;
7. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of Strathcona relating to the business, operations and financial condition of Strathcona;

8. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;
9. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of Strathcona;
10. internal management forecasts, projections and estimates of Strathcona pro forma the acquisition by Strathcona of Pipestone, prepared or provided by or on behalf of management of Strathcona;
11. discussions with management of the Company and Strathcona relating to the Company's and Strathcona's respective current business, plan, financial condition and prospects;
12. public information with respect to selected precedent transactions we considered relevant;
13. historical commodity prices and the impact of various commodity pricing assumptions on the business, prospects and financial forecasts of the Company and Strathcona;
14. various reports published by equity research analysts or industry sources we considered relevant;
15. letters of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by two senior officers of each of the Company and Strathcona; and
16. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by BMO Capital Markets.

Assumptions and Limitations

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions (in the case of the Company), reports (in the case of Strathcona), representations and other material obtained by us from public sources or provided to us by or on behalf of the Company, Strathcona or otherwise obtained by us in connection with our engagement (the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates (including, without limitation, estimates of future resource or reserve additions) and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company and management of Strathcona, having regard to the Company's and Strathcona's respective business, plans, financial condition and prospects.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information

provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*) or any of its or their representatives in connection with our engagement was, in respect of the Company or, to the best of the Company's knowledge in respect of Strathcona, in each case together with their respective subsidiaries, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Alberta)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or, to the best of the Company's knowledge, Strathcona or any of their respective subsidiaries, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

Senior officers of Strathcona have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by an officer or employee of Strathcona or in writing by Strathcona or any of its representatives in connection with the Arrangement Agreement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Alberta)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Strathcona or any of its subsidiaries.

In preparing the Opinion, we have assumed that the executed Arrangement Agreement and Support Agreements will not differ in any material respect from the draft that we reviewed, and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company and Strathcona as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Special Committee, and may be shared with the Board of Directors, for their exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof



(in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company or of any of its affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the Information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

Conclusion

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

Yours truly,

A handwritten signature in black ink that reads "BMO Nesbitt Burns Inc." in a cursive script.

BMO Nesbitt Burns Inc.

APPENDIX "E"

RJL FAIRNESS OPINION

(See attached)

RAYMOND JAMES

July 31, 2023

The Board of Directors of
Pipestone Energy Corp.
3700, 888 3rd Street SW
Calgary, Alberta
T2P 5C5

To the Board of Directors:

Raymond James Ltd. (“**Raymond James**”, “**we**” or “**us**”) understands that Pipestone Energy Corp. (“**Pipestone**” or the “**Company**”) and Strathcona Resources Ltd. (“**Strathcona**”) intend to enter into an arrangement agreement (the “**Arrangement Agreement**”) pursuant to which Strathcona will, among other things, acquire all of the issued and outstanding common shares of Pipestone (each a “**Pipestone Share**”) via a court approved plan of arrangement (the “**Arrangement**”) under the *Business Corporations Act* (Alberta) (the “**Transaction**”). Pursuant to the Transaction, Strathcona and Pipestone will be amalgamated to form a new corporation under the name “Strathcona Resources Ltd.” (“**AmalCo**”). Following completion of the Transaction, existing Pipestone shareholders (each, a “**Shareholder**”) will receive approximately 9.05% of the pro forma equity in AmalCo on a fully-diluted basis (approximately 8.87% basic), equating to an exchange ratio of 0.067967 AmalCo shares per Pipestone Share (the “**Consideration**”).

The terms and conditions of the Arrangement will be summarized in Pipestone’s management information circular (the “**Circular**”) to be mailed to the Shareholders in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement. We have been retained to provide our opinion (the “**Opinion**”) to the Board of Directors of the Company (the “**Board of Directors**”) as to whether the Consideration to be received under the Arrangement is fair, from a financial point of view, to the Shareholders.

Engagement of Raymond James

Raymond James was formally engaged by the Board of Directors pursuant to an engagement letter dated July 14, 2023 (the “**Engagement Agreement**”). Under the terms of the Engagement Agreement, Raymond James has agreed to provide this Opinion to the Board of Directors.

Raymond James will receive a fixed fee for rendering this Opinion under the Engagement Agreement. Raymond James is to be reimbursed for all reasonable legal and other out-of-pocket expenses in accordance with the terms of the Engagement Agreement. Raymond James and its affiliates and their respective directors, officers, partners, employees, agents, advisors and shareholders are to be indemnified by the Company from and against certain potential liabilities arising out of its engagement. Raymond James’ compensation for providing this Opinion is not contingent on an action or event resulting from the use of the Opinion. The fixed fee for rendering this Opinion under the Engagement Agreement is not financially material to Raymond James.

Independence of Raymond James

Neither Raymond James nor any of its affiliates or associates is an insider or an associated or affiliated entity or issuer insider (as such terms are defined in the *Securities Act* (Alberta) or the rules or instruments made thereunder) of the Company or Strathcona or any of their respective subsidiaries, associates, affiliates, control persons, senior officers or directors (the “**Interested Parties**”).

Raymond James has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as financial advisor to the Board of Directors

Raymond James Ltd.

Suite 5400 – 40 King Street West, Toronto, ON, M5H 3Y2 • 416 777 7000 • 416 777 7020 Fax

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pursuant to the Engagement Agreement. There are no other understandings, agreements or commitments between Raymond James and any of the Interested Parties with respect to any current or future business dealings which would be material to the Opinion.

Raymond James may, in the ordinary course of its business, provide financial advisory or investment banking services to the Interested Parties or their respective affiliates or associates from time to time. In addition, in the ordinary course of its business, Raymond James acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today or in the future, positions in the securities of the Interested Parties or their respective affiliates or associates, and, from time to time, may have executed or may execute transactions on behalf of the Interested Parties or other clients for which it received or may receive compensation. In addition, as an investment dealer, Raymond James conducts research on securities, and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties or their respective affiliates or associates.

Credentials of Raymond James

Raymond James is a North American full-service investment dealer with operations located across Canada. Raymond James is a member of the Toronto Stock Exchange, the TSX-V the Montreal Exchange, the New Self-Regulatory Organization of Canada (formerly the Investment Industry Regulatory Organization of Canada, “**New SRO**”), the Investment Funds Institute of Canada, and the Canadian Investor Protection Fund. Raymond James and its officers have prepared numerous valuations and fairness opinions and have participated in a significant number of transactions involving private and publicly-traded companies. Raymond James is indirectly wholly-owned by Raymond James Financial, Inc. (“**Raymond James Financial**”). Raymond James Financial is a diversified financial services holding company listed on the New York Stock Exchange (NYSE: RJF) whose subsidiaries engage primarily in investment and financial planning, including securities and insurance, brokerage, investment banking, asset management, banking and cash management, and trust services.

The Opinion expressed herein represents the opinion of Raymond James and the form and content of this Opinion have been reviewed and approved for release by a committee of managing directors of Raymond James. The committee members are professionals experienced in providing valuations and fairness opinions for mergers and acquisitions as well as providing capital markets advice.

Scope of Review

In connection with rendering our Opinion, we have reviewed and relied upon, without independent verification and among other things, the following:

- i. A draft of the Arrangement Agreement, including the plan of arrangement and the schedules attached thereto (together with disclosure letters relating thereto), to be entered into between the Company and Strathcona;
- ii. A draft of the voting support agreements to be entered into between Strathcona and certain significant Shareholders;
- iii. A draft of the voting support agreement to be entered into between Strathcona and each of the directors of officers of Pipestone;
- iv. The letter of intent received from Strathcona dated June 26, 2023;
- v. Consolidated annual financial statements, and management’s discussion and analysis, of Pipestone for the years ended December 31, 2022, 2021, and 2020 together with the notes thereto and the auditors’ reports thereon;

- vi. Consolidated annual financial statements, and management's discussion and analysis, of Strathcona for the years ended December 31, 2022, 2021, and 2020 together with the notes thereto and the auditors' reports thereon;
- vii. Pipestone's condensed interim consolidated financial statements and management's discussion and analysis for the three month periods ended March 31, 2023, September 30, 2022, June 30, 2022, March 31, 2022, September 30, 2021, and June 30, 2021;
- viii. Strathcona's condensed interim consolidated financial statements and management's discussion and analysis for the three month periods ended March 31, 2023, September 30, 2022, June 30, 2022, March 31, 2022, September 30, 2021, and June 30, 2021;
- ix. Certain public disclosure by the Company as filed on the System for Electronic Document Analysis and Retrieval+ ("**SEDAR+**"), including press releases and other public disclosure by the Company;
- x. Certain public disclosure by Strathcona as published on Strathcona website, including press releases and other public disclosure by Strathcona;
- xi. Select confidential information and select other documents contained in two virtual online data rooms hosted by BMO Capital Markets ("**BMO**") on behalf of the Company, containing operational and financial information related to Pipestone;
- xii. Select confidential information and select other documents contained in a virtual online data room hosted by Strathcona, containing operational and financial information related to Strathcona;
- xiii. Pipestone's "Management Presentation" dated May 2023 used by the Company in discussions with potential bidders;
- xiv. Strathcona's confidential "Management Presentation" dated July 2023 provided by Strathcona in respect of its assets, operations, financials and long term plans;
- xv. Presentations and process summaries prepared by BMO dated July 22, 2022; July 28, 2022; August 9, 2022; June 6, 2023; and July 17, 2023 relating to the sale process that was conducted whereby interested parties entered into confidentiality agreements with the Company and conducted due diligence to determine their interest in pursuing a transaction involving Pipestone;
- xvi. McDaniel Associates ("**McDaniel**") reserves evaluation and McDaniel contingent resources estimation pertaining to Pipestone, effective December 31, 2021 and December 31, 2022 applying "3 Consultant" average engineering price forecasts as of January 1, 2023;
- xvii. Sproule Associates ("**Sproule**") and McDaniel reserves evaluation and Sproule and McDaniel contingent resources estimation pertaining to Strathcona, effective December 31, 2022 applying Sproule price forecasts as of December 31, 2022;
- xviii. Pipestone's corporate forecast model applying forward strip and consensus pricing as at July 11, 2023, as provided by BMO on behalf of the Company;
- xix. Certain public investor presentations and marketing materials prepared by Pipestone;
- xx. Strathcona's stand alone and proforma corporate forecast model applying forward consensus strip pricing as at July 11, 2023, as provided by BMO;
- xxi. Pipestone ValNav model output based on McDaniel's year-end reserve evaluation adjusted for forward strip pricing as at July 11, 2023, as provided by BMO on behalf of the Company;
- xxii. Strathcona's ValNav model output based on Sproule and McDaniel's year end reserves evaluations, adjusted for forward strip pricing as at July 11, 2023, as provided by Strathcona;
- xxiii. Public Alberta Energy Regulator data with respect to Pipestone and Strathcona, publicly available on GeoScout;
- xxiv. Conversations with Company management with regards to the operations, financial condition, prospects and corporate strategy of the Company;

- xxv. Certain internal financial, operational, corporate and other information with respect to the Company and Strathcona;
- xxvi. Copies of certain non-binding letters of intent or proposals received and considered by Pipestone from counterparties other than Strathcona, in connection with such parties' interest in pursuing a transaction with Pipestone;
- xxvii. Other public information relating to the business, operations and financial condition of the Company and Strathcona considered by us to be relevant;
- xxviii. Selected public market trading statistics and financial information of the Company and other entities considered by us to be relevant;
- xxix. Other public information relating to selected public companies considered by us to be relevant, including published reports by equity research analysts and industry reports;
- xxx. Information with respect to selected precedent transactions considered by us to be relevant; and
- xxxi. Such other information, analyses, investigations, and discussions as we considered necessary or appropriate in the circumstances.

We have participated in various discussions with members of the Company's management regarding the Company's business, operations, financial condition, corporate strategy and prospects. We have also had communications with McCarthy Tetrault LLP, legal counsel to the Company, concerning the Arrangement and related matters. Raymond James has not, to the best of its knowledge, been denied access to any information requested by Raymond James with respect to the Transaction.

Prior Valuations

The Chief Executive Officer and the Chief Financial Officer of the Company have represented to Raymond James that, to the best of their knowledge, there have been no valuations or appraisals relating to the Company or its subsidiary, or any of their respective securities or material assets, made in the preceding 24 months, including any "prior valuation" within the meaning of Canadian Securities Administrators Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Chief Executive Officer and the Chief Financial Officer of Strathcona have represented to Raymond James that, to the best of their knowledge, there have been no valuations or appraisals relating to Strathcona or its subsidiary, or any of their respective securities or material assets, made in the preceding 24 months.

Assumptions and Limitations

Our Opinion is subject to the assumptions, qualifications and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation under MI 61-101 or appraisal of any of the assets or securities of the Company or any of its subsidiaries and our Opinion should not be construed as such. We have relied upon the advice of counsel to the Company that the Arrangement is not subject to MI 61-101 (including the valuation requirements thereunder). This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of New SRO, but New SRO has not been involved in the preparation or review of this Opinion.

With the Company's acknowledgement and agreement as provided for in the Engagement Agreement, Raymond James has relied upon the accuracy, completeness and fair presentation of all data, advice, opinions and other information obtained by it from public sources or provided to it by the Company or its agents and advisors, or otherwise obtained by Raymond James (collectively, the "Information").

We have not been requested to, or attempted to verify independently the accuracy, completeness or fairness of presentation of any the Information. We have not met separately with the independent auditors of the Company or Strathcona in connection with preparing this Opinion and we have assumed the accuracy and fair presentation of, and relied upon, the Company's and Strathcona's audited financial statements and the reports of the auditors thereon and the Company's and Strathcona's interim unaudited financial statements. We have not met separately with the reserve evaluators of the Company or Strathcona in connection with preparing this Opinion

With respect to the budgets, forecasts, projections or estimates provided to Raymond James and used in its analyses, Raymond James notes that projecting future results is inherently subject to uncertainty. Raymond James has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein which Raymond James has been advised are (or were at the time of preparation and continue to be), in the opinion of Company or Strathcona, as applicable, reasonable in the circumstances. Raymond James expresses no independent view as to, and disclaims all responsibility for, the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

The Company has represented to us, in a certificate of its Chief Executive Officer and Chief Financial Officer dated the date hereof, among other things, that the information provided orally or in writing by the Company or their representatives to RJL in connection with a Transaction (collectively, the "**Pipestone Information**"), are complete, accurate, true and correct in all material respects at the date the Pipestone Information was provided to us and that no material change has occurred in the Pipestone Information or any part thereof, since the respective dates which would have or which would reasonably be expected to have a material effect on that Opinion or the Transaction.

Strathcona has represented to us, in a certificate of the Chief Executive Officer and the Chief Financial Officer of Strathcona dated the date hereof, among other things, that the information (financial or otherwise) (collectively, the "**Strathcona Information**"), is complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Alberta)). Since the dates on which the Strathcona Information was provided to RJL, except as disclosed to RJL, there have been no changes in any material facts comprising the Strathcona Information or new material facts which have not been disclosed to RJL or updated by more current Strathcona Information and there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Strathcona or any of its subsidiaries, and no change has occurred in the Strathcona Information or any part thereof which would have or which could reasonably be expected to have a material effect on Strathcona. We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Transaction. We have assumed that all government, regulatory, stock exchange, court or other consents and approvals required in respect of the Transaction will be obtained.

In our analyses and in connection with the preparation of our Opinion, we made customary assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Transaction. Our Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company and Strathcona as they are reflected in the Information and as they were represented to us in our discussions with management of the Company, Strathcona and their affiliates and advisors.

We have assumed that the Arrangement will be completed substantially in accordance with its terms (without any waiver or amendment of any terms or conditions) and all applicable laws and that the Arrangement Agreement and the Circular will disclose all material facts relating to the Arrangement and will satisfy all applicable legal requirements. We have assumed that the Arrangement Agreement (including any schedules or disclosure letters relating thereto) will not differ materially from the form of the drafts reviewed by us. We have assumed that the representations and warranties made by the parties in the Arrangement Agreement are true and correct. Our Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to the Company, nor does it

RAYMOND JAMES

address the underlying business decision to implement the Arrangement. Our Opinion does not address the treatment of the Company's dilutive security holders under the Arrangement.

The Opinion is being provided to the Board of Directors for its exclusive use only in considering the Arrangement and, except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, may not be published, disclosed to any other person, relied upon or used by any other person, or used for any other purpose, without the prior written consent of Raymond James. Our Opinion is not intended to be and does not constitute a recommendation to the Company to proceed with the Transaction, a recommendation to any security holder to accept or reject the Transaction, nor an opinion concerning the trading price or value of any securities of the Company following the announcement, completion or termination of the Transaction.

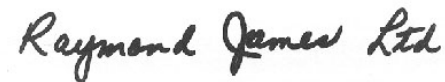
Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of an Opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to do so could lead to undue emphasis on any particular factor or analysis; accordingly, our Opinion should be read in its entirety.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information, including the Pipestone Information or Strathcona Information, that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date of the Opinion.

Opinion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion that, as of the date hereof, the Consideration to be received under the Arrangement is fair, from a financial point of view, to the Shareholders.

Yours very truly,

A handwritten signature in dark ink that reads "Raymond James Ltd". The script is cursive and fluid.

Raymond James Ltd.

APPENDIX "F"

SECTION 191 OF THE ABCA

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and

- (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder, and
 - (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14) On
- (e) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (f) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (g) the pronouncement of an order under subsection (13),
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,
- notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

APPENDIX "G"

INFORMATION CONCERNING PIPESTONE ENERGY CORP.

NOTICE TO READER AND GLOSSARY OF TERMS

The following is a glossary of defined terms used in this Appendix "G". Unless the context otherwise requires, capitalized terms which are used in this Appendix "G" and not otherwise defined in this Appendix "G" have the respective meanings given to such terms under the heading "*Glossary of Terms*" in the Information Circular to which this Appendix "G" is attached. Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

"Pipestone 2023 Information Circular" means the information circular and proxy statement dated May 9, 2023 of Pipestone in respect of the annual general meeting of Pipestone Shareholders held on June 22, 2023;

"Pipestone Annual MD&A" means the management's discussion and analysis for the year ended December 31, 2022; and

"Pipestone Interim MD&A" means the management's discussion and analysis of Pipestone for the three and six months ended June 30, 2023.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

Certain statements contained in this Appendix "G", and in certain documents incorporated by reference into this Appendix "G", constitute forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") or financial outlooks within the meaning of applicable Canadian Securities Laws. Such forward-looking statements relate to future events or Pipestone's future performance. See "*Forward-Looking Statements*" in this Information Circular, the Pipestone Annual MD&A and the Pipestone Interim MD&A, as well as "*Forward-Looking Information & Statements*" in the Pipestone AIF. Readers should also carefully consider the matters and cautionary statements discussed under the heading "*Risk Factors*" in this Information Circular, as well as under the heading "*Risk Factors*" in this Appendix "G" and the Pipestone AIF, which is incorporated by reference in this Appendix "G".

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Appendix "G" from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Pipestone at Suite 3700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5 or by facsimile at (587) 392-8421. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR+ website at www.sedarplus.ca.

The following documents of Pipestone, filed with the various securities commissions or similar authorities in each of the provinces of Canada where Pipestone is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Appendix "G":

- (a) the Pipestone AIF;
- (b) the Pipestone Annual Financial Statements;
- (c) the Pipestone Interim Financial Statements;
- (d) the Pipestone Annual MD&A;
- (e) the Pipestone Interim MD&A;
- (f) the Pipestone 2023 Information Circular; and
- (g) the material change report of Pipestone in respect of the Arrangement dated August 4, 2023.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Appendix "G" to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Appendix "G".

DESCRIPTION OF THE BUSINESS OF PIPESTONE

General

Pipestone Energy Corp. is a corporation existing under the laws of the Province of Alberta that is engaged in the responsible exploration for, and development and production of, oil and natural gas liquids (including condensate, pentane, butane, propane and ethane) and natural gas in Western Canada, with substantially all of its activities and assets focused in the Montney resource play in Alberta. Pipestone is a reporting issuer or the equivalent under the securities Laws of each of the provinces of Canada. The Pipestone Shares are listed and posted for trading on the TSX under the symbol "PIPE".

Pipestone's head office is located at 3700, 888 – 3rd Street SW, Calgary Alberta T2P 5C5 and its registered office is located at 4000, 421 – 7th Avenue SW, Calgary Alberta T2P 4K7. Pipestone's financial year end is December 31.

For further information regarding Pipestone and its business activities, see the Pipestone AIF and the other documents incorporated by reference in this Appendix "G".

DESCRIPTION OF CAPITAL STRUCTURE

Pipestone is authorized to issue an unlimited number of Pipestone Shares and an unlimited number of Pipestone Preferred Shares. As at August 25, 2023, there were 279,708,061 Pipestone Shares and no Pipestone Preferred Shares outstanding. Each Pipestone Share carries the right to one vote on any matter properly coming before the Meeting.

For a description of the Pipestone Shares and the Pipestone Preferred Shares see "*Description of Capital Structure*" in the Pipestone AIF, which is incorporated by reference in this Information Circular.

DIVIDENDS AND DISTRIBUTIONS

On November 23, 2022, the Pipestone Board established a quarterly dividend of \$0.03 per Pipestone Share or \$0.12 per Pipestone Share on an annualized basis, commencing in the first quarter of 2023. On August 9, 2023, the Pipestone Board declared its third quarterly dividend of \$0.03 per Pipestone Share, which will be payable on September 29, 2023, to Pipestone Shareholders of record at the close of business on September 15, 2023.

See "*Dividends*" in the Pipestone AIF, which is incorporated by reference in this Appendix "G".

CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of Pipestone on a consolidated basis since June 30, 2023.

PRIOR SALES

Pipestone has not sold or issued any Pipestone Shares or Pipestone Preferred Shares or securities convertible into Pipestone Shares or Pipestone Preferred Shares during the 12-month period prior to the date of the Information Circular, other than 96,813,592 Pipestone Shares issued pursuant to the exercise of Options and vesting of RSUs and PSUs, as applicable, in accordance with their terms and the grant of 866,579 Options, 756,012 PSUs and 1,231,086 RSUs in accordance with the terms of the Pipestone LTIP.

For information on the treatment of the Pipestone Incentive Securities upon completion of the Arrangement, see "*The Arrangement – Treatment of Pipestone Securities*" in this Information Circular.

MARKET FOR PIPESTONE SHARES

The Pipestone Shares trade on the TSX under the trading symbol "PIPE". The following table sets out the high and low trading prices and aggregate volume of trading of the Pipestone Shares for the periods noted below.

Price Range and Volume of Trading of Shares

Period	High	Low	Average Daily Volume
2022			
August	\$5.17	\$3.61	785,502
September	\$4.99	\$3.33	548,445
October	\$4.44	\$3.77	509,327
November	\$4.60	\$3.13	985,753
December	\$3.55	\$2.68	944,548
2023			
January	\$3.29	\$2.68	515,200
February	\$3.10	\$2.64	439,898
March	\$3.18	\$2.47	317,890
April	\$2.53	\$2.45	317,824
May	\$2.67	\$2.26	324,581
June	\$2.62	\$2.02	300,922
July	\$2.72	\$2.19	258,394
August (1-24)	\$2.76	\$2.13	914,903

On July 31, 2023, the last trading day on which the Pipestone Shares traded prior to the announcement of the Arrangement, the closing price of the Pipestone Shares on the TSX was \$2.72 and the 20-day weighted average price of the Pipestone Shares on the TSX was \$2.4082. On August 24, 2023, the last trading day prior to the date of the Information Circular, the closing price of the Pipestone Shares on the TSX was \$2.16 and the 20-day weighted average price of the Pipestone Shares on the TSX was \$2.3932.

RISK FACTORS

Pipestone Shareholders should carefully consider the risk factors described under "*Risk Factors*" in the Pipestone AIF and under "*Risk Factors*" in the Pipestone Interim MD&A, each of which is incorporated by reference in this Appendix "G". In addition, Pipestone Shareholders should carefully review and consider all other information contained in this Information Circular before making a decision to vote for or against the Arrangement Resolution and consult their own experts where necessary. Readers should also carefully consider the matters and cautionary statements discussed under the heading "*Risk Factors*" in this Information Circular, as well as under the headings "*Risk Factors*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" and in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement.*", each attached to this Information Circular.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Pipestone is involved in various claims and litigation arising in the ordinary course of business. While the outcomes of these matters are uncertain and there can be no assurance that such matters will be resolved

in Pipestone's favour, Pipestone does not currently believe that the outcomes of adverse decisions in any pending or threatened proceedings related to these or other matters or any amounts which it may be required to pay by reason thereof would have a material adverse impact on its financial condition, results of operations or liquidity.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Information Circular, there were no material interests, direct or indirect, of directors or executive officers of Pipestone, of any Pipestone Shareholder who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Pipestone Shares, or any other Informed Person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) or any known associate or affiliate of such persons, in any transaction since the commencement of Pipestone's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Pipestone or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND MANAGEMENT

As of the date hereof, no director, executive officer, employee or former director, executive officer or employee of Pipestone or the Pipestone Subsidiary or any associate of such person, is now, or has been in the recently completed financial year, indebted to Pipestone, or any other entity in respect of any guarantee, support agreement, letter of credit or other similar arrangement provided by Pipestone.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP is the current auditor of Pipestone and have confirmed that they are independent with respect to Pipestone within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Pipestone Shares is Odyssey Trust Company at its principal office in Calgary, Alberta.

ADDITIONAL INFORMATION

Additional information regarding Pipestone may be found on SEDAR+ at www.sedarplus.ca. Financial information in respect of Pipestone and its affairs is provided in the Pipestone Annual Financial Statements, Pipestone Interim Financial Statements, Pipestone Annual MD&A and Pipestone Interim MD&A. Copies of Pipestone financial statements and related management's discussion and analysis are available upon request from Chief Financial Officer of Pipestone at Suite 3700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5 or by facsimile at (587) 392-8421.

APPENDIX "H"

INFORMATION CONCERNING STRATHCONA RESOURCES LTD.

Table of Contents

Page

NOTICE TO READER AND GLOSSARY OF TERMS	1	FINANCIAL STATEMENTS.....	32
CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS AND INFORMATION.....	6	MANAGEMENT DISCUSSION AND ANALYSIS	33
PRESENTATION OF OIL AND GAS INFORMATION.....	7	DESCRIPTION OF CAPITAL STRUCTURE	33
SPECIFIED FINANCIAL MEASURES	9	Strathcona Shares	33
CURRENCY.....	9	Bank Credit Facilities	34
STRATHCONA RESOURCES LTD.	9	Letter of Credit Facility	35
Name and Incorporation	9	Senior Notes	36
Intercorporate Relationships.....	10	CREDIT RATINGS	36
GENERAL DEVELOPMENT OF THE BUSINESS.....	10	CONSOLIDATED CAPITALIZATION	37
Overview.....	10	DIVIDENDS AND DISTRIBUTIONS.....	37
History.....	11	PRIOR SALES	37
DESCRIPTION OF THE BUSINESS	12	ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER	38
Overview.....	12	PRINCIPAL SHAREHOLDERS.....	38
Production History	12	DIRECTORS AND EXECUTIVE OFFICERS	39
Quarterly Field Operating Netback History	13	Cease Trade Orders, Bankruptcies, Penalties or Sanctions.....	41
Capital Expenditures and Costs Incurred.....	14	Conflicts of Interest	41
Exploration and Development Activities.....	15	STATEMENT OF EXECUTIVE COMPENSATION	42
Oil and Gas Properties and Wells.....	15	General	42
Properties with No Attributed Reserves	16	Compensation Philosophy and Objectives of Compensation Program.....	42
Description of Strathcona's Assets and Operations.....	16	Components of Executive Compensation	43
Petroleum and Natural Gas Revenue	18	Executive Officers' Summary Expected Compensation.....	43
Competition.....	18	Share Ownership Policy.....	44
Seasonality	18	Incentive Plan Awards.....	44
Specialized Skill and Knowledge	19	Pension Plan Benefits	44
Employees	19	Termination of Employment and Change of Control Benefits	44
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION.....	20	DIRECTOR COMPENSATION.....	45
Summary of Oil and Gas Reserves Data.....	20	INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	45
Forecast Prices and Costs.....	22	STRATHCONA AUDIT COMMITTEE	45
Reconciliation of Changes in Reserves	23	Mandate of the Strathcona Audit Committee	45
Undiscounted Future Net Revenue by Reserves Category	24	Composition of the Strathcona Audit Committee.....	45
Net Present Value of Future Net Revenue by Product Type	24	Pre-Approval Policies and Procedures.....	46
Estimated Production for Gross Reserves Estimates.....	25	External Auditor Service Fees.....	46
Future Development Costs	25	DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES.....	47
Undeveloped Reserves.....	26	Composition of the Strathcona Board of Directors ..	47
Significant Factors or Uncertainties	27	Board Meetings.....	47
Tax Horizon	27	Board Mandate and Position Descriptions	48
INDUSTRY OVERVIEW	27	Orientation and Continuing Education.....	48
Export and Pricing	28	Ethical Business Conduct	49
Land Tenure	29	Nomination of Directors.....	49
Liability Management Rating Program.....	30	Other Board Committees	49
Governmental Regulations	30	Strathcona Board of Directors Assessments.....	49
		Director Term Limits.....	50
		Representation of Women on the Strathcona Board of Directors and in Executive Officer Positions	50

Table of Contents (continued)

	Page
RISK FACTORS.....	51
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	75
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	76
AUDITOR, TRANSFER AGENT AND REGISTRAR ...	76
MATERIAL CONTRACTS.....	76
Strathcona USA.....	76
Note Indenture	77
INTERESTS OF EXPERTS.....	78
REPORTING REQUIREMENTS	79

NOTICE TO READER AND GLOSSARY OF TERMS

The following is a glossary of defined terms used in this Appendix "H". Unless the context otherwise requires, capitalized terms which are used in this Appendix "H" and not otherwise defined in this Appendix "H" have the respective meanings given to such terms under the heading "*Glossary of Terms*" in this Information Circular to which this Appendix "H" is attached or under the heading "*Notice to Reader and Glossary of Terms*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement.*" Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

"AB LMF" has the meaning set forth under the heading "*Risk Factors – Climate Change, Environmental and Regulatory Risks – Liability Management Programs*" in this Appendix "H".

"AB LMR Program" has the meaning set forth under the heading "*Risk Factors – Climate Change, Environmental and Regulatory Risks – Liability Management Programs*" in this Appendix "H".

"AER" means the Alberta Energy Regulator.

"Caltex" has the meaning set forth under the heading "*Strathcona Resources Ltd. – Name and Incorporation*" in this Appendix "H".

"CER" means the Canada Energy Regulator.

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook.

"Cona" has the meaning set forth under the heading "*Strathcona Resources Ltd. – Name and Incorporation*" in this Appendix "H".

"CSA Notice 51-324" means CSA Staff Notice 51-324 (Revised) – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities*.

"CUSMA" has the meaning set forth under the heading "*Industry Overview – Export and Pricing – Canada-United States-Mexico Agreement*" in this Appendix "H".

"Drag Along Offer" has the meaning set forth under the heading "*Material Contracts – Strathcona USA*" in this Appendix "H".

"EBITDA" means earnings before interest, taxes, depreciation and amortization.

"EDC" means Export Development Canada.

"Fitch" has the meaning set forth under the heading "*Credit Ratings*" in this Appendix "H".

"FRA" has the meaning set forth under the heading "*Credit Ratings*" in this Appendix "H".

"GAAP" means generally accepted accounting principles.

"GGPPA" has the meaning set forth under the heading "*Industry Overview – Governmental Regulations – Climate Change Regulations*" in this Appendix "H".

"GHG" has the meaning set forth under the heading "*Industry Overview*" in this Appendix "H".

"IFRS" means International Financial Reporting Standards, as issued by the International Accounting Standards Board

"Independent Reserves Engineers" has the meaning set forth under the heading *"Risk Factors - Risks Relating to Strathcona's Business – Reserves Estimates"* in this Appendix "H".

"Letter of Credit Facility" has the meaning set forth under the heading *"Description of Capital Structure – Bank Credit Facilities – Letter of Credit Facility"* in this Appendix "H".

"McDaniel" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"McDaniel Bitumen Reserves Report" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"McDaniel Heavy Oil Reserves Report" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"McDaniel Reports" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"Moody's" has the meaning set forth under the heading *"Credit Ratings"* in this Appendix "H".

"Mosaic" has the meaning set forth under the heading *"General Development of the Business – History – 2017 to 2019"* in this Appendix "H".

"NAFTA" has the meaning set forth under the heading *"Industry Overview – Export and Pricing – Canada-United States-Mexico Agreement"* in this Appendix "H".

"NGL" means natural gas liquids.

"NI 51-101" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"NI 52-110" means National Instrument 52-110 – *Audit Committees*.

"NI 58-101" has the meaning set forth under the heading *"Disclosure of Corporate Governance Practices – Composition of the Strathcona Board of Directors"* in this Appendix "H".

"Northern Blizzard" has the meaning set forth under the heading *"General Development of the Business – History – 2017 to 2019"* in this Appendix "H".

"Note Indenture" means the indenture dated as of July 20, 2021 between Strathcona, the Trustee and certain subsidiaries of Strathcona, as may be amended or supplemented from time to time, providing for the issuance of Senior Notes.

"NYMEX" means the New York Mercantile Exchange.

"OPEC" means the Organization of the Petroleum Exporting Countries.

"Order" has the meaning set forth under the heading *"Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions"* in this Appendix "H".

"Osum" has the meaning set forth under the heading *"Strathcona Resources Ltd. – Name and Incorporation"* in this Appendix "H".

"Paramount" has the meaning set forth under the heading *"General Development of the Business – History – 2017 to 2019"* in this Appendix "H".

"Paris Agreement" means the Paris Agreement adopted on December 13, 2015, made under the United Nations Framework Convention on Climate Change.

"Pengrowth" has the meaning set forth under the heading *"General Development of the Business – History – 2020"* in this Appendix "H".

"PHMSA" has the meaning set forth under the heading *"Risk Factors – Transportation Infrastructure Capacity and/or Regulatory Constraints"* in this Appendix "H".

"Pro Forma Financial Statements" has the meaning set forth under the heading *"Financial Statements"* in this Appendix "H".

"Receivership Order" has the meaning set forth under the heading *"Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions"* in this Appendix "H".

"Reserves Committee" means the Reserves Committee of the Strathcona Board of Directors.

"Revolving Credit Agreement" means the amended and restated credit agreement dated as of March 11, 2022 by and among Strathcona, as borrower, The Toronto-Dominion Bank, as administration agent, and the financial institutions party thereto from time to time as lenders, as may be amended from time to time.

"Revolving Credit Facility" means the \$2.0 billion revolving credit facility under the Revolving Credit Agreement.

"S&P" has the meaning set forth under the heading *"Credit Ratings"* in this Appendix "H".

"SAGD" means steam-assisted gravity drainage.

"Senior Notes" has the meaning set forth under the heading *"Description of Share Capital – Senior Notes"* in this Appendix "H".

"Serafina" has the meaning set forth under the heading *"Strathcona Resources Ltd. – Name and Incorporation"* in this Appendix "H".

"Serafina Acquisition" has the meaning set forth under the heading *"General Development of the Business – History – 2022"* in this Appendix "H".

"Serafina Financial Statements" has the meaning set forth under the heading *"Financial Statements"* in this Appendix "H".

"SOR" has the meaning set forth under the heading *"Risk Factors - Risks Relating to Strathcona's Business – Financial and Operational Risks"* in this Appendix "H".

"Sproule" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"Sproule Report" has the meaning set forth under the heading *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in this Appendix "H".

"Stickney" has the meaning set forth under the heading *"Strathcona Resources Ltd. – Name and Incorporation"* in this Appendix "H".

"Strath" has the meaning set forth under the heading *"Strathcona Resources Ltd. – Name and Incorporation"* in this Appendix "H".

"Strathcona Annual Financial Statements" has the meaning set forth under the heading *"Financial Statements"* in this Appendix "H".

"Strathcona Annual MD&A" has the meaning set forth under the heading *"Management Discussion and Analysis"* in this Appendix "H".

"Strathcona Articles" means the Articles of Arrangement of Strathcona dated December 30, 2022.

"Strathcona Audit Committee" means the Audit Committee of the Strathcona Board of Directors.

"Strathcona Board of Directors" means the board of directors of Strathcona from time to time.

"Strathcona Code of Conduct" has the meaning set forth under the heading *"Disclosure of Corporate Governance Practice – Ethical Business Conduct"* in this Appendix "H".

"Strathcona Interim Financial Statements" has the meaning set forth under the heading *"Financial Statements"* in this Appendix "H".

"Strathcona Interim MD&A" has the meaning set forth under the heading *"Management Discussion and Analysis"* in this Appendix "H".

"Strathcona Reserves Report" means collectively, the Sproule Report and the McDaniel Reports.

"Strathcona Shareholders" means the holders of Strathcona Shares.

"Term Credit Agreement" means the credit agreement dated as of August 29, 2022 by and among Strathcona, as borrower, The Toronto-Dominion Bank, as administration agent, and the financial institutions party thereto from time to time as lenders, as may be amended from time to time.

"Term Credit Facility" means the senior secured term credit facility under the Term Credit Agreement.

"Third Party Purchaser" has the meaning set forth under the heading *"Material Contracts – Strathcona USA"* in this Appendix "H".

"TIER" has the meaning set forth under the heading *"Risk Factors – Climate Change, Environmental and Regulatory Risks – GHG Regulations"* in this Appendix "H".

"Trustee" means U.S. Bank National Association.

"Tucker Asset" has the meaning set forth under the heading *"General Development of the Business – History – 2022"* in this Appendix "H".

"UNDRIP" has the meaning set forth under the heading *"Industry Overview – Governmental Regulations – United Nations Declaration on the Rights of Indigenous Peoples"* in this Appendix "H".

"WCS" means Western Canadian Select.

"WEF" means Waterous Energy Fund.

"WEF Fund II" has the meaning set forth under the heading *"Strathcona Resources Ltd. – Name and Incorporation"* in this Appendix "H".

"WEF General Partners" has the meaning set forth under the heading *"Principal Shareholders"* in this Appendix "H".

"WEF II Holdco Amalgamation" has the meaning set forth under the heading "*Strathcona Resources Ltd. – Name and Incorporation*" in this Appendix "H".

"WEF Manager" means Waterous Energy Fund Management Corp.

"WEF Shareholders" means, collectively, Waterous Energy Fund (Canadian) LP, Waterous Energy Fund (US) LP, Waterous Energy Fund (International) LP, Waterous Energy Fund Co-Investment (Canadian) LP, Waterous Energy Fund Co-Investment (International) LP, WEF Osum Co-Invest I LP, WEF Osum Co-Invest II LP, WEF Osum Co-Invest III LP, and Waterous Energy Fund II Aggregator LP.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS AND INFORMATION

This Appendix "H" contains certain forward-looking statements and forward-looking information (collectively referred to as "**forward-looking information**") within the meaning of applicable securities laws which are based on Strathcona's current internal expectations, estimates, projections, assumptions, and beliefs. All statements other than statements of historical fact are forward-looking information. The use of any of the words "believe", "estimate", "anticipate", "plan", "predict", "outlook", "goals", "targets", "projects", "may", "can", "could", "will", "shall", "should", "expect", "intend", "is designed to", "continues", "with the intent", "potential", and the negative of any of these words, or variations of them, or comparable terminology that do not relate strictly to historical facts, are all indicative of forward-looking information. These statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Strathcona believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking information included in this Appendix "H" should not be relied upon unduly.

Forward-looking information in this Appendix "H" includes, but is not limited to, the following: the effect of the Arrangement on Strathcona and the Strathcona Shareholders; general market conditions; AmalCo becoming a reporting issuer in all the provinces of Canada following completion of the Arrangement; the quantity of, and future net revenues from, Strathcona's reserves and/or contingent resources; crude oil, natural gas liquids and natural gas production levels; expiration of Strathcona's undeveloped lands set to expire in 2023; the expectation that there will be no issues with the extension of existing transportation services agreements; commodity prices, foreign currency exchange rates and interest rates; the amount of estimated future income tax deductions and payment of material cash taxes prior to 2026; the termination of the Strathcona Shareholder's Agreement and the timing thereof; the anticipated increase of Strathcona's Revolving Credit Facility and the timing thereof; the compensation to be paid to Strathcona's executive officers for the fiscal year 2023; operating expenditures; current capital spending programs, drilling programs, development plans and other future expenditures, including the planned allocation of capital spending among Strathcona's properties and the sources of funding for such expenditures; supply and demand for crude oil, natural gas liquids and natural gas; Strathcona's business strategy, including its asset and operational focus; future acquisitions and divestments, and future growth potential; expectations regarding Strathcona's ability to raise capital and to continually add to reserves and/or resources through acquisitions and development; schedules for and timing of certain projects and Strathcona's strategy for growth; Strathcona's future operating and financial results; Strathcona's tax pools and the time at which Strathcona may incur certain income or other taxes; treatment of, and compliance by Strathcona with, governmental and other regulatory regimes and tax, environmental and other laws; estimates of Strathcona's future abandonment and reclamation obligations; the anticipated number of AmalCo Shares to be held by the WEF Shareholders following the completion of the Arrangement; expectations regarding AmalCo's compensation philosophy, objectives and processes upon completion of the Arrangement; expectations regarding AmalCo's corporate governance practices upon completion of the Arrangement, including the composition of the AmalCo Board of Directors and certain committees thereof; the expected responsibilities of each committee of the AmalCo Board of Directors, the written terms of reference and position descriptions to be adopted by the AmalCo Board of Directors for certain committees and executive and leadership positions thereof and the anticipated appointment of a lead director of the AmalCo Board of Directors.

The forward-looking information contained in this Appendix "H" reflects several material factors, expectations and assumptions made by Strathcona including, but not limited to: the completion of the Arrangement on the terms currently contemplated in the Arrangement Agreement and the Plan of Arrangement; Strathcona's anticipated financial and operational results; that certain aspects of AmalCo immediately following the completion of the Arrangement, including that of executive compensation and operations will be substantially similar to Strathcona; that the expiring acreage of Strathcona's undeveloped lands do not have any significant abandonment and reclamation costs, unusually high expected development costs or operating costs; stability, or no further deterioration, in the global economic and market environment, including related to the Ukraine and Russian conflict or from future pandemics, epidemics, or other world-wide health crises; Strathcona's current commodity price and other cost

assumptions will generally be accurate; current economic and operating conditions, including commodity prices, interest rates, and environmental and regulatory matters; Strathcona's conduct and results of operations will be consistent with its expectations; that Strathcona will have the ability to develop its crude oil and natural gas properties in the manner currently contemplated; the estimates of Strathcona's reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; the ability of Strathcona to obtain equipment, services, supplies and personnel to carry out its business activities; the ability of Strathcona to successfully market its business in the areas in which it operates; and Strathcona's ability to secure financing on acceptable terms, if needed. Management of Strathcona believes that the material factors, expectations and assumptions reflected in the forward-looking information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Strathcona's actual results could differ materially from those anticipated in this forward-looking information as a result of both known and unknown risks and uncertainties, including, but not limited to, the risk factors set forth under the headings "*Risk Factors*" in this Information Circular, this Appendix "H" and in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

The forward-looking information contained in this Appendix "H" is made as of the date hereof and Strathcona undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. See also "*Information Circular and Proxy Statement – Forward-Looking Statements*" in this Information Circular.

PRESENTATION OF OIL AND GAS INFORMATION

This Appendix "H" contains references to "boe" (barrels of oil equivalent), "mboe" (thousand barrel of oil equivalent) and "mmboe" (million barrel of oil equivalent). Strathcona has adopted the standard of six thousand cubic feet of gas to one barrel of oil (6 mcf: 1 bbl) when converting natural gas to boe. Boe, mboe and mmboe may be misleading, particularly if used in isolation. The foregoing conversion ratios are based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading.

Certain of the following definitions and guidelines are contained in the glossary to NI 51-101 contained in CSA Notice 51-324, which incorporates certain definitions from the COGE Handbook. Readers should consult CSA Notice 51-324 and the COGE Handbook for additional explanation and guidance.

In addition to the terms having defined meanings set forth in CSA Notice 51-324, the terms set forth below have the following meanings when used in this Appendix "H":

- "**gross**" means:
 - (a) in relation to Strathcona's interest in production, reserves or contingent resources, its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Strathcona;
 - (b) in relation to wells, the total number of wells in which Strathcona has an interest; and
 - (c) in relation to properties, the total area in which Strathcona has an interest.

- **"net"** means:
 - (a) in relation to Strathcona's interest in production, reserves or contingent resources, its working interest (operating or non-operating) share after deduction of royalty obligations, plus Strathcona's royalty interests in production or reserves;
 - (b) in relation to Strathcona's interest in wells, the number of wells obtained by aggregating Strathcona's working interest in each of its gross wells; and
 - (c) in relation to Strathcona's interest in a property, the total area in which Strathcona has an interest multiplied by the working interest owned by Strathcona.

In this Appendix "H", the following terms have the meaning assigned thereto in CSA Notice 51-324 and the COGE Handbook:

- **"reserves"** are estimated remaining quantities of crude oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves may be divided into proved and probable categories according to the degree of certainty associated with the estimates.
- **"proved reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **"probable reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Each of the reserves categories reported by Strathcona (proved and probable) may be divided into developed and undeveloped categories:

- **"developed reserves"** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production.
- **"undeveloped reserves"** are those reserves that are expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved or probable) to which they are assigned.

"Forecast prices and costs" means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Strathcona is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices or costs referred to in paragraph (a).

All references to "crude oil" in this Appendix "H" include heavy crude oil and light and medium crude oil. All references to "liquids" in this Appendix "H" include bitumen, crude oil and natural gas liquids, on a combined basis.

SPECIFIED FINANCIAL MEASURES

This Appendix "H" makes reference to certain financial measures and ratios, including "field operating netback", which are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS. Non-GAAP financial measures and ratios are used internally by management to assess the performance of Strathcona. They also provide investors with meaningful metrics to assess Strathcona's performance compared to other companies in the same industry. However, Strathcona's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the specified financial measures should not be construed as an alternative to financial measures determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating Strathcona's performance.

Field operating netback is calculated using sales volumes and on the basis of prices received, which are net of blending costs but before the effects of commodity derivative instruments, less related royalties, transportation and processing, production and operating and acquired inventory costs. Management uses "field operating netback" to assess the gross profit and costs associated with the sale of one unit of production. Field operating netback is reconciled to the most directly comparable GAAP measures in the "*Specified Financial Measures*" section of the Strathcona Annual MD&A attached as Schedule E to this Appendix "H".

CURRENCY

Unless otherwise indicated, references in this Appendix "H" to "\$" or "C\$" are to Canadian dollars and references to US\$ are to United States dollars. All financial information with respect to Strathcona has been presented in Canadian dollars.

STRATHCONA RESOURCES LTD.

Name and Incorporation

Strathcona is a privately owned corporation amalgamated under the ABCA.

Strathcona was formed through the amalgamation of Strath Resources Ltd. ("**Strath**") and Cona Resources Ltd. ("**Cona**") on August 14, 2020. Strath was incorporated on November 28, 2016 under the ABCA. Cona was incorporated on November 18, 2009 under the ABCA under the name of "Northern Blizzard Resources Inc."

On June 11, 2021, subsequent to WEF's acquisition of Osum Oil Sands Corp. ("**Osum**"), Strathcona amalgamated with Osum and the articles of amalgamation thereof provided for the creation of the Strathcona Class A Shares and Strathcona Class B Shares, which share classes have identical voting and economic rights. On March 11, 2022, Strathcona acquired the remaining interests in Caltex Resources Ltd.

("Caltex") and Stickney Resources Ltd. ("Stickney") from affiliates of WEF ("WEF Fund II") and subsequent thereto amalgamated Caltex and Stickney with Strathcona.

On August 29, 2022, Strathcona acquired all of the issued and outstanding common shares of Serafina Energy Ltd. ("Serafina"), which was amalgamated with Strathcona as part of such acquisition.

On December 30, 2022, Strathcona and WEF II Holdco Corp., an affiliate of WEF, were amalgamated under the ABCA (the "WEF II Holdco Amalgamation").

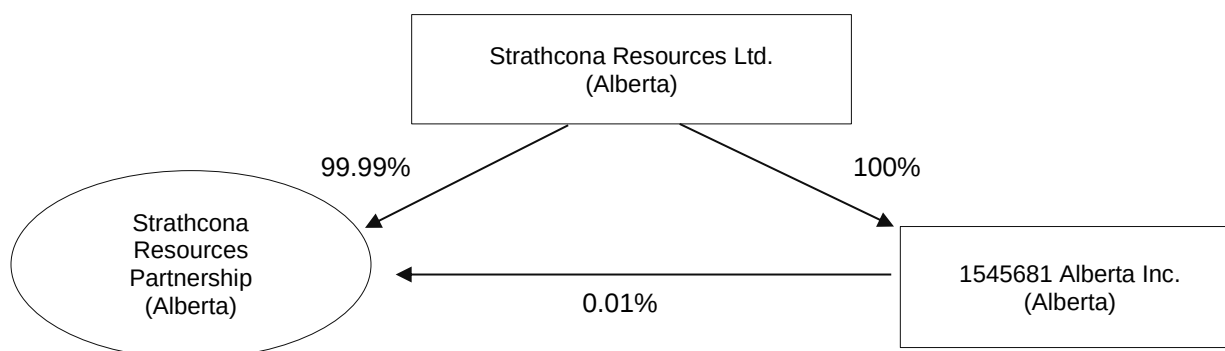
See "General Development of the Business – History" in this Appendix "H".

Strathcona is not currently a reporting issuer under the laws of any jurisdiction, and none of its securities are listed for trading on any stock exchange. The issued and outstanding Strathcona Shares are currently owned by the WEF Shareholders and employees of Strathcona. As a result, Strathcona does not file reports and other information with any securities regulatory authority in Canada, the U.S. or elsewhere. Upon completion of the Arrangement, AmalCo will become a reporting issuer in all of the provinces of Canada and will file reports and other information required pursuant to applicable Canadian Securities Laws. See "The Arrangement" in this Information Circular.

The principal and registered office of Strathcona is located at Suite 1900, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

Intercorporate Relationships

The following organizational chart illustrates the intercorporate relationships between Strathcona and its subsidiaries, the percentage of votes attached to all voting securities of the subsidiaries beneficially owned, controlled or directed, directly or indirectly, by Strathcona, and the jurisdiction of incorporation or formation of each subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in western Canada. The issued and outstanding Strathcona Shares are currently owned by the WEF Shareholders and employees of Strathcona.

History

The following is a general description of the development of Strathcona and its predecessor entities, including developments occurring over the years ended December 31, 2022, 2021 and 2020 and recent developments up to the date of this Information Circular.

2017 to 2019

Strath was formed in November 2016 by WEF and Strath management to acquire certain assets in the Kakwa region on the Alberta Montney through the receivership process of Mosaic Energy Ltd. ("**Mosaic**"), a privately-held exploration and production company, for an aggregate purchase price of \$280 million.

On May 11, 2017, WEF acquired approximately 67% of the issued and outstanding common shares of Northern Blizzard Resources Inc. ("**Northern Blizzard**"), a public company with its shares listed on the TSX, from affiliates of NGP Energy Capital Management, LLC and Riverstone Holdings LLC for an aggregate purchase price of \$244 million. Northern Blizzard was renamed "Cona Resources Ltd." after the closing of the transaction.

On May 17, 2018, WEF acquired the remaining approximately 33% of the issued and outstanding common shares of Cona, taking the company private via a plan of arrangement under the ABCA for an aggregate purchase price of \$85 million.

On July 14, 2018, Strath acquired adjacent assets in the Montney area from Paramount Resources Ltd. ("**Paramount**") for approximately \$348 million, with consideration consisting of \$170 million in cash, \$170 million of Strath shares and \$8 million of warrants to purchase Strath shares. The Strath shares and warrants issued to Paramount were repurchased by Strathcona on June 17, 2021 for \$67 million.

2020

On January 7, 2020, Cona acquired Pengrowth Energy Corporation ("**Pengrowth**") pursuant to a plan of arrangement under the ABCA for total consideration of \$731 million.

On July 31, 2020, WEF purchased 45% of the issued and outstanding shares of Osum, a private Canadian thermal oil company, from affiliates of Blackstone Group Inc., Warburg Pincus LLC and GIC Private Limited for \$144 million.

On August 14, 2020, WEF combined Strath and Cona to form Strathcona Resources Ltd.

2021

On November 2, 2020, WEF commenced a take-over bid to acquire the remaining shares of Osum. On March 15, 2021, WEF completed the take-over bid, which increased its share ownership of Osum from 45% to 87% for \$171 million, and, on April 30, 2021, WEF acquired the remainder of the Osum shares not already owned by WEF by amalgamating its affiliate acquisition entity with Osum for \$42 million.

On June 11, 2021, WEF combined Strathcona and Osum by way of an amalgamation, with Strathcona as the continuing entity.

On July 16, 2021, Strathcona acquired certain Montney assets, including gas processing facilities, infield pipeline infrastructure and additional undeveloped acreage, located in the Resthaven area of Alberta for \$26 million.

On November 30, 2021, WEF Fund II and Strathcona completed the acquisition of Caltex, a private exploration and production company for \$636 million. Immediately after closing, Strathcona held an equity investment with a 50% economic interest (44.4% voting interest) in Caltex. WEF Fund II held the remaining 50% economic interest (55.6% voting interest).

2022

Stickney was formed by Strathcona and WEF Fund II for the purpose of acquiring the Tucker thermal oil property located in the Cold Lake region of Alberta (the "**Tucker Asset**"). On January 31, 2022, Stickney acquired the Tucker Asset for \$800 million, before closing adjustments. Strathcona held a 57.0% economic interest (44.4% voting interest) in both Stickney and Caltex. The remaining economic and voting interests were held by WEF Fund II.

On March 11, 2022, Strathcona acquired the remaining 43.0% economic interests and 55.6% voting interests in Caltex and Stickney, respectively, from WEF Fund II in exchange for Strathcona Class A Shares and amalgamated Caltex and Stickney with Strathcona and continued as "Strathcona Resources Ltd."

On August 29, 2022, Strathcona directly and indirectly acquired all of the issued and outstanding common shares of Serafina, a private company engaged in the operation of thermal heavy oil assets located in Saskatchewan, for an aggregate purchase price of \$2.3 billion, comprised of a cash payment of \$1.9 billion on closing and an aggregate of \$400 million of deferred consideration that was paid within four months following closing (the "**Serafina Acquisition**"). As part of the Serafina Acquisition, Strathcona and Serafina amalgamated and continued as "Strathcona Resources Ltd."

Recent Developments

On July 31, 2023, Strathcona entered into an arrangement agreement to acquire all of the issued and outstanding Pipestone Shares. Pursuant to the Arrangement Agreement, Strathcona and Pipestone will be amalgamated as part of the Arrangement to form AmalCo and Pipestone Shareholders will ultimately receive AmalCo Shares in consideration for their Pipestone Shares. See "*The Arrangement*" in this Information Circular. For information and the expected effect that the Arrangement will have on the combined business of Strathcona and Pipestone following completion of the Arrangement, see Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" of this Information Circular.

Concurrent with the execution of the Arrangement Agreement, Strathcona entered into commitment letters with certain lenders to, among other things, increase the Revolving Credit Facility to \$2.3 billion. See "*Description of Capital Structure – Bank Credit Facilities – Revolving Credit Facility*" in this Appendix "H" and "*Material Contracts – AmalCo Credit Facilities*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" of this Information Circular.

DESCRIPTION OF THE BUSINESS**Overview**

Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves across three core areas: Cold Lake Thermal, Lloydminster Heavy Oil, and Montney.

Strathcona's crude oil and natural gas property interests are principally located in western Canada, in the Provinces of British Columbia, Alberta and Saskatchewan.

Greater than 99% of Strathcona's 2022 production was operated by Strathcona, with the remainder operated by industry partners.

For additional information on contingent resources associated with certain of Strathcona's crude oil and natural gas properties, including estimated volumes of economic contingent resources, see Schedule G to this Appendix "H".

Production History

The following table sets forth Strathcona's average daily gross production volumes by product type, for

each fiscal quarter in 2022 and for the entire year.

Product Type	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Bitumen (bbl/d)	34,207	51,040	50,951	49,792	46,552
Heavy crude oil (bbl/d)	15,065	24,713	37,693	56,768	33,685
Light and medium crude oil (bbl/d)	434	526	1,389	871	808
Natural gas liquids (bbl/d)	14,233	16,489	12,881	16,294	14,974
Conventional natural gas (mcf/d)	111,576	110,310	101,491	117,878	110,308
Total (boe/d)	82,535	111,153	119,829	143,371	114,404

The following table sets forth the average daily production volumes for the year ended December 31, 2022 for each of the important fields, aggregated by core area, comprising Strathcona's assets.

Area	Bitumen (bbl/d)	Heavy Crude Oil (bbl/d)	Light & Medium Crude Oil (bbl/d)	Natural Gas Liquids (bbl/d)	Conventional Natural Gas (mcf/d)	Total (boe/d)
Cold Lake Thermal	46,552	—	—	—	—	46,552
Lloydminster Heavy Oil	—	33,685	107	—	1,099	33,975
Montney	—	—	701	14,974	109,209	33,877
Total	46,552	33,685	808	14,974	110,308	114,404

Quarterly Field Operating Netback History

The following tables set forth Strathcona's average field operating netback received for each quarter in the year ended December 31, 2022 and for the entire year. Field operating netback is calculated using sales volumes and on the basis of prices received, which are net of blending costs but before the effects of commodity derivative instruments, less related royalties, transportation and processing, production and operating and acquired inventory costs.

Light and Medium Crude Oil (\$ per bbl)	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Sales price ⁽¹⁾	111.40	135.87	117.46	108.16	116.86
Royalties ⁽²⁾	(22.85)	(26.22)	(11.55)	(10.68)	(15.24)
Transportation and processing	(5.71)	(52.44)	(10.59)	(17.36)	(18.76)
Production and operating ⁽³⁾	(5.71)	(4.77)	(6.74)	(2.67)	(5.08)
Field operating netback ⁽⁵⁾	\$ 77.13	52.44	88.58	77.45	77.78

Heavy Crude Oil (\$ per bbl)	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Sales price ⁽¹⁾	97.15	111.48	93.38	82.28	92.60
Royalties ⁽²⁾	(15.86)	(18.82)	(11.56)	(8.52)	(12.13)
Transportation and processing	(1.98)	(3.06)	(7.91)	(14.79)	(9.19)
Production and operating ⁽³⁾	(19.83)	(17.35)	(13.40)	(17.23)	(16.41)
Acquired Inventory ⁽⁴⁾	—	—	(14.88)	—	(4.35)
Field operating netback ⁽⁵⁾	\$ 59.48	72.25	45.63	41.74	50.52

Bitumen (\$ per bbl)	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Sales price ⁽¹⁾	94.31	115.03	85.89	59.32	88.22
Royalties ⁽²⁾	(24.65)	(39.23)	(22.81)	(12.98)	(24.98)
Transportation and processing	(4.40)	(3.97)	(3.91)	(4.33)	(4.13)
Production and operating ⁽³⁾	(20.13)	(24.76)	(19.92)	(24.70)	(22.57)
Field operating netback ⁽⁵⁾	\$ 45.13	47.07	39.25	17.31	36.54

	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Natural Gas Liquids (\$ per bbl)					
Sales price ⁽¹⁾	79.94	96.36	72.74	70.18	79.94
Royalties ⁽²⁾	(11.73)	(11.77)	(13.33)	(18.61)	(14.04)
Transportation and processing	(6.64)	(6.95)	(7.17)	(6.60)	(6.83)
Production and operating ⁽³⁾	(6.72)	(7.23)	(6.67)	(6.14)	(6.68)
Field operating netback ⁽⁵⁾	\$ 54.85	70.41	45.57	38.83	52.39

	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Conventional Natural Gas (\$ per mcf)					
Sales price ⁽¹⁾	4.96	7.12	4.60	5.16	5.47
Royalties ⁽²⁾	(0.41)	(0.34)	(0.76)	(0.35)	(0.46)
Transportation and processing	(0.87)	(0.90)	(0.80)	(0.79)	(0.84)
Production and operating ⁽³⁾	(0.51)	(0.56)	(0.51)	(0.47)	(0.51)
Field operating netback ⁽⁵⁾	\$ 3.17	5.32	2.53	3.55	3.66

	Year Ended December 31, 2022				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Combined (\$ per boe)⁽⁵⁾					
Sales price ⁽¹⁾	\$ 78.10	99.54	79.18	66.01	79.77
Royalties ⁽²⁾	(15.85)	(24.42)	(15.46)	(10.36)	(16.09)
Transportation and processing	(4.52)	(4.62)	(5.76)	(8.84)	(6.23)
Production and operating ⁽³⁾	(13.92)	(16.95)	(13.89)	(16.48)	(15.45)
Acquired Inventory ⁽⁴⁾	—	—	(4.91)	—	(1.31)
Field operating netback ⁽⁵⁾	\$ 43.81	53.55	39.16	30.33	40.69

Notes:

- (1) Net of blending costs and before the effects of commodity derivative instruments.
- (2) Includes production taxes.
- (3) Production and operating costs are costs incurred to operate and maintain wells and related equipment and facilities, including operating costs of support equipment used in oil and gas activities and other costs of operating and maintaining those wells and related equipment and facilities.
- (4) Cost of heavy oil inventory acquired in the Serafina Acquisition.
- (5) Field operating netback is a non-GAAP financial measure which does not have a standardized meaning under IFRS. See "Specified Financial Measures" in this Appendix "H".

Capital Expenditures and Costs Incurred

In the financial year ended December 31, 2022, Strathcona made the following expenditures in the categories noted, as prescribed by NI 51-101:

	Costs Incurred (\$ millions)
Property acquisition costs	
Proved properties ⁽¹⁾	803.7
Unproved properties	-
Property disposition costs	-
Exploration costs	1.7
Development costs	616.9
Total	1,422.3

Note:

- (1) Property acquisition costs are primarily comprised of the cost to acquire Stickney and final adjustments relating to the Resthaven acquisition completed in 2021.

Exploration and Development Activities

The following table summarizes the number and type of wells that Strathcona drilled or participated in the drilling of for the year ended December 31, 2022. Wells have been classified in accordance with the definitions of such terms in NI 51-101.

Category of Well	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil wells	—	—	81	80
Natural gas wells	—	—	11	11
Service wells	—	—	39	39
Stratigraphic test wells	—	—	4	4
Dry wells	—	—	0	0
Total wells	—	—	135	134

Strathcona expects to continue developing its assets across its three core operating areas, through a combination of drilling to fill existing facility capacity, executing first on debottlenecking and brownfield expansions to add capacity, and consideration of new greenfield developments over time.

Oil and Gas Properties and Wells

The following table summarizes, as of December 31, 2022, Strathcona's interests in producing wells and in non-producing wells which were not producing but which may be capable of production. Although many wells produce both crude oil and natural gas, a well is categorized as an oil well or a natural gas well based upon the proportion of oil or natural gas production that constitutes the majority of production from that well.

Region	Oil Wells ⁽¹⁾				Natural Gas Wells ⁽¹⁾				Total Wells			
	Producing		Non-Producing ⁽²⁾		Producing		Non-Producing ⁽²⁾		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
British Columbia	25	13	108	61	99	50	134	64	124	63	242	125
Alberta	613	589	208	184	263	165	166	109	876	754	374	293
Saskatchewan	1,143	1,119	1,056	1,006	24	20	35	28	1,167	1,139	1,091	1,034
Total wells	1,781	1,721	1,372	1,251	386	235	335	201	2,167	1,956	1,707	1,452

Notes:

- (1) All of Strathcona's wells are located onshore.
- (2) The non-producing oil wells and natural gas wells capable of production but which are not currently producing will be re-evaluated with respect to future product prices, proximity to facility infrastructure, design of future exploration and development programs and access to capital.

As at December 31, 2022, Strathcona had approximately 2.0 mmboe of proved plus probable reserves which are capable of producing but which, as of December 31, 2022, were not on production. There were approximately 0.5 mmboe of reserves that were developed as part of the 2022 drilling program that came on production in the first quarter of 2023, while the remainder of the non-producing reserves are generally from wells that are offsetting existing producing assets and are scheduled to be repaired or reactivated. All non-producing reserves are scheduled to come on production within the next two years.

Properties with No Attributed Reserves

The following table sets out by province Strathcona's properties with no attributed reserves as at December 31, 2022:

Region	Undeveloped Acres	
	Gross Interest	Net Interest
British Columbia	186,920	81,498
Alberta	414,102	332,461
Saskatchewan	93,320	88,375
Manitoba	160	-
Nova Scotia ⁽¹⁾	146,728	11,427
Total	841,229	513,762

Note:

- (1) Strathcona's Nova Scotia properties with no attributable reserves relate to its 8.4% interest in the Sable Offshore Energy Project, which is now permanently decommissioned and abandoned.

Undeveloped properties are unproved lands that have not been assigned reserves; however, in certain of Strathcona's undeveloped lands, reserves may have been assigned in shallower formations. Undeveloped acres are mineral agreement specific. Gross acreage is calculated only once per lease or license of petroleum and natural gas rights regardless of whether Strathcona holds an interest and whether or not the lease or license includes multiple prospective formations. If Strathcona holds interests in different formations under the same surface area pursuant to separate leases or licenses, the acreage set out in each lease or license is counted.

As at December 31, 2022, Strathcona held gross 30,812 (net 27,463) acres of undeveloped lands set to expire in 2023. The expiring acreage is not material and the actual acreage that will expire in 2023 may be less than this amount to the extent leases are continued through drilling, mapping, or other extension options available under the various tenure regimes. Strathcona has no material work commitments related to its undeveloped acres in 2023.

For any properties with no reserves or on unproved lands, Strathcona does not have any significant abandonment and reclamation costs, unusually high expected development costs or operating costs, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.

Description of Strathcona's Assets and Operations

Outlined below is a description of Strathcona's crude oil and natural gas properties and assets, all of which are located in Canada. Strathcona owns 962,539 net acres (1,504 net sections) in the Western Canadian Sedimentary Basin, with such land concentrated into three core operating areas: (i) the Cold Lake Thermal Segment; (ii) the Lloydminster Heavy Oil Segment; and (iii) the Montney Segment.

Cold Lake Thermal Segment

Strathcona operates three producing assets in the Cold Lake region of Alberta: Lindbergh, Orion and Tucker. The assets are developed with a combination of well pairs and infill wells utilizing SAGD technology to produce bitumen from the Clearwater, Lloydminster, Colony, and Upper Grand Rapid formations. The region also contains the Taiga undeveloped project.

Future development in the region will be focused on filling existing facility capacity, executing on minor debottlenecking and major brownfield expansions, and new greenfield development.

Production from the Cold Lake Thermal Segment has access to the Edmonton, Hardisty and Kerrobert sales terminals either through physical connectivity or physical swaps, where the accessible downstream pipelines include Trans Mountain, Keystone, Express and Enbridge Mainline. Strathcona has transportation services agreements with Husky Midstream General Partnership for the Lindbergh and Tucker assets until

June 2030 and December 2036, respectively, and with Inter Pipeline Ltd. for the Orion asset until September 2032. Strathcona blends the bitumen with condensate to meet pipeline viscosity requirements and sells the blend to third party purchasers. Strathcona does not hold any "long-haul" transportation commitments out of Alberta and does not expect any issue with the extension of the existing transportation services agreements.

Lloydminster Heavy Oil Segment

The Lloydminster Heavy Oil Segment includes a combination of conventional heavy oil and thermal operations, primarily located in southwest Saskatchewan. Strathcona's core conventional assets within its Lloydminster Heavy Oil Segment are Cactus Lake and Greater Bodo, which represent more than 60% of Strathcona's overall conventional heavy oil production. The conventional heavy oil assets are characterized by stable production with low base declines and low maintenance capital requirements. With lower viscosity heavy gravity crude oil and large oil-in-place reservoirs, the assets are primarily developed with water and polymer flood enhanced oil recovery operations. Capital investment in the conventional assets supports polymer operations and infill drilling requirements to sustain production. Strathcona also owns and operates three thermal operating assets as part of the Lloydminster Heavy Oil Segment which utilize SAGD technology: Edam, Meota, and Plover Lake. These assets produce from the Lloyd, Waseca, and Colony formations. Future development in the region will be focused on filling existing facility capacity, executing on debottlenecking and brownfield expansions, and new greenfield development.

The Lloydminster Heavy Oil Segment has multiple egress options via rail, pipeline and truck, with minimal long-term volume commitments or area dedications providing maximum optionality. The majority of Strathcona's Saskatchewan thermal production is transported by rail, which does not require condensate for blending, from the Strathcona owned and operated Hamlin terminal. The Hamlin terminal is a 50,000 bbl/d crude-by-rail facility, with long-term access to the U.S. Gulf Coast. Strathcona has transportation agreements with Canadian National Railway and crude oil sales agreements with refiners in the U.S. Gulf Coast. Strathcona's conventional heavy oil asset production is either pipeline connected or trucked to the Enbridge Mainline at either Hardisty, Alberta or Kerrobert, Saskatchewan. Strathcona has a transportation services agreement with Plains Midstream Canada ULC, which expires on February 28, 2026, and no other long-term volume dedications.

Montney Segment

Strathcona operates two primary assets in Canada's Montney basin: Kakwa and Groundbirch. The Kakwa region in northwest Alberta is characterized by natural gas production with significant associated liquids, while the Groundbirch region in northeast British Columbia is characterized by high rate, dry gas production. In addition to the Montney formation in Kakwa, Strathcona has also developed shallower zones in the Wilrich (gas) and Dunvegan (oil) formations utilizing the same infrastructure and pad sites constructed for the Montney development. The assets in the Montney Segment are developed utilizing extended reach horizontal wells and multi-stage fracturing technologies. Capital investment in the Montney assets is focused on development drilling and brownfield facility capacity expansions at both Kakwa and Groundbirch.

Production from the Montney Segment includes natural gas, NGLs, oil and condensate. Strathcona's Montney Segment natural gas production is transported on the NOVA Gas Transmission Ltd. pipeline system to its principal market at AECO. Oil and condensate produced from the Montney Segment are transported on the Keyera Key Access Pipeline System and the Pembina Peace LVP Pipeline System. NGLs are transported on the Pembina Peace HVP Pipeline System. Oil, condensate and NGLs are primarily transported to facilities and infrastructure located in Edmonton and Fort Saskatchewan.

The Montney Segment provides a natural hedge to the gas and condensate consumed at Strathcona's Cold Lake Thermal Segment and Lloydminster Heavy Oil Segment, which consumes natural gas in its steam generation operations and blends condensate with its heavy oil production to meet pipeline viscosity specifications. Strathcona also operates a significant portion of its infield midstream gas gathering and processing facilities in the Montney Segment and has secured long-term product transportation and deep

cut processing contracts with Pembina Pipeline Corporation and Keyera Corp.

Petroleum and Natural Gas Revenue

The following table sets forth the aggregate sales for Strathcona's bitumen, heavy crude oil, light and medium crude oil, natural gas liquids and conventional natural gas for the years ended December 31, 2022 and December 31, 2021:

Year	Bitumen	Heavy Crude Oil	Light & Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas	Total
(in \$ millions)						
2022	2,358.8	1,326.5	64.4	373.7	220.0	4,343.4
2021	864.2	373.4	49.6	162.0	123.1	1,572.3

Competition

The crude oil and natural gas exploration and production industry is intensely competitive, and Strathcona competes with other companies that in some cases may have greater resources. Many of these companies not only explore for and produce crude oil and natural gas, but also have midstream and refining operations and market petroleum and other products on a regional, national or international basis. These companies may be able to pay more for productive crude oil and natural gas properties and exploratory prospects, to define, evaluate, bid for and purchase a greater number of properties and prospects, or to secure better transportation capacity than Strathcona's financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low crude oil and natural gas market prices. Strathcona's larger or more integrated competitors may be able to absorb the burden of existing, and any changes to, federal, provincial and local laws and regulations more easily than Strathcona can, which would adversely affect its competitive position.

Strathcona's ability to acquire additional properties and to discover reserves in the future will be dependent upon its ability to evaluate and select suitable properties and to complete transactions in a highly competitive environment. Furthermore, crude oil and natural gas compete with other forms of energy available to customers, primarily based on price. These alternate forms of energy include electricity, coal and fuel oils. Changes in the availability or price of crude oil and natural gas or other forms of energy, as well as business conditions, conservation, legislation, regulations and the ability to convert to alternate fuels and other forms of energy may affect the demand for oil and natural gas. See *"Risk Factors – Risks Relating to Economic Conditions, Commodity Pricing, Differentials and Exchange Rate Fluctuations – Commodity Price Volatility"* and *"Risk Factors – Other Risks Affecting Strathcona's Business – Demand for, and Alternatives to, Petroleum Products"*.

Seasonality

The level of activity in the Canadian crude oil and natural gas exploration and production industry is influenced by seasonal weather patterns. Wet weather and the thawing of ground in the spring may make the ground unstable. As a result, both construction and production activity are typically lower in Strathcona's second fiscal quarter than in its other fiscal quarters. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain crude oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns affect exploration and production activity and cause fluctuations in the demand for Strathcona's goods and services, with demand for natural gas rising during cold winter months and hot summer months. See *"Risk Factors – Risks Relating to Strathcona's Business – Seasonality and Weather"*.

Specialized Skill and Knowledge

Strathcona employs individuals with various professional skills in the course of pursuing its business plan. These professional skills include, but are not limited to, experience in geology, geophysics, engineering, data analytics, financial and business skills. In addition, various consultants are engaged in specialized skills as required.

Employees

As of December 31, 2022, Strathcona had approximately 612 employees, with 251 located in the Calgary office and the remaining located across Strathcona's operating areas.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Summary of Oil and Gas Reserves Data

As at December 31, 2022, all of Strathcona's crude oil, bitumen, natural gas liquids and natural gas reserves were associated with properties located in Canada. All of Strathcona's reserves have been evaluated in accordance with NI 51-101.

Sproule Associates Limited ("**Sproule**"), an independent petroleum consulting firm based in Calgary, Alberta, has evaluated the petroleum and natural gas reserves associated with Strathcona's interests in Alberta, British Columbia and Saskatchewan, and such evaluation is reflected in the reserve report of Sproule dated effective December 31, 2022, with a preparation date of February 23, 2023 and the contingent resource report dated effective December 31, 2022, with a preparation date of May 22, 2023 (collectively, the "**Sproule Report**"). The estimates of reserves and projections of production by Sproule were prepared using public records. In instances where production, well and geoscience data was not publicly available, it was provided by Strathcona. In addition, Strathcona provided other required information, such as property descriptions and operations, historical accounting and spending costs, interests and burdens, capital development cost estimates, maintenance cost schedules and capital, abandonment, decommissioning and reclamation costs, and contracts and marketing.

McDaniel, an independent petroleum consulting firm based in Calgary, Alberta, has evaluated (i) the bitumen reserves of Strathcona at the Tucker Lake Property in the Cold Lake Oil Sands area of Alberta, and such evaluation is reflected in the report of McDaniel dated effective December 31, 2022, with a preparation date of February 1, 2023 (the "**McDaniel Bitumen Reserves Report**"), and (ii) the heavy oil reserves attributable to those properties acquired by Strathcona through the Serafina Acquisition, and such evaluation is reflected in the report of McDaniel dated effective December 31, 2022, with a preparation date of February 14, 2023 (the "**McDaniel Heavy Oil Reserves Report**", and together with the McDaniel Bitumen Reserves Report, the "**McDaniel Reports**"). In preparing the McDaniel Reports, McDaniel relied upon factual information including ownership, technical well data and other relevant data from public sources as well as non-public data supplied by Strathcona. The revenue forecasts and net present value estimates in the McDaniel Reports are presented in Canadian dollars and have been calculated using the forecast prices and costs of Sproule as of December 31, 2022.

The reserves data presented in the Sproule Report and McDaniel Reports, which include reserve volumes and net present values, were prepared in accordance with the COGE Handbook. The Sproule Report and McDaniel Reports adhere in all material aspects to the principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers regarding annual reserve reports that are being released in the public domain. The standards in the COGE Handbook require Sproule and McDaniel to plan and perform an assessment of Strathcona's reserves data in order to obtain reasonable assurance as to whether such reserves data is free of material misstatement.

The following sections and tables summarize, as at December 31, 2022, Strathcona's crude oil, bitumen, natural gas liquids and natural gas reserves and the estimated net present values of future net revenues associated with such reserves, together with certain information, estimates and assumptions associated with such reserves estimates. The data contained in the tables is a summary of the evaluations and, as a result, the tables may contain slightly different numbers than the evaluations themselves due to rounding. Additionally, the columns and rows in the tables may not add due to rounding. For information relating to the changes in the volumes of Strathcona's reserves from December 31, 2021 to December 31, 2022, see "*Reconciliation of Changes in Reserves*" below.

All estimates of future net revenues are stated prior to provision for interest and general and administrative expenses and after deduction of royalties and estimated future capital expenditures, and are presented both before and after deducting income taxes. With respect to pricing information in the following reserves information, the wellhead oil prices were adjusted for quality and transportation based on historical actual prices. The natural gas prices were adjusted, where necessary, based on historical pricing based on heating

values and transportation. The natural gas liquids prices were adjusted to reflect historical average prices received relative to oil and natural gas benchmarks.

It should not be assumed that the present worth of estimated future cash flows shown below is representative of the fair market value of the reserves. There is no assurance that such price and cost assumptions will be attained, and variances could be material. The reserves estimates of Strathcona's crude oil, bitumen, natural gas liquids and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The following table sets forth the estimated gross and net volumes attributable to Strathcona's reserves as at December 31, 2022, using forecast prices and costs:

Summary of Oil and Gas Reserves (Forecast Prices and Costs)

As of December 31, 2022

Reserves Category	Light & Medium Crude Oil		Heavy Crude Oil		Bitumen		Conventional Natural Gas (Associated & Non-Associated Gas)		Conventional Natural Gas (Solution Gas) ⁽¹⁾	
	Gross (mbbl)	Net (mbbl)	Gross (mbbl)	Net (mbbl)	Gross (mbbl)	Net (mbbl)	Gross (mmcf)	Net (mmcf)	Gross (mmcf)	Net (mmcf)
Proved										
Developed										
Producing	1,211	962	95,815	82,256	101,243	71,591	213,854	189,087	11,361	10,218
Developed Non-Producing	244	222	1,515	1,435	-	-	93	88	866	782
Undeveloped	1,321	1,071	371,349	325,389	545,231	344,504	610,102	538,279	7,669	6,878
Total Proved ⁽²⁾	2,776	2,254	468,679	409,080	646,474	416,094	824,049	727,455	19,896	17,877
Total Probable	4,499	3,612	169,426	144,468	630,111	383,253	906,539	775,323	30,074	27,238
Total Proved Plus Probable ⁽²⁾	7,275	5,866	638,104	553,548	1,276,584	799,347	1,730,588	1,502,778	49,971	45,116
Reserves Category	Natural Gas Liquids		Oil Equivalent							
	Gross (mbbl)	Net (mbbl)	Gross (mboe)	Net (mboe)						
Proved										
Developed										
Producing	23,841	18,628	259,647	206,654						
Developed Non-Producing	55	51	1,973	1,853						
Undeveloped	57,074	46,489	1,077,936	808,312						
Total Proved ⁽²⁾	80,970	65,169	1,339,556	1,016,819						
Total Probable	60,171	45,996	1,020,309	711,089						
Total Proved Plus Probable ⁽²⁾	141,141	111,164	2,359,865	1,727,908						

Notes:

- (1) Conventional Natural Gas (Solution Gas) includes all gas produced in association with light and medium crude oil and heavy crude oil.
- (2) Figures may not add due to rounding.

The following table sets forth the net present value of future net revenue attributable to Strathcona's reserves as at December 31, 2022 on a before- and after-tax basis using forecast prices and costs:

**Summary of Net Present Value of Future Net Revenue
Attributable to Oil and Gas Reserves (Forecast Prices and Costs)**

As of December 31, 2022

RESERVES CATEGORY	Before Deducting Income Taxes					After Deducting Income Taxes					Unit Value ⁽²⁾ \$/boe
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	
	(in \$ millions) ⁽¹⁾										
Proved											
Developed Producing	5,584	5,560	5,048	4,583	4,204	5,584	5,560	5,048	4,583	4,204	24.43
Developed Non-Producing	72	62	55	49	44	55	51	47	43	40	29.69
Undeveloped	28,311	15,494	9,384	6,108	4,192	23,540	12,491	7,361	4,675	3,132	11.61
Total Proved ⁽³⁾	33,967	21,116	14,487	10,741	8,440	29,179	18,101	12,455	9,303	7,377	14.25
Total Probable	30,000	12,540	6,704	4,179	2,868	26,356	10,532	5,453	3,327	2,250	9.43
Total Proved plus Probable ⁽³⁾	63,967	33,656	21,191	14,919	11,308	55,534	28,633	17,908	12,629	9,627	12.26

Notes:

- (1) Net present value of future net revenue includes all resource income, including the sale of oil, gas, by-product reserves, processing third party reserves and other income.
- (2) Calculated using net present value of future net revenue before deducting income taxes, discounted at 10% per year, and net reserves. The unit values are based on net reserves volumes.
- (3) Figures may not add due to rounding.

Forecast Prices and Costs

The forecast prices and costs assume no legislative or regulatory amendments, and include the effects of inflation. The estimated future net revenue to be derived from the production of the reserves is based on the following price forecasts of Sproule as of January 1, 2023 (utilized by McDaniel for consistency in Strathcona's reserves reporting), and the following inflation and exchange rate assumptions:

Year (1)	Inflation (%) ⁽²⁾	Exchange Rate (US\$/Cdn\$) (3)	Crude Oil			Natural Gas	Natural Gas Liquids			Ethane Plant Gate (\$Cdn/bbl)
			WTI Cushing Oklahoma 40 API (\$US/bbl)	Canadian Light Sweet Crude 40 API (\$Cdn/bbl)	Western Canadian Select 20.5 API (\$Cdn/bbl)	Alberta AECO-C Spot (\$Cdn/mmbtu)	Edmonton Pentanes Plus (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Propane (\$Cdn/bbl)	
2023	0.0	0.75	86.00	110.67	88.00	4.33	114.67	54.47	38.13	12.01
2024	3.0	0.80	84.00	101.25	89.38	4.34	105.00	52.50	37.28	12.02
2025	2.0	0.80	80.00	96.18	84.06	4.00	100.00	50.00	37.68	11.08
2026	2.0	0.80	81.60	98.10	85.74	4.08	102.00	51.00	38.44	11.30
2027	2.0	0.80	83.23	100.06	87.46	4.16	104.04	52.02	39.21	11.53
2028	2.0	0.80	84.90	102.06	89.21	4.24	106.12	53.06	39.99	11.76
2029	2.0	0.80	86.59	104.10	90.99	4.33	108.24	54.12	40.79	12.00
2030	2.0	0.80	88.33	106.18	92.81	4.42	110.41	55.20	41.61	12.24
2031	2.0	0.80	90.09	108.31	94.67	4.50	112.62	56.31	42.44	12.48
2032	2.0	0.80	91.89	110.47	96.56	4.59	114.87	57.43	43.29	12.73

Escalation of 2% per year thereafter

Notes:

- (1) Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.
- (2) Inflation rates for forecasting costs only. Prices inflated at 2% after 2023 where applicable.
- (3) The exchange rate is used to generate the benchmark reference prices in this table.

In 2022, Strathcona received a weighted average price (before operating costs, transportation costs, blending costs, royalties, and the effects of commodity derivative instruments) of \$92.60/bbl for heavy crude oil, \$88.22/bbl for bitumen, \$116.86/bbl for light and medium crude oil, \$79.94/bbl for natural gas liquids and \$5.47/mcf for conventional natural gas.

Reconciliation of Changes in Reserves

The following table provides a reconciliation of the changes in Strathcona's gross⁽¹⁾ reserves as at December 31, 2022 against its gross reserves as at December 31, 2021, based on forecast prices and costs assumptions:

	Light & Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Bitumen (mbbl)	Conventional Natural Gas Non-Associated and Associated Gas (mmcf)	Solution Gas (mmcf)	Natural Gas Liquids (mbbl)	Oil Equivalent (mmboe)
Proved							
December 31, 2021	1,044	109,683	519,938	807,733	8,311	74,180	840,852
Extensions and improved recovery ⁽²⁾	904	11,279	-	30,818	6,607	7,717	26,138
Technical revisions ⁽³⁾	(23)	2,659	(7,446)	(54,741)	(495)	(7,086)	(21,103)
Discoveries ⁽⁴⁾	-	-	-	-	-	-	-
Acquisitions	674	342,157	149,848	27	4,281	2	493,399
Dispositions	-	-	-	-	-	-	-
Economic factors ⁽⁵⁾	118	3,219	950	34,055	668	2,992	13,066
Production	(290)	(12,266)	(16,983)	(38,382)	(1,862)	(5,467)	(41,713)
Infill drilling	350	11,947	167	44,539	2,386	8,631	28,917
December 31, 2022 ⁽⁶⁾	2,776	468,679	646,474	824,050	19,896	80,970	1,399,556
Probable							
December 31, 2021	4,122	39,239	584,772	938,573	28,282	62,394	851,670
Extensions and improved recovery ⁽²⁾	(304)	3,682	-	21,664	(2,382)	3,503	10,095
Technical revisions ⁽³⁾	(111)	979	2,632	(57,569)	(1,014)	(4,008)	(10,271)
Discoveries ⁽⁴⁾	-	-	-	-	-	-	-
Acquisitions	279	121,152	37,003	-	1,986	-	158,766
Dispositions	-	-	-	-	-	-	-
Economic factors ⁽⁵⁾	863	914	5,669	20,812	5,588	1,524	13,369
Production	-	-	-	-	-	-	-
Infill drilling	(350)	3,460	33	(16,941)	(2,386)	(3,242)	(3,321)
December 31, 2022 ⁽⁶⁾	4,499	169,426	630,110	906,538	30,074	60,171	1,020,308
Proved Plus Probable							
December 31, 2021	5,166	148,922	1,104,710	1,746,306	36,593	136,575	1,692,522
Extensions and improved recovery ⁽²⁾	600	14,961	-	52,482	4,225	11,220	36,233
Technical revisions ⁽³⁾	(134)	3,637	(4,813)	(112,310)	(1,509)	(11,094)	(31,374)
Discoveries ⁽⁴⁾	-	-	-	-	-	-	-
Acquisitions	953	463,310	186,851	27	6,267	2	652,164
Dispositions	-	-	-	-	-	-	-
Economic factors ⁽⁵⁾	981	4,133	6,619	54,866	6,256	4,516	26,435
Production	(290)	(12,266)	(16,983)	(38,382)	(1,862)	(5,467)	(41,713)
Infill drilling	-	15,407	201	27,598	-	5,389	25,596
December 31, 2022 ⁽⁶⁾	7,275	638,104	1,276,584	1,730,588	49,970	141,141	2,359,864

Notes:

- (1) Gross reserves means Strathcona's working interest reserves before calculation of royalties, and before consideration of Strathcona's royalty interests.
- (2) Additions due to new wells drilled and booked during the year, and any reserve changes due to enhanced oil recovery.
- (3) Technical revisions also include changes in reserves associated with changes in operating costs, capital costs and commodity price offsets.
- (4) Additions where no reserves were previously booked.
- (5) Changes to reserves volumes due to changes in price forecasts and/or inflation rates.
- (6) Figures may not add due to rounding.

Undiscounted Future Net Revenue by Reserves Category

The undiscounted total future net revenue by reserves category as of December 31, 2022, using forecast prices and costs, is set forth below (columns or rows may not add due to rounding):

Reserves Category (\$ millions)	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Total Proved	110,958	28,097	32,053	14,310	2,531	33,966	4,788	29,179
Total Probable	104,277	34,339	28,138	10,977	824	30,000	3,644	26,356
Total Proved plus Probable	215,236	62,437	60,191	25,287	3,355	63,966	8,432	55,534

Net Present Value of Future Net Revenue by Product Type

The net present value of future net revenue before income taxes by reserves category and product type as of December 31, 2022, using forecast prices and costs and discounted at 10% per year, is set forth below:

RESERVES CATEGORY	PRODUCT TYPE	Future Net Revenue Before Income Taxes (Discounted at 10% / Year)	Unit Value Before Income Taxes (Discounted at 10% / Year) ⁽¹⁾
		(in \$ millions)	(\$/boe)
Proved	Light and Medium Crude Oil (including solution gas and by-products)	83	14.92
	Heavy Crude Oil (including solution gas and by-products)	7,348	17.96
	Bitumen (including solution gas and by-products)	5,515	13.26
	Conventional Natural Gas (Non Assoc. & Assoc.) (including by-products)	1,539	8.27
	Total	14,486	14.25
Proved plus Probable	Light and Medium Crude Oil (including solution gas and by-products)	170	10.98
	Heavy Crude Oil (including solution gas and by-products)	10,218	18.43
	Bitumen (including solution gas and by-products)	8,032	10.05
	Conventional Natural Gas (Non Assoc. & Assoc.) (including by-products)	2,771	7.73
	Total	21,190	12.26

Note:

(1) Unit values are based on net reserve volumes.

Estimated Production for Gross Reserves Estimates

The volume of total production for Strathcona estimated for 2023 in preparing the estimates of gross proved reserves and gross probable reserves is set forth below. Actual 2023 production may vary from the estimates provided as Strathcona's actual development programs, timing and priorities may differ from the forecast of development. Columns may not add due to rounding.

Product Type	Gross Proved Reserves				Gross Probable Reserves			
	Estimated 2023 Aggregate Production		Estimated 2023 Average Daily Production		Estimated 2023 Aggregate Production		Estimated 2023 Average Daily Production	
Crude Oil								
Light and Medium Crude Oil	241	mbbl	660	bb/d	11	mbbl	31	bb/d
Heavy Crude Oil	22,260	mbbl	60,897	bb/d	1,618	mbbl	4,432	bb/d
Total Crude Oil	22,501	mbbl	61,647	bb/d	1,629	mbbl	4,462	bb/d
Bitumen	20,955	mbbl	57,410	bb/d	963	mbbl	2,638	bb/d
Natural Gas Liquids	6,385	mbbl	17,493	bb/d	542	mbbl	1,486	bb/d
Total Liquids	49,841	mbbl	136,550	bb/d	3,314	mbbl	8,587	bb/d
Conventional Natural Gas (Solution Gas)	2,042	mmcf	5,595	mcf/d	96	mmcf	262	mcf/d
Conventional Natural Gas (Non Assoc. & Assoc.)	43,451	mmcf	119,045	mcf/d	2,819	mmcf	7,724	mcf/d
Total	57,423	mboe	157,323	boe/d	3,620	mboe	9,918	boe/d

The table below sets forth Sproule's estimated 2023 production for Strathcona's Kakwa properties located in northwest Alberta, which field is estimated to account for more than 20% of the above estimate of Strathcona's 2023 production.

Product Type	Gross Proved Reserves				Gross Probable Reserves			
	Estimated 2023 Aggregate Production		Estimated 2023 Average Daily Production		Estimated 2023 Aggregate Production		Estimated 2023 Average Daily Production	
Light and Medium Crude Oil	180	mbbl	493	bb/d	10	mbbl	27	bb/d
Heavy Crude Oil	-	mbbl	-	bb/d	-	mbbl	-	bb/d
Total Crude Oil	180	mbbl	493	bb/d	10	mbbl	27	bb/d
Bitumen	-	mbbl	-	bb/d	-	mbbl	-	bb/d
Natural Gas Liquids	6,384	mbbl	17,491	bb/d	542	mbbl	1,486	bb/d
Total Liquids	6,564	mbbl	17,984	bb/d	552	mbbl	1,513	bb/d
Conventional Natural Gas (Solution Gas)	1,623	mmcf	4,447	mcf/d	81	mmcf	221	mcf/d
Conventional Natural Gas (Non Assoc. & Assoc.)	32,974	mmcf	90,341	mcf/d	2,240	mmcf	6,136	mcf/d
Total	12,330	mboe	33,782	boe/d	939	mboe	2,573	boe/d

Future Development Costs

The amount of development costs deducted in the estimation of net present value of future net revenue is set forth below. Strathcona intends to fund its development activities through cash, internally generated cash flow and/or debt. Strathcona does not anticipate that the cost of obtaining the funds required for these development activities will have a material effect on Strathcona's disclosed oil and gas reserves or future net revenue attributable to those reserves. For additional information, see "Description of the Business – Capital Expenditures and Costs Incurred" in this Appendix "H".

Year	Proved Reserves (\$ millions)	Proved Plus Probable Reserves (\$ millions)
2023	772	755
2024	899	1,106
2025	1,147	1,346
2026	1,292	1,540
2027	1,158	1,353
Remainder	9,041	19,185
Total (Undiscounted)	14,309	25,285

Undeveloped Reserves

The following tables disclose the volumes of proved undeveloped reserves and probable undeveloped reserves of Strathcona that were first attributed in the years indicated.

Proved Undeveloped Reserves

Year	Light & Medium Crude Oil (mbbl)		Heavy Crude Oil (mbbl)		Bitumen (mbbl)		Conventional Natural Gas				Natural Gas Liquids (mbbl)	
							Non-Associated and Associated Gas (mmcf)		Solution Gas (mmcf)			
	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end
2020	58	58	4,403	70,894	-	304,855	381,677	634,187	587	1,139	55,771	55,771
2021	-	47	-	69,252	128,650	469,216	121,294	584,599	-	597	383	51,527
2022	1,215	1,321	297,296	371,349	107,259	545,231	55,047	610,102	6,605	7,669	11,366	57,074
Oil Equivalent (mmboe)												
Year	Attributed in year	Total at year-end										
2020	123,943	537,465										
2021	149,248	687,574										
2022	427,411	1,077,936										

Probable Undeveloped Reserves

Year	Light & Medium Crude Oil (mbbl)		Heavy Crude Oil (mbbl)		Bitumen (mbbl)		Conventional Natural Gas				Natural Gas Liquids (mbbl)	
							Non-Associated and Associated Gas (mmcf)		Solution Gas (mmcf)			
	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end	Attributed in year	Total at year-end
2020	3,223	3,223	1,583	25,322	-	75,241	411,902	622,909	19,714	20,039	59,581	59,581
2021	-	3,926	-	24,986	485,047	571,154	277,618	882,354	-	26,556	-	56,695
2022	641	4,138	116,547	143,923	27,194	601,077	36,586	849,253	4,260	26,827	7,718	53,716
Oil Equivalent (mmboe)												
Year	Attributed in year	Total at year-end										
2020	136,323	270,524										
2021	517,295	808,246										
2022	158,908	948,867										

Strathcona attributes proved and probable undeveloped reserves based on accepted engineering and geological practices as defined under NI 51-101. These practices include the determination of reserves based on the presence of commercial test rates from either production tests or drill stem tests, extensions of known accumulations based upon either geological or geophysical information, and the optimization of existing fields. Strathcona considers each of its undeveloped locations to be projects that have larger capital expenditures and, consistent with the COGE Handbook, has generally assigned development of or the commencement of significant capital spending on proved undeveloped locations to occur within three years (five years for resource plays) and within five years (ten years for resource plays) for probable undeveloped reserves. Strathcona has in recent years continually developed its undeveloped reserves. Strathcona intends to fund the development of its undeveloped reserves as of December 31, 2022 with cash, internally generated cash flow and/or debt. These expenditures are expected to extend the continual development of undeveloped reserves beyond two years.

Significant Factors or Uncertainties

Changes in future commodity prices relative to the forecasts described above under "*Forecast Prices and Costs*" could have a negative impact on Strathcona's reserves and, in particular, on the development of undeveloped reserves, unless future development costs are adjusted in parallel. Other than the foregoing and the factors disclosed or described in the tables above, Strathcona does not anticipate any other significant economic factors or other significant uncertainties which may affect any particular components of its reserves data.

In connection with its operations, Strathcona will incur abandonment and reclamation costs for surface leases, wells, facilities and pipelines. Strathcona budgets for and recognizes as a liability the estimated present value of the future decommissioning liabilities associated with its property, plant and equipment. There are no unusually significant abandonment and reclamation costs associated with its reserves properties or properties with no attributed reserves, and Strathcona does not anticipate its abandonment and reclamation liabilities to negatively impact its reserves data or its ability to develop these reserves at this time. See "*Risk Factors – Climate Change, Environmental and Regulatory Risks – Abandonment and Reclamation Costs*".

Tax Horizon

Strathcona has approximately \$6.0 billion of estimated future income tax deductions as at December 31, 2022. Based on existing tax legislation, Strathcona's available tax pools, expected capital expenditures and forecasted net income, Strathcona does not anticipate paying material cash taxes in Canada before 2026. These expectations may vary depending on numerous factors, including fluctuations in commodity prices, Strathcona's capital spending, changes in tax laws, and the nature and timing of Strathcona's acquisitions and divestments. As a result, Strathcona emphasizes that it is difficult to give guidance on future taxability as it operates within an industry that constantly changes. See "*Risk Factors – Other Risks Affecting Strathcona's Business – Changes in Tax Laws and Government Incentive Programs*".

For additional information, see Note 15 to the Strathcona Annual Financial Statements.

Marketing Arrangements and Forward Contracts

Strathcona uses various types of derivative financial instruments and physical delivery contracts to manage the risks related to fluctuating commodity prices and foreign exchange rates. A summary of Strathcona's financial contracts in respect of hedging activities can be found in the "*Risk Management*" section of the Strathcona Interim MD&A attached as Schedule F to this Appendix "H". Other than as disclosed in the Strathcona Interim MD&A, Strathcona is not bound by any agreement (including any transportation agreement), directly or through an aggregator, under which it is precluded from fully realizing, or may be protected from the full effect of, future market prices for crude oil or natural gas.

Strathcona's transportation obligations or commitments for future physical deliveries of crude oil and natural gas are not anticipated to exceed Strathcona's expected production from total proved reserves.

INDUSTRY OVERVIEW

Companies operating in the crude oil and natural gas industry are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, environmental considerations, transportation, and marketing) as a result of legislation enacted by various levels of government, and with respect to the pricing and taxation of petroleum and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the western Canadian crude oil and natural gas industry. All current legislation is a matter of public record and Strathcona is unable to predict what additional legislation or amendments may be enacted.

Strathcona's assets and operations are also regulated by administrative agencies that derive their authority from legislation enacted by the applicable level of government. Regulated aspects of Strathcona's upstream crude oil and natural gas business include all manner of activities associated with the exploration for and production of crude oil and natural gas, including, among other matters: (i) permits for the drilling of wells; (ii) technical drilling and well requirements; (iii) permitted locations and access to operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts, including by reducing greenhouse gas ("GHG") emissions; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment, reclamation and remediation of impacted sites. In order to conduct crude oil and natural gas operations and remain in good standing with the applicable federal or provincial regulatory scheme, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions, or disruptions to operations.

Outlined below are some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the crude oil and natural gas industry in western Canada, particularly in the provinces of Alberta, British Columbia and Saskatchewan, where Strathcona's assets are primarily located. While these matters do not affect Strathcona's operations in any manner that is materially different than the manner in which they affect other similarly-sized industry participants with similar assets and operations, stakeholders should consider such matters carefully.

Export and Pricing

Oil

In Canada and the U.S., producers of oil may negotiate sales contracts directly with oil purchasers. Worldwide supply and demand factors primarily determine oil prices; however, prices are also influenced by regional markets and transportation issues. The specific price depends in part on oil quality, oil type, prices of competing crude oils, distance to market, availability of transportation, value of refined products, the supply/demand balance and contractual terms of sale.

Oil can be exported from Canada provided that an order approving such export has been obtained from the CER and the term of the export contract is less than one year in the case of light crude oil and less than two years in the case of heavy crude oil. Any Canadian oil export made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the CER.

Natural Gas

In Canada and the U.S., producers of natural gas are entitled to negotiate sales contracts directly with purchasers. Supply and demand determine the price of natural gas, which is calculated at the sale point, being the wellhead, the outlet of a gas processing plant, on a gas transmission system, at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon such producer's own arrangements (whether long or short-term contracts and the specific point of sale). As natural gas is also traded on trading platforms such as the Natural Gas Exchange, Intercontinental Exchange or NYMEX in the U.S., spot and future prices can also be influenced by supply and demand fundamentals on these platforms.

Natural gas exported from Canada is subject to regulation by the CER and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain other criteria prescribed by the CER and the Government of Canada. Natural gas (other than propane, butane and ethane) exports are authorized by the CER under long-term licenses, or short-term orders. Exports for a term of up to two years or for a term of two to 20 years (in quantities of not more than 30,000 m³/d) may be made pursuant to a CER order. Natural gas exports made pursuant to a contract exceeding the duration of a short-term order or for a larger quantity than permitted for a short-term

order require an export license from the CER, which license is subject to the Minister of Natural Resources' approval, with a maximum term of 40 years.

In Alberta, the AER also regulates the volume of natural gas for export by issuing either short-term or long term permits for the removal of natural gas from the province for consumption elsewhere based on reserve availability, transportation arrangements and other market considerations. British Columbia and Saskatchewan do not have equivalent legislation with respect to the regulation of the export of natural gas from those provinces.

Canada-United States-Mexico Agreement

On July 1, 2020, the Canada-United States-Mexico Agreement ("**CUSMA**") entered into force, replacing the North American Free Trade Agreement ("**NAFTA**"). According to a Government of Canada technical summary of negotiated outcomes related to the energy sector, under CUSMA, the rule of origin applicable to heavy oil containing diluent has been relaxed to allow up to 40% of non-originating diluent to be added for the purpose of transportation in pipelines without affecting the originating status of the product, which will allow Canadian heavy oil products to more easily qualify for duty-free treatment when imported into the U.S.

The Energy Regulatory Measures and Regulatory Transparency side letter, between Canada and the U.S. promotes regulatory transparency and non-discrimination in access to or use of energy infrastructure, which may potentially benefit the Canadian heavy oil industry. As of July 1, 2023, the investor-state dispute settlement provisions under NAFTA are no longer available to protect future investments of Canadians in the U.S. or U.S. investments in Canada.

Royalties, Incentives and Regulations

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, natural gas liquids, sulfur and natural gas production. The royalties Strathcona pays on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and Strathcona, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties that Strathcona pays generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of Strathcona's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

From time to time, the provincial governments have established incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty rates can significantly affect Strathcona's operating results and financial condition. See "*Risk Factors – Risks Relating to Strathcona's Business – Royalty Regimes*".

Land Tenure

In British Columbia, Alberta and Saskatchewan, the rights to crude oil and natural gas are predominantly owned by the provincial government. Provincial governments grant rights to explore for and produce crude oil and natural gas pursuant to leases, licenses, and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. Private ownership of crude oil and natural gas also exists in western Canada.

Government and private leases are generally granted for an initial fixed term but may generally be continued provided certain minimum levels of drilling operations or production have been achieved and all lease rentals have been timely paid, subject to certain exceptions. To develop minerals, including crude oil and natural gas, it is necessary for the mineral estate owner(s) to have access to the surface estate. Under common law in Canada, the mineral estate is considered the "dominant" estate with the right to extract minerals subject to reasonable use of the surface. Each province has developed and adopted their own statutes that operators must follow both prior to drilling and following drilling, including notification requirements and the provision of compensation for lost land use and surface damages. The surface rights required for pipelines and facilities are generally governed by leases, easements, rights-of-way, permits or licenses granted by landowners or governmental authorities.

Liability Management Rating Program

British Columbia, Alberta and Saskatchewan have each implemented similar liability management programs in respect of most conventional upstream oil and gas wells, facilities and pipelines designed to prevent or minimize the occurrence of orphaned wells and facilities and to manage financial risk of each jurisdiction's orphan well fund. These programs generally require a licensee whose deemed liabilities exceed its deemed assets within the jurisdiction to provide a security deposit. In response to a number of insolvencies, British Columbia, Alberta and Saskatchewan have made their liability management programs more stringent in recent years. Each province has shifted, or is in the process of shifting, to a licensee capability assessment that considers, among other things, the general financial health of the licensee, the remaining lifespan of a licensee's mineral resources and infrastructure, and the rate at which the licensee has abandoned, remediated, and reclaimed their inactive oil and gas sites. In Alberta, the shift from the AB LMR Program to the AB LMF is being implemented in phases, beginning with the release of Directive 088: Licensee Life-Cycle Management in December 2021 and Manual 023: Licensee Life Cycle Management in May 2022. The Permittee Capability Assessment program was implemented in British Columbia as of April 1, 2022. Updates to the Licensee Liability Rating Program in Saskatchewan, which require a more holistic licensee capability assessment, came into force on January 1, 2023. Saskatchewan has also implemented the Inactive Liability Reduction Program as of January 1, 2023, which requires licensees to retire a certain percentage of their inactive wells or facilities each year. The capability assessment model generally results in licensees being held to a higher standard when accepting the transfer of licenses from a third party, which has resulted in limiting the number of parties who can reasonably acquire assets. See *"Risk Factors – Climate Change, Environmental and Regulatory Risks – Liability Management Programs"* in this Appendix "H".

Governmental Regulations

Environmental Regulations

The crude oil and natural gas industry is subject to stringent environmental, health and safety regulation. A variety of municipal, provincial and federal laws and regulations govern occupational health and safety aspects of Strathcona's operations, the spill, release or emission of substances into the environment, or otherwise relating to environmental protection, all of which are subject to governmental review and revision from time to time. Such laws and regulations, among other things: require the acquisition of permits or other approvals to conduct drilling and other regulated activities; restrict the types, quantities and concentration of various substances that can be released into the environment or injected into formations in connection with crude oil and natural gas drilling and production activities; limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; impose specific health and safety criteria addressing worker protection; and impose substantial liabilities for pollution resulting from drilling and production operations. In addition, laws and regulations prescribe requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment, reclamation and remediation of well and facility sites. Compliance with such laws and regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary permits, licenses and authorizations, remedial obligations,

civil liability and the imposition of material administrative, civil or criminal penalties. See "*Risk Factors – Climate Change, Environmental and Regulatory Risks – Environmental Regulations*" in this Appendix "H".

Environmental legislation in the Province of Alberta that pertains to oil and gas exploration is, for the most part, set out in the *Environmental Protection and Enhancement Act* (Alberta), *Oil and Gas Conservation Act* (Alberta), and *Oil Sands Conservation Act* (Alberta), which, among other things, impose strict environmental standards with respect to releases of effluents and emissions, including monitoring and reporting obligations, and impose significant penalties for non-compliance. Environmental legislation in the Province of Saskatchewan that pertains to oil and gas exploration is, for the most part, set out in the *Environmental Management and Protection Act, 2010* (Saskatchewan) and the *Oil and Gas Conservation Act* (Saskatchewan), which, among other things, regulate harmful or potentially harmful activities and substances, any release of such substances, and remediation obligations. In the Province of British Columbia, environmental legislation that pertains to oil and gas exploration is, for the most part, set out in the *Environmental Management Act* (British Columbia) and the *Oil and Gas Activities Act* (British Columbia) which, among other things, regulate harmful or potentially harmful activities and substances, any release of such substances, and remediation obligations.

Implementation of more stringent environmental regulations, both federally and provincially, on Strathcona's operations could affect its capital and operating expenditures and plans for its operations. In addition to the agencies and departments that directly regulate oil and gas operations, there are other provincial, federal and local conservation and environmental protection agencies and departments that regulate air quality, water quality, fish, wildlife, visual quality, transportation, noise, spills, incidents and transportation.

Strathcona believes that, in all material respects, it is in compliance with, and has complied with, all applicable environmental laws and regulations. Strathcona has made and will continue to make expenditures in its efforts to comply with all environmental laws and regulations. Strathcona considers this a normal, recurring cost of its ongoing operations and not an extraordinary cost of compliance with governmental regulations. Strathcona believes that its continued compliance with existing requirements has been accounted for and will not have a material and adverse impact on its financial condition, results of operations or operating cash flows. It is reasonably likely that the trend towards stricter standards in environmental legislation will continue; however, Strathcona cannot predict the timing or quantify the potential impact at this time.

Climate Change Regulations

Canada and the U.S. are signatories to the United Nations Framework Convention on Climate Change and to the Paris Agreement, which includes a commitment to keep any increase in global temperatures below two degrees Celsius. Canada has pledged to reduce GHG emissions by 40-45% below 2005 levels by 2030. Canada has passed the *Canadian Net-Zero Emissions Accountability Act* (Canada) to codify its commitment to reach this GHG emissions reduction target. The U.S. rejoined the Paris Agreement, effective February 19, 2021, and has pledged to reduce GHG emissions by 50-52% below 2005 levels by 2030.

The Government of Canada implemented a national carbon pricing system in 2019 pursuant to the *Greenhouse Gas Pollution Pricing Act* (the "**GGPPA**"). The GGPPA functions as a federal backstop and will apply to the extent a province or territory does not implement a carbon pricing system that meets the stringency requirements of the GGPPA. The federal carbon price for 2023 under the GGPPA is \$65/tonne of carbon dioxide equivalent emissions. The price under the GGPPA rises by \$15/tonne each year until 2030, at which time the carbon price will be \$170/tonne.

The federal carbon pricing system has two components, a carbon fuel levy applicable to producers, distributors and importers of carbon-based fuels ("**regulatory charge**"), and an output-based pricing system on large industrial emitters. Saskatchewan and Alberta do not currently have any provincial regulatory charge programs and are therefore subject to the Government of Canada consumer/small producer regulatory charge. However, Alberta and Saskatchewan both regulate large industrial emitters pursuant to provincial-specific large emitter programs, which meet the federal stringency requirements. Their respective large emitter programs for pricing carbon (namely the *Management and Reduction of*

Greenhouse Gases Act (Saskatchewan) and related regulations in Saskatchewan, and TIER in Alberta) have been deemed equivalent to the federal output-based pricing system. These programs enable emitters whose facilities do not meet the threshold of a large emitter to voluntarily opt into the applicable provincial program by aggregating emissions from multiple small wells and facilities and allow them to be treated as a single facility and registered pursuant to the applicable provincial large emitter program. British Columbia has a carbon tax regime applicable to small and large carbon emitters that has been deemed equivalent to both the federal regulatory charge and the federal output-based pricing system. Federal and provincial laws and regulations with respect to GHG emissions and climate change that are applicable to oil and gas companies in western Canada continue to evolve.

The federal *Clean Fuel Regulations* (Canada), which requires producers and importers of gasoline and diesel to reduce the carbon intensity of these fuels, were released and adopted in 2022. The carbon intensity reduction requirements took effect as of July 1, 2023 and become more stringent on an annual basis until 2030. The carbon intensity of regulated fuels is determined based on lifecycle carbon emissions, including the carbon emissions associated with the extraction or production of the feedstock used to produce the fuel. These regulations may, therefore, have a material adverse effect on Strathcona's business as a result of increased costs or reduced demand.

United Nations Declaration on the Rights of Indigenous Peoples

The Government of Canada has introduced legislation to implement United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). Other Canadian jurisdictions, including British Columbia, have also either introduced or passed similar legislation, or begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with the implementation of UNDRIP by government is uncertain. In connection with the implementation of UNDRIP, additional processes may be created or legislation amended or introduced associated with project development and operations, further increasing uncertainty with respect to project regulatory approval timelines and requirements.

FINANCIAL STATEMENTS

Strathcona's audited consolidated financial statements as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, together with the notes thereto and the reports of the auditors thereon are attached as Schedule A to this Appendix "H" (collectively, the "**Strathcona Annual Financial Statements**"). Strathcona's consolidated statement of financial position as at January 1, 2021 is attached as Schedule A to this Appendix "H" and was constructed from the audited consolidated statement of financial position as at December 31, 2020 (not presented herein).

Strathcona's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and 2022 are attached as Schedule B to this Appendix "H" (the "**Strathcona Interim Financial Statements**").

Serafina's audited consolidated financial statements as at and for the year ended December 31, 2021, together with the notes thereto and the report of the auditors thereon, and Serafina's unaudited condensed interim financial statements for the three and six months ended June 30, 2022 and 2021 are attached as Schedule C to this Appendix "H" (the "**Serafina Financial Statements**").

Due to the Serafina Acquisition occurring in August 2022, less than nine months of Serafina's business operations have been reflected in Strathcona's consolidated statement of income and comprehensive income for the year ended December 31, 2022, forming part of the Strathcona Annual Financial Statements. As a result, Strathcona has prepared an unaudited pro forma consolidated statement of income and comprehensive income after giving effect to the completion of the Serafina Acquisition, for the year ended December 31, 2022 (the "**Pro Forma Financial Statements**"). The Pro Forma Financial Statements are attached as Schedule D to this Appendix "H".

MANAGEMENT DISCUSSION AND ANALYSIS

Strathcona's management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2022, 2021 and 2020 are attached as Schedule E to this Appendix "H" (the "**Strathcona Annual MD&A**")

Strathcona's management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2023 and 2022 are attached as Schedule F to this Appendix "H" (the "**Strathcona Interim MD&A**").

The Strathcona Annual MD&A and Strathcona Interim MD&A should be read in conjunction with the Strathcona Annual Financial Statements and Strathcona Interim Financial Statements, respectively.

DESCRIPTION OF CAPITAL STRUCTURE

Strathcona Shares

The authorized capital of Strathcona consists of an unlimited number of Strathcona Class A Shares, an unlimited number of Strathcona Class B Shares and an unlimited number of Strathcona Preferred Shares. As of the date hereof, an aggregate of 932,573,693 Strathcona Class A Shares and 1,254,131,751 Strathcona Class B Shares are outstanding. No Strathcona Preferred Shares have been issued.

Pursuant to the Strathcona Articles and the Strathcona USA, no Strathcona Shares shall be transferred without the consent of either: (i) a majority of the directors of Strathcona expressed by a resolution passed at a meeting of the Strathcona Board of Directors or by an instrument in writing signed by a majority of the directors of Strathcona; or (ii) the holders of a majority of the outstanding Strathcona Shares and Strathcona Preferred Shares, expressed by a resolution passed at a meeting of such shareholders or by an instrument in writing signed by the holders of a majority of the Strathcona Shares and Strathcona Preferred Shares.

The following summary sets forth the rights, privileges, restrictions and conditions attaching to the Strathcona Shares as of the date of this Information Circular. Upon completion of the Arrangement, the Articles of Arrangement will provide for the rights, privileges, restrictions and conditions attaching to the shares of AmalCo, as set forth under the heading "*Description of Capital Structure – AmalCo Shares*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

Strathcona Class A Shares

Holders of Strathcona Class A Shares are entitled to receive notice of and to attend all meetings of Strathcona Shareholders (except meetings of holders of another class of shares meeting as a class or the holders of one or more series of any class of shares meeting as a series who are entitled to vote separately as a class at such meeting) and to one vote at such meeting for each Strathcona Class A Share held.

Subject to the preferences accorded to holders of any shares of Strathcona ranking senior to the Strathcona Class A Shares, the holders of the Strathcona Class A Shares are, at the discretion of the Strathcona Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Strathcona Board of Directors on the Strathcona Class A Shares. For greater certainty, Strathcona shall only pay a dividend or other distribution on the Strathcona Class A Shares if it makes a dividend or other distribution in an equal amount, on a per share basis, on the Strathcona Class B Shares.

In the event of a liquidation, dissolution or winding-up of Strathcona, the holders of Strathcona Class A Shares are entitled to share in the remaining property of Strathcona, in parity with the holders of Strathcona Class B Shares, subject to the rights of the holders of any shares of Strathcona ranking senior to the Strathcona Class A Shares.

Strathcona Class A Shares may at any time, at the option of the holder, be converted into Strathcona Class B Shares on a 1:1 basis. Strathcona may at any time, at the option of Strathcona, require the conversion of all, but not less than all, of the Strathcona Class A Shares into Strathcona Class B Shares on a 1:1 basis.

Strathcona Class B Shares

Holders of Strathcona Class B Shares are entitled to receive, on the day immediately following the day upon which notice is delivered to the holders of the Strathcona Class A Shares, notice of and to attend all meetings of Strathcona Shareholders (except meetings of holders of another class of shares meeting as a class or the holders of one or more series of any class of shares meeting as a series who are entitled to vote separately as a class at such meeting) and to one vote at such meeting for each Strathcona Class B Share held.

Subject to the preferences accorded to holders of any shares of Strathcona ranking senior to the Strathcona Class B Shares, the holders of the Strathcona Class B Shares are, at the discretion of the Strathcona Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Strathcona Board of Directors on the Strathcona Class B Shares. For greater certainty, Strathcona shall only pay a dividend or other distribution on the Strathcona Class B Shares if it makes a dividend or other distribution in an equal amount, on a per share basis, on the Strathcona Class A Shares.

In the event of a liquidation, dissolution or winding-up of Strathcona, the holders of Strathcona Class B Shares are entitled to share in the remaining property of Strathcona, in parity with the holders of Strathcona Class A Shares, subject to the rights of the holders of any shares of Strathcona ranking senior to the Strathcona Class B Shares.

Strathcona Class B Shares may at any time, at the option of the holder, be converted into Strathcona Class A Shares on a 1:1 basis. Strathcona may at any time, at the option of Strathcona, require the conversion of all, but not less than all, of the Strathcona Class B Shares into Strathcona Class A Shares on a 1:1 basis.

Strathcona Preferred Shares

The Strathcona Board of Directors may at any time and from time to time issue Strathcona Preferred Shares in one or more series, with each series to consist of such number of shares as may before the issuance thereof be determined by the Strathcona Board of Directors. Subject to the provisions of the ABCA, the Strathcona Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of Strathcona Preferred Shares.

Bank Credit Facilities

The following sets forth the terms of Strathcona's bank credit facilities as of the date of this Information Circular. Concurrently with the execution of the Arrangement Agreement, Strathcona entered into commitment letters with certain lenders with respect to AmalCo Bank Credit Facilities that will become effective upon completion of the Arrangement and satisfaction of other customary conditions. See "*Material Contracts – AmalCo Credit Facilities*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

Revolving Credit Facility

As at the date hereof, Strathcona has a covenant-based Revolving Credit Facility of \$2.0 billion governed by the Revolving Credit Agreement. Concurrent with the Arrangement, Strathcona's Revolving Credit Facility will be increased to \$2.3 billion.

Borrowings under the Revolving Credit Facility may be drawn and repaid from time to time by Strathcona in Canadian or U.S. dollars. The Revolving Credit Facility has a maturity date of February 27, 2026, which may be extended from time to time pursuant to the terms of the Revolving Credit Agreement. The covenant-based Revolving Credit Facility is not a borrowing base facility and does not require annual or semi-annual

reviews. The interest rates applicable to the Revolving Credit Facility are floating based on Strathcona's senior debt to EBITDA ratio (as calculated under the Revolving Credit Agreement).

As at June 30, 2023, Strathcona had approximately \$356 million of remaining availability under the Revolving Credit Facility, net of utilization for letters of credit.

The Revolving Credit Agreement requires that Strathcona maintain: (i) a maximum total debt to Adjusted EBITDA ratio (as calculated under the Revolving Credit Agreement) of 4.0:1.0; (ii) a maximum senior debt to Adjusted EBITDA ratio (as calculated under the Revolving Credit Agreement) of 3.5:1.0; and (iii) a minimum interest coverage ratio (as calculated under the Revolving Credit Agreement) of 3.5:1.0 as at the end of each fiscal quarter.

The Revolving Credit Agreement contains standard restrictive covenants, including restrictions on making interest and principal payments against the Senior Notes or other junior debt unless certain criteria are met, and standard events of default for facilities of this nature. The lenders may accelerate payment of any borrowings or terminate their commitments upon the occurrence of and during the continuance of an event of default.

The Revolving Credit Facility is guaranteed by Strathcona's subsidiaries, and is secured by security interests in substantially all of the existing and future assets of Strathcona and its material subsidiaries, which security interests have, subject to certain exceptions, first priority over all other creditors.

Term Credit Facility

Concurrent with the Serafina Acquisition on August 29, 2022, Strathcona entered into a Term Credit Facility of \$700.0 million governed by the Term Credit Agreement. Borrowings under the Term Credit Facility were fully advanced on the date of the Term Credit Agreement, and \$525 million remains outstanding as at the date of this Information Circular. The Term Credit Facility has a maturity date of February 29, 2024. The Term Credit Agreement is in substantially the same form as the Revolving Credit Agreement, other than the following:

1. The Term Credit Agreement includes mandatory repayments of the Term Credit Facility using (i) certain excess cash flows and (ii) the net cash proceeds from the issuance of hybrid securities or preferred shares, certain debt issuances and certain asset sales.
2. The Term Credit Agreement requires Strathcona to maintain commodity hedges covering not less than 50% of its average daily forecasted production on a rolling six month basis.
3. Interest on the Term Credit Facility is based on a fixed spread that does not change based on Strathcona's senior debt to EBITDA ratio under the Revolving Credit Agreement.

The Term Credit Facility is guaranteed by Strathcona's subsidiaries, and is secured by security interests in substantially all of the existing and future assets of Strathcona and its material subsidiaries, which security interests have, subject to certain exceptions, first priority over all other creditors.

Letter of Credit Facility

As of the date hereof, Strathcona has a \$100.0 million demand letter of credit facility with a financial institution (the "**Letter of Credit Facility**"). The Letter of Credit Facility is supported by an account performance security guarantee issued by EDC in favour of the financial institution. Strathcona and its subsidiaries have indemnified EDC for the amount of any payment made by EDC to the financial institution pursuant to those guarantees; however, the obligations under such indemnity are unsecured. The Letter of Credit Facility is uncommitted and made available at the sole discretion of the financial institution. The financial institution can demand repayment and/or cancel the availability of the Letter of Credit Facility at any time.

Senior Notes

On July 20, 2021, Strathcona issued U.S.\$500 million aggregate principal amount of senior notes, which mature on August 1, 2026 (the "**Senior Notes**") and are governed by the Note Indenture. Interest is payable semi-annually at a rate of 6.875% on February 1 and August 1 of each year. The Senior Notes are redeemable at Strathcona's option, in whole or in part, after August 1, 2023, at redemption prices decreasing annually from 105.156% to 100.000% of the principal amount redeemed. See "*Material Contracts – Note Indenture*" in this Appendix "H".

CREDIT RATINGS

The following table outlines the credit ratings assigned to the Senior Notes as of the date hereof:

Rating Agency	Issuer Credit Rating	Senior Note Credit Rating
S&P Global Ratings (" S&P ")	B+ (Negative)	BB-
Moody's Investors Service (" Moody's ")	B2 (Positive)	B3
Fitch Ratings (" Fitch ")	B+ (Stable)	B

The corporate credit ratings address the overall credit strength of Strathcona, without consideration for security or ranking of security or ranking of any particular indebtedness. Credit ratings on long-term debt securities are intended to provide investors with an independent measure of credit quality of any issue of debt securities. The credit ratings assigned by the rating agencies are not recommendations to buy, sell or hold the Senior Notes or other securities of Strathcona and may be subject to revision or withdrawal at any time by the applicable credit rating organization.

S&P's issuer credit ratings range from AAA to D, representing the range from highest to lowest quality of creditworthiness. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A rating of B by S&P is within the sixth highest of eleven categories. Issuers rated BB, B, CCC and CC are regarded as having significant speculative characteristics, with BB indicating the least degree of speculation and CC the highest. While such issuers will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. A B rating indicates that the issuer is more vulnerable than the issuers rated BB, but the issuer currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the issuer's capacity or willingness to meet its financial commitments.

An S&P ratings outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). A negative outlook means that a rating may be lowered over the intermediate term.

S&P's credit ratings on long-term debt securities range from AAA to D, representing the range of such securities rated from highest to lowest quality of creditworthiness. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A rating of BB by S&P is within the fifth highest of ten categories. Obligations rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics, with BB indicating the least degree of speculation and C indicating the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. A BB rating indicates that the obligation is less vulnerable to non-payment than other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the issuer's inadequate capacity to meet its financial commitment on the obligation.

Moody's issuer and long-term debt securities credit ratings range from Aaa to C, representing the range from highest to lowest quality of creditworthiness. For rating categories Aa through Caa, Moody's appends the numerical modifiers 1, 2 or 3 to each generic rating classification. The modifier 1 indicates that the

obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates a ranking in the lower end of that generic rating category. A rating of B by Moody's is within the sixth highest of nine categories. A B rating indicates that the issuer or obligation is considered speculative and subject to a high degree of credit risk. A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. A positive outlook indicates a higher likelihood of a rating change over the medium term.

Fitch's issuer and long-term debt securities credit ratings range from AAA to BBB (investment grade) and BB to D (speculative grade), representing the range from highest to lowest quality of creditworthiness. The terms "investment grade" and "speculative grade" are market conventions and do not imply any recommendation or endorsement of a specific security for investment purposes. Investment-grade categories indicate relatively low to moderate credit risk, while ratings in the speculative categories signal either a higher level of credit risk or that a default has already occurred. For rating categories AA through CCC, Fitch appends a plus (+) or minus (-) to sign to indicating relative differences of probability of default or recovery for issues. A rating of B by Fitch is within the sixth highest of ten categories. A B rating indicates that material credit risk is present. Fitch's ratings outlooks indicate the direction a rating is likely to move over a one- to two-year period. A stable outlook indicates that the rating is not likely to change over a one- to two-year period.

Strathcona has paid customary fees to S&P, Moody's and Fitch in connection with the above-mentioned credit ratings. Strathcona did not make any payments to S&P, Moody's or Fitch in respect of any service unrelated to the provision of such credit ratings during the last two years.

CONSOLIDATED CAPITALIZATION

Other than the repayment by Strathcona on August 25, 2023 of \$150.0 million pursuant to the Term Credit Facility, there have been no material changes in the share and loan capital of Strathcona, whether on a consolidated basis or otherwise, since June 30, 2023. The Strathcona Interim Financial Statements are attached as Schedule B to this Appendix "H".

DIVIDENDS AND DISTRIBUTIONS

As at the date hereof, Strathcona has not established a formal dividend policy and has not paid any dividends on the Strathcona Shares.

The Arrangement Agreement, Revolving Credit Agreement, Term Credit Agreement and Note Indenture each contain certain restrictions on Strathcona's ability to pay dividends. See "*Material Contracts*" in this Appendix "H".

PRIOR SALES

Except as otherwise disclosed herein, the following table sets forth the Strathcona Shares that have been issued by Strathcona in the twelve-month period prior to the date of this Information Circular.

Date of Issue	Number and Designation of Strathcona Shares	Issue Price	Description
April 19, 2023	207,600 Strathcona Class B Shares	\$3.55	Employee share subscriptions

Date of Issue	Number and Designation of Strathcona Shares	Issue Price	Description
December 30, 2022	87,206,434 Strathcona Class A Shares	N/A ⁽¹⁾	Strathcona Shares were issued to the former shareholder of WEF II Holdco Corp. in exchange for the Strathcona Shares previously held by WEF II Holdco Corp. pursuant to the WEF II Holdco Amalgamation
December 30, 2022	153,967,793 Strathcona Class B Shares	N/A ⁽¹⁾	

Note:

- (1) As a result of the Strathcona Shares being issued pursuant to the WEF II Holdco Amalgamation, there is no issue price for such Strathcona Shares.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of the date of this Information Circular, no Strathcona Shares are held in escrow.

Pursuant to the Strathcona USA, the Strathcona Shares are subject to contractual restrictions on transfer. The Strathcona USA will be terminated pursuant to the Plan of Arrangement on the Effective Date. See "*Material Contracts – Strathcona USA*" in this Appendix "H".

PRINCIPAL SHAREHOLDERS

Strathcona is privately owned by the WEF Shareholders (holding in aggregate 99.7% of the Strathcona Shares) and other management and employees of Strathcona (holding in aggregate 0.3% of the Strathcona Shares). As at the date of this Information Circular, the WEF Shareholders are the registered and beneficial owners of 932,573,693 Strathcona Class A Shares, representing approximately 42.7% of the issued and outstanding Strathcona Shares, and 1,246,544,265 Strathcona Class B Shares, representing approximately 57.0% of the issued and outstanding Strathcona Shares. The Strathcona Shares owned by the WEF Shareholders are controlled by the WEF General Partners.

The following table sets out the persons who, as at the date of this Information Circular, to Strathcona's knowledge, beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the Strathcona Class A Shares or Strathcona Class B Shares:

Name⁽¹⁾	Number and Designation of Strathcona Shares	% of Class
Waterous Energy Fund (US) LP	540,077,087 Strathcona Class A Shares	57.91%
Waterous Energy Fund Co-Investment (International) LP	138,458,894 Strathcona Class A Shares	14.85%
Waterous Energy Fund (International) LP	552,170,512 Strathcona Class B Shares	44.03%
Waterous Energy Fund (Canadian) LP	260,814,323 Strathcona Class B Shares	20.80%
Waterous Energy Fund II Aggregator LP	153,967,793 Strathcona Class B Shares	12.28%
WEF Osum Co-Invest I LP	126,585,000 Strathcona Class B Shares	10.09%

Note:

- (1) The Strathcona Shares owned by the specified WEF Shareholders are controlled through each limited partnership's general partner, specifically: WEF GP (US) Ltd. (as the general partner of Waterous Energy Fund (US) LP); WEF Co-Investment GP (International) Corp. (as the general partner of Waterous Energy Fund Co-Investment (International) LP); WEF GP (International) Ltd. (as general partner of Waterous Energy Fund (International) LP); WEF GP (Canadian) Corp. (as the general partner of Waterous Energy Fund (Canadian) LP); WEF II GP Aggregator Corp. (as the general partner of Waterous Energy Fund II Aggregator LP); WEF Osum Co-Invest GP I Ltd. (as the general partner of WEF Osum Co-Invest I LP); WEF Osum Co-Invest GP II Ltd. (as the general partner of WEF Osum Co-Invest II LP); and WEF Osum GP Co-Invest III Ltd. (as the general partner of WEF Osum Co-Invest III LP) (collectively, the "**WEF General Partners**"). The business and affairs of each WEF Shareholder and WEF General Partner are managed by the WEF Manager, which is owned indirectly and controlled by Adam Waterous.

Upon completion of the Arrangement, it is anticipated that the WEF Shareholders will hold approximately 194,547,294 AmalCo Shares, representing approximately 90.8% of the AmalCo Shares to be issued and outstanding immediately following the completion of the Arrangement, and will enter into the WEF Investment Rights Agreement. See "*Material Contracts – WEF Investment Rights Agreement*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, position, jurisdiction of residence, date of appointment and principal occupation during the five preceding years for each director and executive officer of Strathcona as of the date of this Information Circular. All directors have been elected to serve until Strathcona's next annual meeting of Strathcona Shareholders, or until his successor is duly elected, unless his office is vacated earlier in accordance with the by-laws of Strathcona or applicable law.

Adam Waterous is the Managing Partner and Chief Executive Officer of WEF and, accordingly, may be considered to indirectly exercise some degree of control and direction over Strathcona Shares owned by the WEF Shareholders. The WEF Shareholders beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,179,117,958 Strathcona Shares, representing approximately 99.7% of the issued and outstanding Strathcona Shares, and the business and affairs of each WEF Shareholder and WEF General Partner are managed by the WEF Manager, which is owned indirectly and controlled by Adam Waterous.

As of the date of this Information Circular, excluding Strathcona Shares owned by the WEF Shareholders, the current directors and executive officers of Strathcona as a group beneficially own, or control or direct, directly or indirectly, 4,280,367 Strathcona Class B Shares, representing 0.2% of the issued and outstanding Strathcona Class B Shares, and nil Strathcona Class A Shares and Strathcona Preferred Shares.

The following table sets forth the name, position, jurisdiction of residence and principal occupation during the five preceding years for each of the current directors and executive officers of Strathcona.

Name, Position and Jurisdiction of Residence	Officer and / or Director Since	Principal Occupation during the Five Preceding Years
Adam Waterous ⁽¹⁾⁽²⁾ <i>Executive Chairman of the Board</i> Alberta, Canada	August 2020 ⁽³⁾	Managing Partner & Chief Executive Officer, WEF since December 2016.
Steve Fagan ⁽¹⁾⁽²⁾ <i>Vice Chairman of the Board</i> Alberta, Canada	August 2020 ⁽³⁾	Vice Chairman, Strathcona since August 2020, prior thereto President & CEO, Strath from December 2016 to August 2020.
Henry Hager ⁽²⁾ <i>Director</i> Connecticut, United States	August 2020 ⁽³⁾	Managing Director, WEF since January 2018.
Andrew Kim ⁽¹⁾ <i>Director</i> Ontario, Canada	August 2020	Chief Financial Officer, WEF since December 2016.

Name, Position and Jurisdiction of Residence	Officer and / or Director Since	Principal Occupation during the Five Preceding Years
David Roosth ^{(1) (2)} <i>Director</i> Texas, United States	April 2023	Managing Director, WEF since March 2018.
Rob Morgan <i>Director, President & Chief Executive Officer</i> Alberta, Canada	August 2020 ⁽³⁾	President & Chief Executive Officer, Strathcona since August 2020; prior thereto President & Chief Executive Officer, Cona from October 2017 to August 2020.
Connor Waterous <i>Director, Senior Vice President & Chief Financial Officer</i> Alberta, Canada	April 2023	Senior Vice President & Chief Financial Officer, Strathcona since April 2023 and Managing Director, WEF since December 2016.
Connie De Ciancio <i>Vice President, Corporate</i> Alberta, Canada	August 2020 ⁽³⁾	Vice President, Corporate, Strathcona since August 2020; prior thereto Vice President, Business Development and Land, Strath from January 2017 to August 2020.
Nolan Lerner <i>Vice President, Development – Montney & Conventional Heavy Oil</i> Alberta, Canada	August 2020 ⁽³⁾	Vice President, Development – Montney & Conventional Heavy Oil, Strathcona since September 2022; prior thereto Vice President, Production, Strathcona from August 2020 to September 2022; prior thereto Vice President, Development, Cona from January 2017 to August 2020.
Scott Seipert <i>Vice President, Finance</i> Alberta, Canada	April 2021	Vice President, Finance, Strathcona since April 2021; prior thereto Senior Financial Advisor, Strathcona from September 2020 to March 2021; prior thereto Vice President, Finance, Strath from January 2017 to August 2020.
Mark Teasdale <i>Vice President, Development – Thermal</i> Alberta, Canada	August 2020 ⁽³⁾	Vice President, Development – Thermal, Strathcona since September 2022; prior thereto Vice President, Operations, Strathcona from August 2020 to September 2022; prior thereto Production and Completions Manager, Strath from September 2017 to August 2020.
Al Grabas <i>Vice President, Capital Operations</i> Alberta, Canada	October 2022	Vice President, Capital Operations, Strathcona since October 2022; prior thereto Senior Facilities Manager, Strathcona from August 2020 to October 2022; prior thereto Vice President, Production, Strath from June 2017 to August 2020.
Dale Babiak <i>Vice President, Production Operations</i> Alberta, Canada	October 2022	Vice President, Production Operations, Strathcona since October 2022; prior thereto Senior Operations Manager – Gas Portfolio and Integrity Services, Strathcona from October 2020 to October 2022; prior thereto Operations – General Manager, Strathcona and Cona from January 2020 to October 2020; prior thereto General Manager, Operations, Pengrowth from July 2015 to January 2020.

Notes:

- (1) Member of the Strathcona Audit Committee. Mr. Kim is the Chair of the Strathcona Audit Committee.
(2) Member of the Reserves Committee. Mr. Roosth is the Chair of the Reserves Committee.
(3) Strathcona was formed on August 14, 2020. See "General Development of the Business – History – 2020".

If the Arrangement is completed, the AmalCo Board of Directors will consist of the current directors of Strathcona set forth above, other than Mr. Roosth, two additional independent directors: Navjeet (Bob) Singh Dhillon and Cody Church, and Ms. De Ciancio. For additional information regarding the current directors and executive officers of Strathcona, who will continue to act as directors and executive officers of AmalCo following completion of the Arrangement, and certain additional proposed directors of AmalCo, see "Directors and Executive Officers" in Appendix "H" – "Information Concerning Strathcona Resources Ltd." to this Information Circular.

The following profile describes the background and experience of Mr. Roosth.

David Roosth, Director

Mr. Roosth is a Managing Director of WEF. Prior to joining WEF, Mr. Roosth was a Principal on the energy team for Kohlberg Kravis Roberts, where he was involved in a variety of corporate and asset-level energy and natural resources transactions. Before Kohlberg Kravis Roberts, he was with TPH Partners, where he was involved in middle-market equity investments in the energy industry. Prior to TPH Partners, Mr. Roosth was with Tudor, Pickering, Holt & Co., where he focused primarily on strategic advisory and M&A transactions for companies in the energy industry. Mr. Roosth has been actively involved in a number of non-profit organizations and currently serves as a board member of the Houston Urban Debate League. Mr. Roosth holds a Bachelor of Arts in Economics from Yale University, where he graduated magna cum laude and was elected to Phi Beta Kappa.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Strathcona, no directors or executive officers of Strathcona are, as at the date of this Information Circular, or have been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including Strathcona) that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as described below, to the knowledge of Strathcona, no directors or executive officers of Strathcona are, as at the date of this Information Circular, or have been within 10 years before the date of this Information Circular, a director or executive officer of any company (including Strathcona) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Fagan, Mr. Seipert and Ms. De Ciano each acted as officers of Mosaic on, or during the 12-months preceding, April 26, 2016, the date on which Mosaic was placed into receivership (the "**Receivership Order**"). Following the Receivership Order, a sale and solicitation process was undertaken, resulting in three separate transactions, in which, all of Mosaic's oil and gas properties were sold for proceeds sufficient to fully repay the creditors of Mosaic and provide a recovery to the shareholders of Mosaic in the aggregate amount of approximately \$160 million.

To the knowledge of Strathcona, no directors or executive officers of Strathcona (nor any personal holding company of any of such persons) are, as at the date of this Information Circular, or have been, within the 10 years before the date of this Information Circular, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer.

Conflicts of Interest

There are no existing material conflicts of interest between Strathcona or any subsidiaries of Strathcona and any directors or officers of Strathcona. However, certain directors and officers of Strathcona are engaged, and will continue to be engaged in, other activities in the oil and gas industry from time to time, including the employment by, or other involvement in or with, WEF and certain of the WEF Shareholders. As a result of these and other activities, certain directors and officers of Strathcona may become subject to

conflicts of interest from time to time. The ABCA provides that in the event that a director or officer is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such director or officer shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts of interest will be resolved in accordance with the provisions of the ABCA.

STATEMENT OF EXECUTIVE COMPENSATION

General

The following sets forth information about Strathcona's philosophy, objectives and processes regarding the determination of compensation for Strathcona's Chief Executive Officer, Chief Financial Officer and the other executive officers of Strathcona for the fiscal year ending December 31, 2023.

Although the compensation methodology of AmalCo has not been determined as of the date of this Information Circular, management of Strathcona expects that the compensation philosophy, objectives and processes of AmalCo will be similar to Strathcona's current compensation philosophy, objectives and processes.

The information in this compensation discussion and analysis regarding the expected compensation for Strathcona's executive officers for the fiscal year ending December 31, 2023 is based on Strathcona's current compensation philosophy, objectives and processes. Although management of Strathcona expects that the compensation philosophy, objectives and processes of AmalCo will be similar to Strathcona's current compensation philosophy, objectives and processes, there is no certainty that such expectation will prove to be correct. There is a possibility that the AmalCo Board of Directors may adopt compensation philosophy, objectives and processes for AmalCo that are substantially different than Strathcona's current compensation philosophy, objectives and processes.

Compensation Philosophy and Objectives of Compensation Program

Strathcona's executive compensation program is administered by the Strathcona Board of Directors, which does not have a separate compensation committee. The Strathcona Board of Directors is responsible for reviewing and setting the remuneration of the CEO. The CEO does not participate in the discussions of the Strathcona Board of Directors relating to his compensation. In conjunction with the CEO, the Strathcona Board of Directors evaluates the performance of, and sets the compensation for, Strathcona's other executive officers. The Strathcona Board of Directors holds each executive officer accountable for Strathcona's performance and results and, therefore, provides the same base salary and annual bonus amount to each executive officer at the Vice President level.

Strathcona competes with many other corporations for executive talent and for technical and non-technical staff and Strathcona's management believes that it is in the best interests of Strathcona Shareholders for Strathcona to attract, maintain and motivate top quality personnel by providing a competitive compensation package that maintains an appropriate relationship between pay and the creation of value for Strathcona Shareholders. As such, the Strathcona Board of Directors determines compensation packages that are consistent with market conditions and aligns its total compensation to that of its peer group or to be competitive with similar roles at other organizations through participation in industry compensation surveys. The compensation of all employees, including executive officers, is consistent with the above practices.

The Strathcona Board of Directors reviews Strathcona's compensation peer group on an annual basis to identify additional companies that should be considered within Strathcona's compensation peer group as well as those companies that should be removed. In considering potential comparators in respect of executive compensation, the Strathcona Board of Directors may look at a number of metrics, including industry and operational fit, market capitalization, total assets and revenues and production. Based on the foregoing factors, the Strathcona Board of Directors considers the following companies to be in Strathcona's

peer group in respect of executive compensation as of the date of this Information Circular: MEG Energy Corp., Baytex Energy Corp., Whitecap Resources Inc. and Crescent Point Energy Corp.

The Strathcona Board of Directors believes its executive compensation philosophy encourages alignment, dedication, and commitment to the ongoing growth and success of Strathcona, without motivating them to take unnecessary risk. The Strathcona Board of Directors considered the implications of the risks associated with Strathcona's compensation practices and did not identify any risks from Strathcona's compensation policies or practices that are likely to have a material adverse effect on Strathcona. The Strathcona Board of Directors has concluded that Strathcona has effective policies and practices to ensure that employees do not have incentives to take inappropriate or excessive risks.

Components of Executive Compensation

Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities. Strathcona determines base salaries for its executive officers by referencing market data, including salaries of executive officers in its peer group and by participating in salary surveys for the Canadian energy industry. Base salaries are reviewed annually and may be adjusted based on prevailing market conditions.

Annual Bonus

Strathcona's executive officers and permanent employees are eligible to participate in Strathcona's bonus plan, which provides annual cash payments to reflect performance during the calendar year and progress towards the long-term goals of Strathcona. The bonus plan is intended to provide an element of variable compensation that is competitive and that is intended to assist in the attraction and retention of high-quality employees, encourage employees to contribute to the goals of Strathcona, and to reward specific contributions and exceptional results that improve Strathcona's short- and long-term operating, safety and environmental and financial performance.

Bonus plan payments are determined at the discretion of the Strathcona Board of Directors, who determine a calculated corporate performance factor based on Strathcona's annual results in three categories:

Category	Metric(s)	Weighting
Capital Cost	Finding and development costs ("F&D") on Strathcona's proved developed producing and proved plus probable reserves (\$/boe) ⁽¹⁾	50%
Operating Costs	Total production and operating costs divided by total production volumes (\$/boe)	25%
Health Safety and Environment	Total reportable incident performance, spill performance and regulatory inspections on an annual basis	25%

Note:

- (1) F&D is calculated by the sum of capital expenditures plus the change in future development capital for both proved developed producing and proved plus probable reserves in the relevant period, divided by changes in total reserves, other than from production, for the period.

Executive Officers' Summary Expected Compensation

Strathcona estimates that the total compensation to be paid by Strathcona to Mr. Morgan, President and CEO of Strathcona, for the fiscal year ended December 31, 2023, will be approximately \$2,462,900, comprised of \$500,000 annualized base salary, \$1,912,500 annual bonus, and \$50,400 in other compensation. As an executive officer of Strathcona, Mr. Morgan will not receive any additional compensation from Strathcona for acting in his capacity as director.

Mr. C. Waterous was appointed to Senior Vice President & CFO of Strathcona on April 21, 2023. Strathcona estimates that the total compensation to be paid by Strathcona to Mr. C. Waterous, Senior Vice President & CFO of Strathcona, for the fiscal year ended December 31, 2023, will be approximately \$865,828, comprised of \$221,333 base salary, \$620,840 bonus, and \$23,655 in other compensation. As an executive officer of Strathcona, Mr. C. Waterous will not receive any additional compensation from Strathcona for acting in his capacity as director.

Strathcona estimates that the total compensation to be paid by Strathcona to each Vice President of Strathcona for the fiscal year ended December 31, 2023, will be approximately \$1,220,640, comprised of \$312,000 annualized base salary, \$875,160 annual bonus, and \$33,480 in other compensation.

The compensation estimates outlined above are based on management of Strathcona's current expectations for each executive officers' compensation for the fiscal year ended December 31, 2023, as at the date of this Information Circular. The amount to actually be paid to each executive officer for the fiscal year ended December 31, 2023, may vary from the information set forth above.

Other compensation includes a company match in the Strathcona savings plan, and transportation and/or parking allowances. Strathcona's savings plan allows employees to contribute up to 9% of their salary to a group Registered Retirement Savings Plan managed by a third-party administrator. Investment options include a daily interest account, guaranteed investment, or variable investment funds. Employee contributions are matched up to 9% by Strathcona.

Share Ownership Guidelines

To align individual interests with the long-term interests of Strathcona and its shareholders, Strathcona's Share Ownership Guidelines requires the executive officers and select other employees to hold a meaningful equity ownership interest in Strathcona. This approach creates alignment between the interests of Strathcona's executive officers and its investors, as both are rewarded based on accretive value. Participants are required to achieve and maintain the following levels of ownership of Strathcona Shares (based on their then current annual salary), within five years of becoming subject to the Share Ownership Guidelines:

Role	Minimum Ownership Level
Chief Executive Officer and Chief Financial Officer	500%
Other executive officers	200%
Other participants	100%

Incentive Plan Awards

Strathcona does not have a security-based compensation or incentive compensation arrangement, plan or program.

Pension Plan Benefits

Strathcona does not have a pension plan that provides for payments to employees (including the executive officers) at, following or in connection with retirement.

Termination of Employment and Change of Control Benefits

Executive employment agreements are in place for all executive officers with the exception of Mr. C. Waterous, Senior Vice President & CFO.

Termination and Change of Control Under Executive Employment Agreements

Strathcona's executive officers, with the exception of the CFO, are each a party to an executive employment agreement, which outlines the terms of employment for an indefinite term and contains provisions regarding, among others, confidentiality, non-solicitation of employees and termination of employment. Such employment agreements provide for a lump sum cash payment to be made to the executive officer upon termination by Strathcona without cause, constructive dismissal of the executive officer, and, in certain circumstances, in connection with a change of control. Such lump sum payment is comprised of unpaid annual salary and vacation pay, annual salary for the severance period, an amount in respect of lost benefits for the severance period, and an amount in respect of an annual bonus, determined with reference to the number of years such executive officer was employed with Strathcona or, in certain cases, in accordance with the prescribed formula.

DIRECTOR COMPENSATION

Strathcona does not currently pay any fees, incentive compensation or any other form of compensation to its directors for their service as directors of Strathcona and does not anticipate paying any such compensation prior to completion of the Arrangement. However, Mr. C. Waterous and Mr. Morgan receive compensation for their respective roles as executive officers of Strathcona.

Upon closing of the Arrangement, the AmalCo Board of Directors will review Strathcona's current compensation programs for its directors in light of AmalCo's status as a reporting issuer. After such review, AmalCo may adopt a revised director compensation policy if it considers such revisions to be necessary and more appropriate for a public company than Strathcona's existing director compensation policy. See *"Statement of Proposed Executive and Director Compensation"* in Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* to this Information Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer or employee of Strathcona or its subsidiaries, nor any of their respective associates or affiliates, is or has at any time since the commencement of the fiscal year ending December 31, 2022, been indebted to Strathcona or its subsidiaries, nor is, or has at any time since the commencement of the fiscal year ending December 31, 2022, any such person been subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Strathcona or any of its subsidiaries.

STRATHCONA AUDIT COMMITTEE

Mandate of the Strathcona Audit Committee

As at the date hereof, the Strathcona Audit Committee of the Strathcona Board of Directors does not have written terms of reference. Following the Arrangement, the Strathcona Audit Committee of the AmalCo Board of Directors will adopt written terms of reference that will set out its responsibilities and composition requirements. A copy of the terms of reference to be adopted by AmalCo is attached as Schedule B to Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* to this Information Circular.

Composition of the Strathcona Audit Committee

The Strathcona Audit Committee is comprised of Andrew Kim, Adam Waterous, Steve Fagan and David Roosth, each of whom is financially literate within the meaning of NI 52-110.

The members of the Strathcona Audit Committee are not considered independent as each member is an officer or employee of WEF, or in the case of Mr. Fagan, served as an executive officer of Strathcona within the three year period prior to the date hereof. As at the date hereof, Strathcona is not a reporting issuer

and therefore the Strathcona Audit Committee is not subject to the independence requirements of NI 52-110 and Section 171(2) of the ABCA.

For criteria for the determination of financial literacy, the Strathcona Board of Directors looked at the ability to read and understand a balance sheet, an income statement and cash flow statement of a public company as well as the director's past experience in reviewing or overseeing the preparation of financial statements. For a description of the education and experience of each member of the Strathcona Audit Committee relevant to the performance of his duties as a member of the Strathcona Audit Committee, see *"Directors and Executive Officers"* in Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* to this Information Circular.

If the Arrangement is completed, AmalCo will re-constitute an audit committee, to be comprised of three members, two of whom will be independent directors and will effect a written terms of reference as needed for purposes of compliance with applicable securities laws and TSX policies. See *"Audit Committee"* in Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* to this Information Circular.

Pre-Approval Policies and Procedures

On an annual basis, the Strathcona Audit Committee reviews the scope and terms of the external auditor's engagement, including engagement terms, its annual audit plan and proposed fees. The Strathcona Audit Committee is responsible for the appointment, termination, compensation, retention and oversight of the work of the external auditor engaged by Strathcona.

The Strathcona Audit Committee is also responsible for the pre-approval of all non-audit services to be provided by the external auditor to Strathcona or any of its subsidiaries provided that such services are not prohibited under the Rules of Professional Conduct governing the external auditor. If desired, the Strathcona Audit Committee may adopt specific pre-approval policies and procedures for the engagement of non-audit services. The Strathcona Audit Committee may delegate this responsibility to one or more members of the Strathcona Audit Committee to the extent permitted by applicable law, provided that such member or members present any non-audit services so approved to the Strathcona Audit Committee at its first scheduled meeting following such approval.

External Auditor Service Fees

KPMG LLP was appointed by Strathcona's Board of Directors as external auditors of Strathcona in September 2020. In September 2022, Deloitte LLP was appointed by Strathcona's Board of Directors as external auditors of Strathcona and KPMG LLP ceased to be an external auditor of Strathcona.

The following table sets out the fees billed to Strathcona by Deloitte LLP in the year ended December 31, 2022, and by KPMG LLP in the years ended December 31, 2022 and December 31, 2021.

Item	2022 (\$)			2021 (\$)
	Deloitte LLP	KPMG LLP	Total	KPMG LLP
Audit Fees ⁽¹⁾	745,866	165,850	911,716	1,037,900
Audit-Related Fees ⁽²⁾	205,440	–	205,440	123,050
Tax Fees ⁽³⁾	67,716	49,263	116,979	148,088
All Other Fees ⁽⁴⁾	212,763	90,950	303,713	672,368
Total	1,231,785	306,063	1,537,848	1,981,406

Notes:

- (1) "Audit Fees" include the aggregate fees billed for the audit of Strathcona's annual financial statements and review of Strathcona's quarterly financial statements in respect of the applicable financial year.

- (2) "Audit-Related Fees" are for assurance and related services that are reasonably related to the performance of the audit or review of Strathcona's financial statements and are not reported under "Audit Fees" above. Services provided in this category include end of period statement royalty audits for Strathcona's thermal assets.
- (3) "Tax Fees" include the aggregate fees related to tax compliance, tax advice and tax planning.
- (4) "All Other Fees" are fees for products and services provided other than those described as "Audit Fees", "Audit-Related Fees" and "Tax Fees". Costs in this category relate primarily to advice and assistance with respect to Strathcona's completed and proposed financing transactions.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Composition of the Strathcona Board of Directors

The Strathcona Board of Directors currently consists of seven directors who provide Strathcona with a wide diversity of business experience. Additional information for each of the directors can be found under the heading "*Directors and Executive Officers*" in this Appendix "H" and "*Directors and Executive Officers*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular. No members of the Strathcona Board of Directors are independent directors as such term is set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). As at the date hereof, Strathcona is not a reporting issuer and therefore the Strathcona Board of Directors is not subject to the independence requirements of NI 58-101. The basis for the non-independent determination of each director is set forth below.

Mr. Morgan and Mr. C. Waterous are not considered independent given their current positions as executive officers of Strathcona, being the President & CEO and Senior Vice-President & CFO, respectively. Mr. Fagan is not considered independent as he acted as an executive officer of Strathcona within the preceding three years. The remaining directors of the Strathcona Board of Directors, being Mr. A. Waterous, Mr. Kim, Mr. Hager and Mr. Roosth, are not considered independent as a result of each being an executive officer or employee of WEF.

Mr. A. Waterous is the Managing Partner & Chief Executive Officer of WEF and, accordingly, may be considered to indirectly exercise some degree of control and direction over Strathcona Shares owned by the WEF Shareholders. WEF beneficially owns, directly or indirectly, or exercises control or direction over approximately 99.7% of the issued and outstanding Strathcona Shares.

To facilitate the Strathcona Board of Directors in exercising independent judgment in carrying out its responsibilities, if a director has a material interest in a proposed matter or a party involved in a proposed matter, such director will abstain from voting on the matter in accordance with the provisions of the ABCA. See "*Directors and Executive Officers – Conflicts of Interest*" in this Appendix "H".

None of the current directors of Strathcona presently hold directorships with any reporting issuers.

Board Meetings

The following table sets out the Strathcona Board of Directors meeting attendance record for those individuals who are directors of Strathcona for all Strathcona Board of Directors meetings held in Strathcona's most recently completed financial year and to date for 2023:

Name of Director	Meetings Attended
Adam Waterous	8 of 8
Steve Fagan	7 of 8
Henry Hager	8 of 8
Andrew Kim	8 of 8
Rob Morgan	8 of 8
David Roosth ⁽¹⁾	2 of 2

Name of Director	Meetings Attended
Connor Waterous ⁽¹⁾	2 of 2

Notes:

(1) Mr. Roosth and Mr. C. Waterous were appointed to the Strathcona Board of Directors on April 3, 2023.

Board Mandate and Position Descriptions

The Strathcona Board of Directors does not have a written mandate. The Strathcona Board of Directors delineates its role and responsibilities based on applicable laws. While day-to-day management of Strathcona has been delegated by the Strathcona Board of Directors to executive management, the Strathcona Board of Directors fulfills its responsibility for the broader stewardship and oversight of Strathcona's business and affairs through regular meetings at which members of management provide reports to the Strathcona Board of Directors with respect to Strathcona's business and operations, make proposals to the Strathcona Board of Directors and receive the Strathcona Board of Directors' guidance, recommendations and, ultimately, decisions for implementation. Any responsibility that has not been delegated to management or a committee of the Strathcona Board of Directors remains with the full Strathcona Board of Directors.

The Strathcona Board of Directors does not have a written position description for the Executive Chairman of the Strathcona Board of Directors. The Executive Chairman of the Strathcona Board of Directors provides overall leadership to the Strathcona Board of Directors. Among other things, the Executive Chairman maintains communication with the CEO to ensure that the Strathcona Board of Directors receives adequate and regular updates from the CEO on all issues important to the welfare and future of Strathcona. The Executive Chairman is also responsible for the overall management of the Strathcona Board of Directors.

The Strathcona Board of Directors does not have a written position description for the chair of the Strathcona Audit Committee or the chair of the Reserves Committee but has tasked each committee chair with the responsibility of organizing and leading the relevant committee in fulfilling its role. See "*Strathcona Audit Committee – Mandate of the Strathcona Audit Committee*" and "*Disclosure of Corporate Governance Practices – Other Board Committees*".

The Strathcona Board of Directors does not have a written position description for the CEO; however, the Strathcona Board of Directors believes that the roles and responsibilities of the CEO have been appropriately communicated through Strathcona Board of Directors meetings and informal communications amongst the CEO and the Executive Chairman and the other members of the Strathcona Board of Directors. The CEO generally leads the management of Strathcona's business and affairs, and the implementation of the resolutions and policies of the Strathcona Board of Directors. The key accountabilities and responsibilities of the CEO include, among other things: duties relating to Strathcona's values, strategy, governance, risk management, risk appetite, financial information, human resources management, operational direction, interaction with the Strathcona Board of Directors, talent management, succession planning and effective communication with shareholders, clients, employees, regulators and other stakeholders.

If the Arrangement is completed, a written mandate will be established for the AmalCo Board of Directors substantially in the form attached as Schedule A to Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular. Additionally, the AmalCo Board of Directors will develop written terms of reference for the Executive Chairman of the AmalCo Board of Directors, the Lead Director, the Chair of each committee of the AmalCo Board of Directors and the Chief Executive Officer.

Orientation and Continuing Education

All new Strathcona directors receive an orientation as to their expected duties and the business of Strathcona and its subsidiaries. This baseline of knowledge serves as a foundation for informed decision-

making. Orientation includes a combination of written material, one-on-one meetings with management of Strathcona and briefings from other members of the Strathcona Board of Directors. Further, Strathcona's directors have ongoing opportunities to increase their knowledge and understanding of Strathcona's business through briefings from management, third-party consultants and advisors on industry issues and trends as well as relevant legal and financial developments.

Ethical Business Conduct

The Strathcona Board of Directors has adopted a written code of business conduct (the "**Strathcona Code of Conduct**") to ensure that Strathcona's directors, officers, employees and contractors adhere to ethical standards and obey laws.

Each employee and contractor of Strathcona is provided a copy of the Strathcona Code of Conduct, which can be accessed on Strathcona's internal intranet site, as part of their onboarding, and must acknowledge in writing their understanding of the policy.

In addition, Strathcona's Board of Directors has established an Investigation of Complaints Policy whereby complaints, concerns or suspected violations of the Strathcona Code of Conduct may be reported confidentially and anonymously. Strathcona maintains an integrity hotline that is administered by an independent third-party provider, the contact details of which are available on both Strathcona's internal intranet and external website.

Strathcona also takes certain steps in accordance with the ABCA to ensure directors exercise independent judgment when considering transactions and agreements in respect of which a director or executive officer has a material interest. See "*Directors and Executive Officers – Conflicts of Interest*" in this Appendix "H".

Nomination of Directors

In consultation with the CEO, the Strathcona Board of Directors is responsible for identifying qualified candidates for nomination to the Strathcona Board of Directors. The Strathcona Board of Directors has established the criteria governing the desirable skillset for directors. Potential nominees to the Strathcona Board of Directors are evaluated on their past leadership roles, employment history, financial industry and capital allocation experience and experience with corporate governance matters, to determine their ability to contribute to Strathcona's goal of growing shareholder value.

Other Board Committees

In addition to the Strathcona Audit Committee described above, the Strathcona Board of Directors has one additional standing committee, the Reserves Committee.

The Reserves Committee has responsibility for, among other things, overseeing and managing the overall process relating to the reporting on the quantity and value of Strathcona's oil and gas reserves and resources. The Reserves Committee is currently comprised of Messrs. David Roosth (Chair), Adam Waterous, Steve Fagan and Henry Hager.

Upon completion of the Arrangement, AmalCo will form an audit committee, reserves committee, nominating committee and compensation committee of the AmalCo Board of Directors and will establish, review and update the policies and mandates of Strathcona as needed for purposes of compliance with applicable securities laws and TSX policies. See "*Corporate Governance – Committees*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

Strathcona Board of Directors Assessments

As at the date hereof, Strathcona does not have a formal process in place to assess the performance of the members of the Strathcona Board of Directors; however, the Strathcona Board of Directors regularly assesses performance on an informal basis, including by seeking feedback from its key stakeholder groups.

Director Term Limits

The Strathcona Board of Directors believes that issues relating to board effectiveness, board renewal and board succession planning are best addressed by a strong Executive Chairman and high-performance board members. The Strathcona Board of Directors is concerned that imposing arbitrary and inflexible director term limits may result in Strathcona losing valued directors at a time when Strathcona most needs their skills, qualities and contributions, as well as their knowledge of the history and culture of Strathcona. Mandatory retirement ages pose the same risk, and the Strathcona Board of Directors does not want to risk the loss of key directors to retirement policies that seem unnecessarily arbitrary and inflexible when such policies may require a high performing director to retire from the Strathcona Board of Directors. As a result, the Strathcona Board of Directors does not feel that it would be appropriate to set term limits for its directors but rather relies on the experience of its members to determine when changes to the Strathcona Board of Directors' composition are appropriate.

Representation of Women on the Strathcona Board of Directors and in Executive Officer Positions

Strathcona has not adopted any written policy or set any targets or mandatory quotas relating to the identification and nomination of directors or executive officers who are female. Strathcona does not specifically consider the level of representation of women on the Strathcona Board of Directors or in executive officer positions when identifying and nominating candidates for election to the Strathcona Board of Directors or making executive officer appointments, as applicable. Strathcona believes that the adoption of gender-based quotas directly conflicts with its long held practice of nominating and recruiting the best available candidates. The Strathcona Board of Directors evaluates potential nominees to the Strathcona Board of Directors by reviewing the individual qualifications of prospective board members by considering such person's diversity, age, skills, competencies and experience, and then, based on that review, determines if the candidate's qualifications are relevant taking into consideration the current board composition and the anticipated skills required to round out the capabilities of the Strathcona Board of Directors.

The Strathcona Board of Directors does not currently have any female directors. Strathcona has one female executive officer (12%) out of eight total executive officers. Following the completion of the Arrangement, it is expected that the AmalCo Board of Directors will have one female director (11%) out of a total of nine directors. See "*Directors and Executive Officers*" in Appendix "I" – "*Information Concerning AmalCo After Giving Effect to the Arrangement*" to this Information Circular.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all of the risks associated with Strathcona's business and its industry generally. Any of the following risks could materially and adversely affect Strathcona's business, financial condition or results of operations. Additional risks and uncertainties not currently known to Strathcona or those it currently views to be immaterial may also materially and adversely affect Strathcona's business, financial condition or results of operations.

Risks Relating to Strathcona's Business

Financial and Operational Risks

Strathcona's operating results and the value of its reserves depend, in part, on the operating costs of Strathcona's core assets, including assets within the Cold Lake Thermal Segment, the Lloydminster Heavy Oil Segment and the Montney Segment, which may significantly vary from those currently anticipated. If such operating costs increase or Strathcona does not achieve its expected revenues, Strathcona's earnings and cash flow will be reduced and its business and financial condition may be materially adversely affected. Other principal factors which could affect Strathcona's operating results include, among others:

- a decline in crude oil, natural gas or NGL prices;
- the impact of inflation and related monetary policy, including interest rate increases;
- lower than expected reservoir performance, including, but not limited to, lower oil production rates and/or higher residual oil saturation ("**SORS**"), or the inability to recognize continued or increased efficiencies from Strathcona's processing plant enhancements, debottlenecking and brownfield expansions;
- reduced access to or an increase in the cost of diluent;
- an increase to fuel and utilities costs used in operations, including in the steam generation process;
- the reliability and maintenance of Strathcona's facilities, environmental compliance requirements and the release and remediation of contaminants from Strathcona's facilities;
- the availability of pipeline capacity and other transportation and storage facilities for Strathcona's production;
- the safety and reliability of the pipeline networks that export crude oil and natural gas from western Canada (including the Trans Mountain Pipeline, Keystone Pipeline, Rockies Express Pipeline and Enbridge Mainline), other feeder pipelines, tankage, railways and railcars and trucks that transport Strathcona's products;
- the cost of, and access to, disposal of certain by-products;
- the availability and cost of insurance and the inability to insure against certain types of losses;
- severe weather or catastrophic events such as fires, lightning, earthquakes, extreme cold weather, storms or floods and other impacts due to climate change;
- seasonal weather patterns and the corresponding effects of the spring thaw or lack of winter freeze and wet weather conditions on access to Strathcona's properties;

- the availability of water supplies and the ability to transmit power on the electrical transmission grid;
- the need to replace significant portions of existing wells, referred to as "workovers," or the need to drill additional wells;
- changes in the political landscape and/or legal and regulatory and/or royalty regimes in Canada, the U.S. and elsewhere;
- currency exchange rates;
- the cost of compliance with applicable regulatory regimes, including, but not limited to, environmental regulation, including GHG emissions (including carbon tax policy and legislated emissions caps) and production curtailments, if any;
- the overall economic environment and the corresponding impact on the overall level of energy demand;
- the ability to obtain required approvals and permits for Strathcona's existing and future projects;
- access to refining markets for Strathcona's oil production;
- the cost of chemicals used in Strathcona's operations, including, but not limited to, in connection with water and/or oil treatment facilities;
- the availability and cost of services and equipment used in the maintenance and development of Strathcona's assets;
- the availability and cost of insurance and the inability to insure against certain types of losses; and
- the effect of energy conservation efforts and the price, availability, and acceptance of alternative energies, including renewable energy.

Timing and Cost of Projects

Strathcona has identified several brownfield facility expansion projects. Ramp up in production from these projects, subsequent production enhancement and other projects may not be completed on time or at all, and the costs associated with additional phases and other projects may be greater than Strathcona currently expects.

Strathcona's other projects may also suffer from delays, cancellations, interruptions or increased costs due to many factors, some of which may be beyond Strathcona's control, including (without limitation):

- future capital expenditures to be made by Strathcona and/or a determination by Strathcona not to devote capital expenditures to or to not proceed with, or delay, development of a given project of Strathcona;
- engineering, construction and/or procurement performance falling below expected levels of output or efficiency;
- additional requirements imposed by changes in laws, including environmental laws and regulations;
- denial or delays in the receipt of regulatory approvals or non-compliance with conditions imposed by regulatory approvals;
- increased ability for local communities or individuals to object to or delay project approvals;

- labor disputes or disruptions, declines in labor productivity or the unavailability of, or increased cost of, skilled labor;
- increases in the cost of materials;
- changes in project scope or errors in design;
- the availability of and access to drilling equipment or other equipment necessary for the development and maintenance of Strathcona's assets; and
- severe weather or catastrophic events such as fire, earthquakes, extreme cold weather, storms or explosions.

If any of the above events occur, they could have a material adverse effect on Strathcona's ability to continue development of its existing assets or other future projects, which could materially adversely affect its business, financial condition, results of operations and prospects. In addition, if any of Strathcona's expansion projects do not become operational after it has made significant investments therein, Strathcona's operations may not generate sufficient revenue to support its capital structure.

Access to Capital

Strathcona anticipates making substantial capital expenditures for the acquisition, exploration, development and production of crude oil and natural gas reserves in the future. As future capital expenditures will be financed using cash generated from operations, borrowings and possible future equity offerings, Strathcona's ability to do so is dependent on, among other factors:

- the overall state of, and access to, the capital markets;
- commodity prices;
- interest rates;
- royalty rates; and
- tax burden due to current and future tax laws.

Further, if Strathcona's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or affecting, the crude oil and natural gas industry have negatively impacted the ability of crude oil and natural gas exploration and production companies, including Strathcona, to access additional financing and/or the cost thereof. There can be no assurance that any financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if any such financing is available, that it will be on terms acceptable to Strathcona. The inability of Strathcona to access sufficient capital for its operations could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Debt Service Obligations

The Revolving Credit Facility, the Term Credit Facility, the Letter of Credit Facility and the indenture governing the Senior Notes contain certain restrictive covenants. Upon the occurrence of any event of default or demand for payment under the Revolving Credit Facility, the Term Credit Facility, the Letter of Credit Facility or the indenture governing the Senior Notes, as applicable, Strathcona's creditors could elect to declare all amounts outstanding, together with accrued interest, to be immediately due and payable and to terminate any commitments to extend further credit. If the lenders under the Revolving Credit Facility, the Term Credit Facility or the Letter of Credit Facility or holders of the Senior Notes accelerate the payment

of Strathcona's indebtedness outstanding thereunder, Strathcona's assets may not be sufficient to repay in full such indebtedness and its other indebtedness. The restrictions in the Revolving Credit Facility, the Term Credit Facility, the Letter of Credit Facility and the indenture governing the Senior Notes may adversely affect Strathcona's ability to finance its future operations and capital requirements and to pursue available business opportunities. Moreover, any new indebtedness that Strathcona incurs may impose financial restrictions and other covenants on it that may be more restrictive than the covenants in place under the Revolving Credit Facility, the Term Credit Facility, the Letter of Credit Facility and the indenture governing the Senior Notes.

Strathcona's level of indebtedness could affect its operations in several ways, including the following:

- requiring Strathcona to dedicate a substantial portion of its cash flow from operations to service its debt obligations, thereby reducing the cash available to finance its operating and investing activities;
- limiting management's discretion in operating Strathcona's business and its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- increasing Strathcona's vulnerability to downturns and adverse developments in its business and industry;
- limiting Strathcona's ability to raise capital on favorable terms;
- limiting Strathcona's ability to raise available financing, make investments, lease equipment, sell assets and engage in business combinations;
- making Strathcona vulnerable to increases in interest rates;
- putting Strathcona at a competitive disadvantage relative to its competitors; and
- making it more difficult for Strathcona to satisfy its obligations under the agreements governing its other indebtedness, including the Revolving Credit Facility, the Term Credit Facility, the Letter of Credit Facility and the indenture governing the Senior Notes.

Additional Indebtedness

In the future, Strathcona and its subsidiaries may incur substantial additional indebtedness (including additional secured indebtedness). The Revolving Credit Facility, the Term Credit Facility and the indenture governing the Senior Notes contain restrictions on the incurrence of additional indebtedness; however, these restrictions are subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial.

Any increase in Strathcona's level of indebtedness will have several important effects on its future operations, including, without limitation:

- whether Strathcona will have sufficient cash to support the payment of interest on all of its outstanding indebtedness;
- increasing Strathcona's vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- limiting Strathcona's ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes.

Sufficiency of Cash Flows

Given the volatility associated with Strathcona's business and industry, its future cash flow may be insufficient to meet its debt obligations and other commitments. Any insufficiency could negatively impact its business. A range of economic, competitive, business and industry factors, including those beyond Strathcona's control, will affect its future financial performance, and, as a result, its ability to generate cash flow from operations and to pay its debt obligations.

If Strathcona's cash flows and capital resources are insufficient to fund its debt service obligations and other commitments, Strathcona may be forced to reduce or delay planned investments and capital expenditures, or to sell assets, seek additional financing in the debt or equity markets or restructure or refinance its indebtedness. Strathcona's ability to restructure or refinance its indebtedness will depend on the condition of the capital markets and its financial condition at such time. Any refinancing of Strathcona's indebtedness could be at higher interest rates and may require Strathcona to comply with more onerous covenants, which could further restrict its business operations. The terms of existing or future debt instruments may restrict Strathcona from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on Strathcona's outstanding indebtedness on a timely basis would likely result in a reduction of Strathcona's credit rating, which could impact its ability to incur additional indebtedness. In the absence of such operating results and resources, Strathcona could face substantial liquidity problems and may be required to dispose of material assets or operations to meet its debt service and other obligations. The Revolving Credit Facility, the Term Credit Facility and the indenture governing the Senior Notes restrict Strathcona's ability to dispose of assets and use the proceeds from the disposition. Strathcona may not be able to consummate those dispositions or obtain the proceeds that it could have realized from them and any proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit Strathcona to meet its debt service obligations.

Compliance with Financial Covenants

Strathcona has contracts for gas processing and pipeline transportation in place with third parties which contain certain financial assurances. Depending upon Strathcona's capitalization, liquidity position and state of operational performance at certain times, Strathcona may not be in a position to comply with the financial assurance covenants contained within these agreements, which may require it to provide security to the third parties it has contracted with including, but not limited to, letters of credit.

Uncertainty of Development and Production of Reserves

The substantial majority of Strathcona's total reserves are non-producing and/or undeveloped. These reserves may not ultimately be developed or produced, either because it may not be commercially viable to do so or for other reasons. Furthermore, not all of Strathcona's undeveloped or developed non-producing reserves may be ultimately produced at the time periods Strathcona has planned, at the costs Strathcona has budgeted or at all. A determination by Strathcona not to proceed with, or to delay, development of a given project of Strathcona may result in certain reserves of Strathcona pertaining to such project being reclassified.

Benefits and Effects of Acquisitions

Strathcona has recently completed acquisitions of other businesses and assets and considers acquisitions and dispositions of assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and Strathcona's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Strathcona. The integration of acquired businesses and assets may require substantial management effort, time and resources, diverting management's focus from other strategic opportunities and operational matters. In particular, acquisitions of mineral leases, as well as the exploration and development of land subject to such leases, may require substantial capital or the incurrence of substantial additional indebtedness. Furthermore, certain acquisitions, in particular those that are higher risk/higher growth assets and the development of those acquired assets, may require more capital than anticipated from Strathcona, and Strathcona may not receive cash flows from operations from these acquisitions for several years, or may receive cash flow in

an amount less than anticipated. Any acquisitions may not ultimately increase Strathcona's reserves or result in any additional production, and if Strathcona consummates any future acquisitions, it may need to change its anticipated capital expenditure programs and the use of Strathcona's capital resources. Additionally, such acquisitions may result in Strathcona's capitalization and results of operations changing significantly. Shareholders will not have the opportunity to evaluate the economic, financial and other relevant information that Strathcona will consider in determining the application of its funds and other resources with respect to such acquisitions. Further, Strathcona may not be able to obtain or realize upon contractual indemnities from a seller for liabilities created prior to an acquisition and Strathcona may be required to assume the risk of the physical condition of the properties that may not perform in accordance with its expectations.

Reserves Replacement

Strathcona's crude oil and natural gas reserves are a depleting resource and decline as such reserves are produced. As a result, Strathcona's long-term commercial success depends on its ability to find, acquire, develop and commercially produce crude oil and natural gas reserves. The business of exploring for, developing or acquiring reserves is capital intensive. If external sources of capital become limited or unavailable on commercially reasonable terms, Strathcona's ability to make the necessary capital investments to maintain or expand its crude oil and natural gas reserves may be impaired. Future crude oil and natural gas exploration may involve unprofitable efforts, not only from unsuccessful wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit. Completion of a well does not assure a profit on the investment. Drilling hazards or environmental liabilities or damages could greatly increase the cost of operations, and various field operating conditions may adversely affect production from successful wells. These conditions include delays or failure in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow from operating activities to varying degrees.

There is no assurance Strathcona will be successful in developing its reserves or acquiring additional reserves at acceptable costs. Without these reserves additions, Strathcona's reserves will deplete and as a consequence production from and the average reserve life of Strathcona's properties will decline, which may adversely affect Strathcona's business, financial condition, results of operations and prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, quantities of contingent resources and future net revenues to be derived therefrom, including many factors beyond Strathcona's control. The reserves, contingent resources and future net cash flow summarized herein have been independently evaluated by Sproule and McDaniel (together, the "**Independent Reserves Engineers**"). These evaluations include a number of factors and assumptions made as of the date on which the evaluation is made such as geological and engineering estimates which have inherent uncertainties, the effects of regulation by governmental agencies, initial production rates, production decline rates, ultimate recovery of reserves and contingent resources, timing and amount of capital expenditures, marketability of production, current and forecast prices of crude oil, natural gas, and NGLs, Strathcona's ability to transport its product to various markets, operating costs, abandonment and salvage values and royalties and other government levies that may be imposed over the producing life of the reserves and contingent resources. Many of these assumptions are subject to change and may not, over time, prove to be accurate. Strathcona's actual production, revenues, taxes, and development and operating expenditures with respect to its reserves and contingent resources will vary from estimates and such variations could be material.

Estimates with respect to reserves and contingent resources that may be developed and produced in the future are often based upon volumetric calculations, probabilistic and deterministic methods and analogy to similar types of reserves and contingent resources, rather than upon actual production history. Estimates

based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves and contingent resources based upon production history will result in variations, which may be material, from current estimated reserves and contingent resources.

Reserves estimates may require revision based on actual production experience. Such figures have been determined based upon assumed commodity prices and operating costs. Market price fluctuations of heavy oil, diluent and natural gas may impact the recovery of certain grades of heavy oil. The present value of Strathcona's estimated future net revenue disclosed herein and in the Independent Reserves Engineers' reports should not be construed as the fair market value of Strathcona's reserves or contingent resources, as applicable.

Transportation Infrastructure Capacity and/or Regulatory Constraints

Strathcona delivers its products through gathering and processing facilities, pipeline systems and terminals and trucking and rail networks. The amount of crude oil and natural gas that Strathcona can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and trucking and railway networks. The lack of firm pipeline capacity, production limits and capacity limits in gathering and processing facilities continues to affect the crude oil and natural gas exploration and production industry and limits the ability to transport produced crude oil and natural gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability of crude oil and natural gas exploration and production companies to export crude oil and natural gas, and could result in Strathcona's inability to realize the full economic potential of its products or in a reduction of the price offered for Strathcona's production. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect Strathcona's production, operations and financial results. As a result, producers have considered rail lines as an alternative means of transportation. Announcements and actions taken by the federal government and the provincial governments of British Columbia, Alberta and Saskatchewan relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward.

Derailments in North America of trains transporting crude oil have caused various regulatory agencies and industry organizations, as well as federal, provincial, state and municipal governments, to focus attention on transportation by rail of flammable liquids, including crude oil. Any changes to existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport crude oil may reduce the ability of railway lines to alleviate pipeline capacity issues and could increase Strathcona's costs of doing business and limit its ability to transport and sell its crude oil at favorable prices at market centers throughout North America, the consequences of which could have a material adverse effect on Strathcona's financial condition, results of operations and cash flows. As the amount of crude oil shipped by rail has increased, there have been a number of regulatory and safety developments which may affect the cost and availability of crude oil rail shipments moving forward. Strathcona exports crude oil and natural gas from Canada to the U.S. using railroads. In the U.S., any transportation by rail is subject to regulation by the United States Pipeline Hazardous Materials and Safety Administration ("PHMSA") and the Federal Railroad Administration ("FRA") of the United States Department of Transportation under the Hazardous Materials Regulations at 49 Code of Federal Regulations Parts 171-180, including Emergency Orders by FRA and new regulations being proposed by PHMSA, arising due to the consequences of train accidents and the increase in the rail transportation of flammable liquids. In Canada, transportation by rail is generally subject to regulation by Transport Canada pursuant to the *Railway Safety Act* (Canada) and the *Transportation of Dangerous Goods Act* (Canada) and numerous regulations enacted under each of those acts. In addition, any derailment of crude oil that Strathcona has sold or is shipping may result in claims being brought against Strathcona that may involve significant liabilities. Strathcona's crude-by-rail shipments may also be impacted by service delays, inclement weather or blockades which could adversely impact its crude oil sales volumes or the price received for its production.

A portion of Strathcona's production may, from time to time, be processed through facilities owned by third parties or joint ventures with third parties over which Strathcona does not have full control, including (without limitation):

- gathering pipelines for the transport of crude oil, natural gas, diluent, and NGLs;
- availability, reliability and cost of rail transportation of the Company's heavy crude, including impacts from workers strikes and derailments;
- processing and storage facilities;
- power transmission grids supplying and exporting electricity; and
- other third party transportation infrastructure such as roads, rail, airstrips, terminals and vessels.

From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on Strathcona's ability to process its production and deliver its production for sale.

Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could have a material adverse effect on Strathcona's business, financial condition, results of operations, cash flows and prospects.

A large portion of the heavy oil produced in Strathcona's heavy oil division is transported by rail, without direct access to pipeline. If access to rail transportation is interrupted due to rail car scheduling delays, worker strikes, or train derailments, Strathcona may be forced to divert its crude oil to lower value end markets while bearing higher transportation costs.

Litigation

Strathcona is and may in the future be the subject of litigation arising out of Strathcona's business activities and/or operations. Various types of claims may be raised in these proceedings, including, but not limited to, environmental damage, breach of contract, tax, employment matters and in relation to an attack, breach or unauthorized access to Strathcona's information technology and infrastructure. There is also a risk that Strathcona could face litigation initiated by third parties relating to climate change, including litigation pertaining to GHG emissions and the disclosure thereof, or the production, sale or promotion of fossil fuels and petroleum products. Claims under any such litigation may be material. The outcome of such litigation may result in unfavorable outcomes for Strathcona, including fines, sanctions, assessments of additional taxes (including interest and penalties) and other monetary damages against Strathcona or Strathcona's directors, officers or employees, and may otherwise materially affect Strathcona's financial condition or operations. Strathcona and its management may be required to incur significant expenses or devote significant time and resources in defense of any litigation. To the extent that potential exposure to liability is not covered by insurance or insurance coverage is inadequate, Strathcona may incur losses that could be material to its financial position or results of operations in future periods. Even if Strathcona prevails in any such current or future legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Diluent Supply

Heavy crude oil has a high specific gravity or weight and high viscosity or resistance to flow. Diluent is required to facilitate the processing and transportation of heavy crude oil within a pipeline network. While Strathcona's Montney Segment produces condensate, the Cold Lake Thermal Segment and Lloydminster Heavy Oil Segment require more diluent than Strathcona currently produces. A shortage of condensate

may cause Strathcona's operating and transportation costs to increase, as the price of purchased diluent would increase.

Operational Hazards and Other Risks

Strathcona's crude oil and natural gas production properties and projects have experienced and will continue to be subject to the customary hazards of recovering, transporting and processing hydrocarbons such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts, loss of containment and spills. In addition, the geological characteristics and integrity of the bitumen, heavy crude oil and natural gas reservoirs are inherently uncertain. High pressure stimulation techniques, such as the injection of steam or fracturing fluids into reservoirs under significant pressure may result in unforeseen damage to reservoirs that could result in blowouts or oil or liquid leaks. A casualty occurrence might result in the loss of equipment or life, as well as injury, property damage or the interruption of Strathcona's operations. In addition, Strathcona's operations are subject to risks associated with hydraulic fracturing, including mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives, and induced seismicity.

Although Strathcona maintains insurance in accordance with prudent industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, Strathcona may elect not to obtain insurance to cover specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to Strathcona. The occurrence of a significant event that Strathcona is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Industry Competition

The Canadian and international crude oil and natural gas industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of leases and the distribution and marketing of petroleum products. Some producers may have lower operating costs than Strathcona and many producers have greater resources to source, attract and retain the personnel, materials and services that Strathcona requires to conduct its operations. The crude oil and natural gas industry also competes with other industries in supplying energy, fuel and related products to consumers. Some of these industries benefit from reduced regulation, lower taxes and subsidies. In addition, certain of these industries are less capital intensive.

Expansion of existing operations and development of new projects could significantly increase the supply of competing crude oil and natural gas products in the marketplace. Depending on the levels of future demand, increased supplies could have a negative impact on crude oil and natural gas pricing and, accordingly, Strathcona's results of operations, financial condition and prospects. In addition, the industry's expansion of existing operations and development of new projects could materially increase the costs of inputs such as natural gas, diluent, labor, equipment, materials or services which may, in turn, have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Crude oil and natural gas exploration and development activities are dependent on a range of operational and nonoperational factors of production. These include drilling rigs and related equipment, qualified personnel, processing facilities and refineries, transportation facilities and other equipment, many of which are controlled by third parties and which Strathcona has no assurance of obtaining access to. Strathcona competes with a substantial number of other organizations for access to these resources, many of which have greater technical and financial resources than Strathcona. There is no assurance that Strathcona will obtain or maintain such access and at an economically viable cost, in a sufficient quantity or at all. Such competition may delay Strathcona's exploration and development activities.

Disposition of Non-Strategic Assets

Strathcona's ability to dispose of non-strategic assets, such as acreage that Strathcona does not intend to place on its drilling schedule prior to lease expirations, could be affected by various factors, including the availability of purchasers willing to purchase the non-strategic assets at prices acceptable to Strathcona. In addition, depending on the market conditions for such non-core assets, Strathcona may realize less on a disposition than the carrying value of such assets on the financial statements of Strathcona.

Sellers typically retain certain liabilities or agree to indemnify buyers for certain matters in divestiture transactions. The magnitude of such retained liabilities or indemnification obligations may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release Strathcona from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, Strathcona may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

Future Drilling Activity

Strathcona's management team has identified drilling locations as an estimation of Strathcona's future development activities on its existing acreage. These identified drilling locations represent a significant part of Strathcona's growth strategy. Strathcona's ability to drill and develop these identified drilling locations depends on a number of uncertainties, including crude oil, natural gas and NGL prices, the availability and cost of capital, drilling and production costs, the availability of drilling services and equipment, drilling results, lease expirations, gathering systems, marketing and transportation constraints, regulatory approvals and other factors. If commodity prices become depressed or decline, a number of Strathcona's drilling locations may become uneconomic. In that case, Strathcona may determine not to drill locations which remain capable of economic production until commodity prices recover. Due to these uncertain factors, there can be no assurance that identified drilling locations will ever be drilled or if Strathcona will be able to produce crude oil, natural gas or NGL from these drilling locations. In addition, unless production is established within the spacing units covering the undeveloped acres on which some of the identified locations are located, the leases for such acreage will expire. Therefore, Strathcona's actual drilling activities may materially differ from those presently identified.

SAGD Extraction

The recovery of crude oil using the SAGD process is subject to uncertainty. Current SAGD technology for in situ extraction of crude oil or reservoir injection requires significant consumption of natural gas or other fuels to produce steam for use in the recovery process. The amount of steam required in the production process can vary and impact costs significantly. In addition, the geological characteristics and integrity of the crude oil reservoirs are inherently uncertain. The injection of steam into reservoirs under significant pressure may cause fluid containment issues and unforeseen damage to reservoirs, resulting in large steam losses in parts of the reservoir where caprock may be compromised or at connected reservoir thief zones, such as bottom water and top gas and/or water. Should these adverse reservoir conditions be encountered, the crude oil recovery levels achieved by Strathcona may be negatively impacted. There can be no assurance that Strathcona's operations will produce crude oil at the expected levels or on schedule. The quality and performance of the crude oil reservoir can also impact the SOR and the timing and levels of production.

Seismic Data

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3-D seismic and other advanced technologies requires greater pre-drilling investments than traditional drilling strategies, and Strathcona could incur losses as a result of such investments. As a result, Strathcona's drilling activities may not be successful or economical.

Technological Advancements in the Crude Oil and Natural Gas Industry

The crude oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Strathcona. There can be no assurance that Strathcona will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Strathcona or implemented in the future may become obsolete. In such case, Strathcona's business, financial condition and results of operations could be materially adversely affected. If Strathcona is unable to utilize the most advanced commercially available technology, its business, financial condition, results of operations and prospects could also be materially adversely affected.

Royalty Regimes

Strathcona's cash flows will be directly affected by the applicable royalty regime. The Provinces of Alberta, British Columbia and Saskatchewan each receive royalties on the production of natural resources from lands within its provincial boundaries in which it owns the mineral rights that are linked to price and production levels and that apply to both new and existing thermal oil production projects.

In addition to royalties paid to the Governments of Alberta, British Columbia and Saskatchewan, Strathcona has sold a number of contingent gross overriding royalties over lands in its Cold Lake Thermal Segment and the Plover Lake SAGD lands in its Lloydminster Heavy Oil Segment. Each royalty is based on a sliding scale of 2.5% to 15.0% which is related to the price of crude oil. The minimum rate of 2.5% is triggered at U.S.\$60 per barrel of WCS and the maximum rate of 15.0% at U.S.\$100 per barrel of WCS. The royalty is 0% at commodity prices below U.S.\$60 per barrel of WCS.

Government regulation of royalties is subject to change for a number of reasons, including, among other things, political factors. An increase in royalties would reduce Strathcona's earnings and could make future capital investments or Strathcona's operations uneconomic and could make it more difficult to service and repay Strathcona's debt. Any material increase in royalties would also significantly reduce the value of Strathcona's assets.

Expiration of Mineral Leases and Surrender of Lands

The termination or expiration of Strathcona's licenses or leases may have a material adverse effect on Strathcona's business, financial condition, results of operations, cash flows and prospects, and in particular for its thermal oil production, where a license or lease would be more difficult and costly to reinstate compared to leases or licenses for properties with conventional crude oil and natural gas reserves. If Strathcona or the holder of the license or lease fails to meet the specific requirement of the license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met.

In Alberta, oil sands primary leases are issued for a 15-year term, and an application for continuation may be made during the last year of the term of the lease or at any time during the lease with the consent of the Minister of Energy. For the continuation of a primary lease, the lessee is required to provide all production data in those sections to the Minister of Energy. If a lease is designated as "producing", it will continue for its productive life and will not be subject to escalating rentals. A lease designated as "non-producing" can be continued by payment of escalating rentals. An escalating rental is calculated based on the area of the lease location.

Strathcona's Saskatchewan thermal oil production is governed by conventional petroleum leases, and the continuation of a lease requires either production or for a non-producing lease to be included in an EOR Project or Designated Heavy Oil Area (each as defined in the *Oil and Gas Tenure Registry Regulations* (Saskatchewan)).

Opposition by Indigenous Groups

Opposition by Indigenous groups to the conduct of Strathcona's operations, development, or exploratory activities in any of the jurisdictions in which Strathcona conducts business may negatively impact it in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact Strathcona's progress and ability to explore and develop properties.

Certain Indigenous groups have claimed aboriginal title and rights to a substantial portion of western Canada. Certain Indigenous groups have filed various claims against the Governments of Canada, Alberta, British Columbia and Saskatchewan, and certain governmental entities claiming, among other things, aboriginal title to large areas of lands. Such claims and other similar claims that may be initiated, if successful, could have material adverse effects on Strathcona's projects. The process of addressing such claims, regardless of the outcome, is generally expensive and time consuming and could result in delays in Strathcona's projects, which could have a material adverse effect on Strathcona's business and financial results. In addition to such claims, some of Strathcona's projects are situated within Indigenous traditional land use areas, which may require Strathcona to consult with Indigenous groups prior to receiving regulatory approvals or renewals of regulatory approvals. Additional consultation could result in regulatory delays or refusal, which could also have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

In Canada, the federal and provincial governments have a duty to consult and, when appropriate, accommodate Indigenous peoples when the interests of the Indigenous peoples may be affected by a federal or provincial government action or decision. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect Strathcona's ability to, or increase the timeline to, obtain or renew permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, regulatory authorities in British Columbia ceased granting approvals, and, in some cases, revoked existing approvals, for, among other things, crude oil and natural gas activities relating to drilling, completions, testing, production, and transportation infrastructure following a British Columbia Supreme Court decision that determined that the cumulative impacts of government-sanctioned industrial development on the traditional territories of an Indigenous group in northeast British Columbia breached that group's treaty rights. Following that decision, the Government of British Columbia signed an implementation agreement with that Indigenous group to address cumulative effects of development on that group's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. These measures, which are expected to form the basis of similar arrangements with other Indigenous groups in British Columbia, are expected to remain in place while a long-term cumulative effects management regime is implemented. The long-term impacts of, and associated risks with, the court decision and arrangements with Indigenous groups to address the cumulative effects of development on claimed lands on the Canadian crude oil and natural gas industry and Strathcona remain uncertain.

In 2022, a similar lawsuit was filed in Alberta, claiming cumulative effects from industry, agriculture and settlement which violate their treaty rights. The claim advances many of the same grounds as that which were decided in British Columbia.

In addition, the Canadian federal government has introduced legislation to implement UNDRIP. Other Canadian jurisdictions, including British Columbia, have also introduced or passed similar legislation, or begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP's implementation by government is uncertain; additional processes may be created or legislation amended or introduced associated with project development and operations, further increasing uncertainty with respect to project regulatory approval timelines and requirements.

Title Defects

Strathcona reviews title internally but has not obtained external title opinions in respect of the mineral leases that it intends to develop and, accordingly, Strathcona's ownership of the leases could be subject to prior

unregistered agreements or interests, or claims or interests of which Strathcona is currently unaware. If such an event were to occur, Strathcona's rights to the production and reserves associated with such leases could be jeopardized, which could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Sufficiency of Funds to Finance Future Development of Core Segments

Significant amounts of capital will be required to develop future phases of the Cold Lake Thermal Segment, the Lloydminster Heavy Oil Segment and the Montney Segment. At present, Strathcona's cash flow from operations is largely dependent on the performance of commodity prices, and Strathcona's primary alternate source of funds is the issuance of additional equity or debt securities. Capital requirements are subject to capital market risks, including the availability and cost of capital. There can be no assurance that sufficient capital will be available or be available on acceptable terms or on a timely basis, to fund Strathcona's capital obligations in respect of the development of its projects or any other capital obligations it may have. If sufficient capital is not available, it could adversely affect the expected growth and development of Strathcona's business. In addition, a determination by Strathcona not to proceed with, or to delay, development of a given project may result in certain reserves of Strathcona pertaining to such project being reclassified.

Strathcona's actual costs and revenues may vary from expected amounts, possibly to a material extent, and such variations may affect Strathcona's future capital requirements. Accordingly, Strathcona may be required to raise substantial additional capital in the future and Strathcona's current projections may not prove to be accurate. In addition, Strathcona may accelerate the expansion and development of its projects. If Strathcona decides to do so, its funding needs will increase, possibly to a significant degree.

Seasonality and Weather

The level of activity in the Canadian crude oil and natural gas exploration and production industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain crude oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. The impacts of climate change may decrease the length of time these areas are accessible. There can be no assurance that seasonal and climate change factors will not adversely affect the timing and scope of Strathcona's exploration and development activities, which could in turn have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Geographic Risks

Approximately 35% of Strathcona's production is derived from three producing assets in the Cold Lake region of northern Alberta. As a result, Strathcona may be disproportionately exposed to the impact of delays or interruptions of production caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, plant closures for scheduled maintenance or interruption of transportation of crude oil or natural gas produced from the wells in the area. In addition, the effect of fluctuations on supply and demand may become more pronounced within the specific geographic crude oil and natural gas producing areas in which Strathcona's properties are located, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions on Strathcona. Due to the concentrated nature of Strathcona's portfolio of properties, a number of its properties could experience one or more of the same conditions at the same time, resulting in a relatively greater impact on Strathcona's results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Net Present Value of Reserves

Readers should not assume that the PV-10 of Strathcona's proved reserves is the current market value of its estimated crude oil, natural gas and NGL reserves. NI 51-101 permits disclosure of the PV-10 of Strathcona's proved and proved plus probable reserves using forecast prices and costs. The forecast prices and costs used as at the effective date of the Sproule Report and the McDaniels Reports may not reflect current forecast prices and costs. Actual future net cash flows from properties will be affected by factors such as:

- the actual prices Strathcona receives for crude oil, natural gas and NGLs;
- the actual cost of development and production expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations, royalties or taxation.

The timing of both Strathcona's production and Strathcona's incurrence of expenses in connection with the development and production of crude oil, natural gas and NGL properties will affect the timing and amount of actual future net revenues from proved and probable reserves, and thus their actual present value. In addition, the 10% discount factor Strathcona uses when calculating PV-10 may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with Strathcona or the crude oil and natural gas industry in general. Actual future prices and costs may differ materially from those used in the present value estimates included in this Information Circular, which could have a material adverse effect on the value of Strathcona's reserves.

Risks Relating to Economic Conditions, Commodity Pricing, Differentials and Exchange Rate Fluctuations

Commodity Price Volatility

Strathcona's results of operations and financial condition has been, and in the future will be dependent upon, among other things, the prices that it receives for crude oil, natural gas, and NGLs that it sells. Historically, crude oil markets have been volatile and are likely to continue to be volatile in the future. Crude oil prices, and differentials between world crude oil prices and Canadian heavy crude oil prices, have fluctuated widely during recent years and are subject to fluctuations in response to changes in supply, demand, market uncertainty and other factors that are beyond Strathcona's control, including, but not limited to, macroeconomic conditions, levels of production, domestic and worldwide inventories, demand for crude oil and natural gas, relative price and availability of alternative forms of energy, actions by non-governmental organizations, OPEC and other countries (including OPEC's announcement on December 4, 2022 to reaffirm its existing production cut target), legislative and regulatory actions, technology developments impacting energy consumption and energy supply, and weather conditions.

Any prolonged period of low crude oil prices, a widening of differentials, or an increase in diluent or utility prices relative to crude oil prices could result in a decision by Strathcona to suspend or slow development activities, to suspend or slow construction or expansion projects or to suspend or reduce production levels. Any of such actions could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

The market prices for heavy crude oil are lower than the established market prices for light and medium grades of crude oil, due principally to diluent prices and the higher transportation and refining costs associated with heavy crude oil. Also, the market for heavy crude oil is more limited than for light and medium grades of crude oil, making it more susceptible to supply and demand fluctuations. These factors all contribute to price differentials. Future price differentials are uncertain and any widening in heavy crude oil differentials specifically could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Strathcona assesses the carrying value of its assets to the extent required by IFRS. If crude oil prices decline or differentials widen, the carrying value of Strathcona's assets could be subject to downward revision, and Strathcona's earnings could be adversely affected by any reduction in such carrying value.

Inflation and Monetary Policy

Strathcona's capital and operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Strathcona's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

The cost or availability of equipment may adversely affect Strathcona's ability to undertake exploration, development, maintenance and construction projects. The crude oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Strathcona's operations for the expected price, on the expected timeline, or at all, may have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Further, higher crude oil and natural gas prices may cause the costs of materials and services to continue to rise. Strathcona cannot predict any future trends in the rate of inflation and a significant increase in inflation, to the extent Strathcona is unable to recover higher costs through higher crude oil and natural gas prices and revenues, would negatively impact Strathcona's business, financial condition and results of operations.

Political and Social Events

Strathcona's results may be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and the duration of regulatory reviews could impact Strathcona's existing operations and planned projects. This includes actions by regulatory bodies or other political actors to delay or deny necessary licenses and permits for Strathcona's activities or restrict the operation of third-party infrastructure that Strathcona relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder (including Indigenous stakeholders) consultation requirements, may increase the cost of compliance or reduce or delay available business opportunities and have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Other government and political factors that could adversely affect Strathcona's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could adversely affect Strathcona's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for Strathcona's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the crude oil and natural gas industry including the balance between economic development and environmental policy. The crude oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding crude oil and natural gas development, particularly with respect to infrastructure

projects. Protests, blockades and demonstrations have the potential to delay and disrupt Strathcona's activities.

General Economic Conditions, Business Environment and Other Risks

Adverse changes in general economic and market conditions could negatively impact demand for crude oil and natural gas, as well as Strathcona's revenue, operating costs, results of financing efforts, timing and extent of capital expenditures, credit risk and counterparty risk.

The demand for energy, including crude oil, natural gas and NGLs, is generally linked to broad-based economic activities. If there is a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political development in the U.S., Europe, or Asia, there could be a significant adverse effect on global financial markets and commodity prices. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect Strathcona by reducing global economic activity thereby resulting in lower demand for crude oil, natural gas and NGLs, impairing its supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in Strathcona's operations, and affecting the health of its workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere in this Information Circular affect the supply and demand for crude oil, natural gas and NGLs, and Strathcona's business and industry, and could ultimately have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world (including continued hostilities in Ukraine), have a significant impact on the price of oil. Any particular event could result in a material decline in prices and therefore could have a material adverse effect on Strathcona's results of operations, financial condition and prospects. For example, certain countries including Canada and the U.S., have imposed strict financial and trade restrictions against Russia due to the war in Ukraine, which have, and may continue to have, far-reaching effects on the global economy and commodity prices. The short, medium and long-term implications of the war in Ukraine are difficult to predict with any certainty at this time.

In addition, the long-term impact of previous terrorist attacks and the threat of future terrorist attacks on the crude oil and natural gas industry in general, and on facilities for the transportation and refinement of crude oil and natural gas in particular, is not known at this time. The possibility that infrastructure and other facilities, such as pipelines, terminals and refineries, may be direct targets of, or indirect casualties of, an act of terror and the implementation of security measures which may be taken as a precaution against possible terrorist attacks have resulted in, and are expected to continue to result in, increased costs to Strathcona's business. Furthermore, any interruption in the services provided by infrastructure on which Strathcona relies (such as the Enbridge Mainline) as a result of a terrorist attack would have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Foreign Exchange Rate and Interest Rate Risks

Global crude oil and natural gas prices are quoted in U.S. dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of crude oil and natural gas. Any strengthening of the Canadian dollar relative to the U.S. dollar could negatively impact Strathcona's operating margins and cash flows. Accordingly, exchange rates between Canada and the U.S. could affect the future value of Strathcona's reserves as determined by independent qualified reserves evaluators. Although a low value of the Canadian dollar relative to the U.S. dollar may positively affect the price Strathcona receives for its crude oil, natural gas and NGL production, it could also result in an increase in the price for certain goods used for Strathcona's operations, which may have a negative impact on Strathcona's financial results. Further, any decline in the value of the Canadian dollar relative to the U.S. dollar provides a competitive advantage to U.S. companies acquiring Canadian crude oil and natural gas properties and may make it more difficult for Strathcona to replace reserves through acquisitions.

Fluctuations in exchange rates and interest rates may significantly increase or decrease the amount of debt and interest expense recorded on Strathcona's financial statements, which could have a material adverse effect on Strathcona's results of operations, financial condition and prospects. To the extent that Strathcona engages in risk management activities related to foreign exchange rates, there is credit risk associated with counterparties with which it may contract.

Commodity Price, Foreign Exchange and Interest Rate Hedging Arrangements

Strathcona uses physical and financial instruments to hedge its exposure to fluctuations in commodity prices, exchange rates and interest rates. Engagement by Strathcona in such hedging activities will expose it to credit-related losses in the event of non-performance by counterparties to the physical or financial instruments. Additionally, if crude oil or natural gas prices, interest rates or exchange rates increase above or decrease below those levels specified in any hedging agreements, such hedging arrangements may prevent Strathcona from realizing the full benefit of such increases or decreases. In addition, any future commodity hedging arrangements could cause Strathcona to suffer financial loss if it is unable to produce sufficient quantities of the commodity to fulfill its obligations, if it is required to pay a margin call on a hedge contract or if it is required to pay royalties based on a market or reference price that is higher than Strathcona's fixed ceiling price.

To the extent that risk management activities and hedging strategies are employed to address commodity prices, exchange rates, interest rates or other risks, risks associated with such activities and strategies, including counterparty risk, settlement risk, basis risk, liquidity risk and market risk, could impact or negate such activities and strategies, which would have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Climate Change, Environmental and Regulatory Risks

Physical and Transitional Climate Change Risks

Physical risks associated with climate change may include severe changes to weather patterns or catastrophic events such as fires, lightning, earthquakes, extreme cold weather, storms or floods, changes to seasonal weather patterns and the corresponding effects of seasonal conditions and temperatures, any of which may impact Strathcona's operations. See "*Risk Factors – Risks Relating to Strathcona's Business – Seasonality and Weather*".

Transitional risks include risks associated with a global transition to a less carbon-intensive economy, including changes to laws and regulations, increased activism and public opposition to fossil fuels and oil sands, reduced demand for Strathcona's products and services as new energy technologies are developed and gain prominence, and reputational risks. Reputational risks include numerous factors which could negatively affect Strathcona's reputation, including general public perceptions of the energy industry, negative publicity relating to pipeline incidents, unpopular expansion plans or new projects, opposition from organizations and populations opposed to fossil fuels development, specifically oil sands projects and pipeline projects, including expansions thereof. A negative impact from transitional risks could result in loss of customers, revenue loss, delays in obtaining regulatory approvals for pipelines and other projects, increased operating, capital, financing or regulatory costs, diminished shareholder confidence, continuing changes to laws and regulations affecting Strathcona's business or erosion or loss of public support towards the hydrocarbon-based energy sector. Negative public perception of the Alberta oil sands where Strathcona's thermal oil productions operations are located may impair the profitability of Strathcona's current or future oil sands projects.

Development of the Alberta oil sands has received considerable attention on the subjects of environmental impact, climate change, water usage, GHG emissions and Indigenous engagement. The influence of anti-fossil fuels activists (with a focus on oil sands) targeting equity and debt investors, lenders and insurers may result in policies which reduce support for or investment in the Alberta oil sands sector. Concerns about oil sands, including but not limited to heightened GHG emissions and water and land use practices in oil sands developments, may, directly or indirectly, impair the profitability of Strathcona's current thermal

oil production projects, and the viability of future thermal oil production projects, by creating significant regulatory uncertainty leading to economic uncertainty in current and future projects and delays relating to the permitting and construction of future projects. In addition, evolving decarbonization policies of institutional investors, lenders and insurers could affect Strathcona's ability to access capital and insurance markets.

In recent years certain institutional investors have stopped or reduced their investments in the Canadian energy industry or only invested in companies that satisfy their green, renewable energy, sustainability or environment, social and governance criteria. Similarly, certain insurance companies have taken actions or announced policies to limit available coverage for companies which derive some or all of their revenue from the oil sands sector. As a result of these policies, premiums and deductibles for some or all of Strathcona's insurance policies could increase substantially. In some instances, coverage may become unavailable or available only for reduced amounts of coverage. As a result, Strathcona may not be able to extend or renew existing policies, or procure other desirable insurance coverage, either on commercially reasonable terms, or at all.

Other negative consequences which could arise as a result of changes to the current regulatory environment include, but are not limited to, changes in environmental and emissions regulation of current and future projects by governmental authorities, which could result in changes to facility design and operating requirements, potentially increasing the cost of construction, operation and abandonment. In addition, legislation or policies that limit the purchase of crude oil produced from the oil sands may be adopted in domestic and/or foreign jurisdictions, which, in turn, may limit the demand for this crude oil, reduce its price and may result in stranded assets or an inability to further develop such crude oil resources.

All of Strathcona's climate-related goals, including those related to GHG emissions, and others associated with diversity, relationships with stakeholders and Indigenous communities, and wildlife habitat reclamation depend significantly on Strathcona's ability to execute its current business strategy, which can be impacted by the numerous risks and uncertainties associated with Strathcona's business and other industry factors. There is a risk that some or all of the expected benefits and opportunities of achieving some or all of Strathcona's climate-related goals may fail to materialize, may cost more to achieve than anticipated or may not occur within anticipated timeframes. In addition, there are risks that the actions taken by Strathcona in implementing these goals, and in making efforts to achieve such goals, may have a negative impact on Strathcona's business, including adverse impacts on operations or increased costs and capital expenditures which may in turn negatively impact Strathcona's future operating and financial results.

Protection of Wildlife

Crude oil and natural gas operations in Strathcona's operating areas can be adversely affected by seasonal or permanent restrictions on drilling, well completion or construction activities designed to protect certain species of wildlife. Such restrictions may limit Strathcona's ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling and well completion activities are allowed. These constraints and the resulting shortages or high costs could delay Strathcona's operations and materially increase its operating and capital costs. Permanent restrictions imposed to protect threatened or endangered species could prohibit drilling and completions in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species as threatened or endangered in areas where Strathcona operates could cause it to incur increased costs arising from species protection measures or could result in limitations on Strathcona's exploration and production activities that could have an adverse impact on its ability to develop and produce its reserves.

Environmental Regulations

All phases of the conventional crude oil and natural gas and thermal oil production business present environmental risks and hazards and are subject to environmental legislation and regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, permit requirements, restrictions and prohibitions on spills, releases or emissions of various

substances produced in association with thermal oil production operations and restrictions on water usage and land disruption. The legislation also requires that wells and facility sites be constructed, operated, maintained, abandoned, remediated and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. The discharge of crude oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Strathcona to incur significant costs to remedy such discharge.

There has also been increased activism relating to climate change and public opposition to fossil fuels. The federal government and certain provincial governments in Canada have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy, and emission standards, reduced water consumption, and alternative energy incentives and mandates. Concerns over climate change, fossil fuel extraction, GHG emissions, and water and land use practices could lead governments to enact additional or more stringent laws and regulations applicable to Strathcona and other companies in the energy industry in general. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities and potentially increased capital expenditures and operating costs, and the federal government as well as each of the governments of Alberta, British Columbia and Saskatchewan have imposed more stringent environmental legislation that affects either or both of the conventional crude oil and natural gas and the thermal oil production industries. In addition, there is a risk that the federal and/or provincial governments could pass additional legislation that would tax air emissions or require, directly or indirectly, reductions in air emissions produced by energy industry participants, which Strathcona may be unable to mitigate. Should there be changes to existing laws or regulations, Strathcona's competitive position may be adversely affected in a manner similar to other companies operating within the same industry.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact Strathcona's ability to develop and operate its thermal oil production projects or increase or maintain production or control its costs of production. Changes to environmental regulations, including regulations relating to climate change, could impact the demand or pricing for Strathcona's products, or could require increased capital expenditures, operating expenses, abandonment and reclamation obligations and distribution costs, which may not be recoverable in the marketplace and which may result in current operations or growth projects becoming less profitable or uneconomic. Equipment which can meet future environmental standards may not be available on an economic or timely basis and instituting measures to ensure environmental compliance in the future may significantly increase operating costs or reduce output. Any requirement to develop or implement new technology in response to future environmental standards could require a significant investment of capital and resources, and any delay in or failure to identify, develop and implement such technologies could prevent Strathcona from being able to operate profitably or being able to successfully compete with other companies.

In addition, no assurance can be given that environmental laws and regulations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities, or otherwise have a material adverse effect on Strathcona's results of operations, financial condition and prospects (including decreased demand for Strathcona's products and services). Strathcona believes that it is reasonably likely that the trend towards stricter standards in environmental legislation will continue and anticipates that capital and operating costs may materially increase as a result of more stringent environmental laws.

Liability Management Programs

Alberta, Saskatchewan and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. These programs have historically been based on a comparison of the licensee's regulated assets and associated liabilities. Each province has shifted, or is in the process of shifting, to a

more holistic assessment of licensees' capability to comply with regulatory suspension, abandonment, remediation and reclamation obligations, which consider the broader financial health of the licensee, its history of regulatory compliance and the rate at which the licensee has abandoned, remediated and reclaimed their inactive crude oil and natural gas sites.

In Alberta, changes to the Liability Management Rating Program (the "**AB LMR Program**") administered by the AER are currently underway. In July 2020, the Government of Alberta announced that the AB LMR Program and associated programs will be replaced by the "Liability Management Framework" (the "**AB LMF**"). Other changes to the requirements of liability management programs may result in significant increases to Strathcona's compliance obligations. The impact and consequences of the Supreme Court of Canada's decision in *Orphan Well Association v Grant Thornton Ltd.* (also known as the "Redwater" decision) on the AER's rules and policies, lending practices in the crude oil and natural gas sector and on the nature and determination of secured lenders to take enforcement proceedings are expected to evolve as the consequences of the decision are evaluated and considered by regulators, lenders and receivers/trustees. As a result of the decision, the Government of Alberta implemented the *Liabilities Management Statutes and Amendment Act*, which places the financial burden of a defunct licensee's abandonment and reclamation obligations on the working interest partners of the defunct licensee and may order the AER's Orphan Fund to assume custody of wells or sites without a responsible owner to expedite the cleanup process.

The Permittee Capability Assessment program was implemented in British Columbia on April 1, 2022. Updates to the Licensee Liability Rating Program in Saskatchewan, which require a more holistic licensee capability assessment, came into force on January 1, 2023. Saskatchewan has also implemented the Inactive Liability Reduction Program as of January 1, 2023, which requires licensees to retire a certain percentage of their inactive wells or facilities each year.

The licensee capability assessment models being implemented in each of Alberta, British Columbia and Saskatchewan may prevent or interfere with Strathcona's ability to acquire or dispose of assets, as both the vendor and the purchaser of crude oil and natural gas assets must be in compliance with applicable capability criteria (both before and after the transfer of the assets) for the applicable regulatory agency to permit the transfer of such assets, and may be required to provide a potentially significant security deposit to the regulator.

GHG Regulations

Strathcona's exploration and production facilities and other operations and activities emit GHGs which may subject it to legislation in Canada regulating emissions of GHGs. The direct and indirect costs of the various GHG statutes and regulations, existing and proposed in both Canada and the U.S., including any limits on oil sands emissions and the Canadian federal government's implementation of the Paris Agreement through Canada's GGPPA, the *Canadian Net-Zero Emissions Accountability Act*, and the *Clean Fuel Regulations*, could significantly increase operating costs, reduce output or otherwise adversely affect Strathcona's business, operations and financial results. The Government of Canada implemented a national carbon pricing system in 2019 through the GGPPA, which functions as a federal backstop and applies to the extent a province or territory does not implement a carbon pricing system that meets the stringency requirements of the GGPPA. The federal carbon price under the GGPPA is \$65/tonne of carbon dioxide equivalent emissions in 2023. The price rises by \$15/tonne each year until 2030, at which time the carbon price will be \$170/tonne.

Provincial statutes and regulations with similar potential impacts include Alberta's *Technology Innovation and Emissions Reduction Regulation* ("**TIER**"), *Oil Sands Emissions Limits Act*, and *Renewable Fuels Standard Regulation*, British Columbia's *Greenhouse Gas Industrial Reporting and Control Act* and associated regulations, *Climate Change Accountability Act*, *Renewable and Low Carbon Fuel Requirements Regulation*, and *Clean Energy Act* and Saskatchewan's *Management and Reduction of Greenhouse Gases Act*. New or additional carbon emission pricing systems, carbon taxes or similar costs could significantly increase operating costs or reduce output. In particular, the federal government has proposed a "hard cap" on oil and gas emissions, which would mandate reductions in total GHG emissions

on an absolute basis versus per unit of production. If these proposals were to be ratified, and depending on the details, Strathcona may be forced to curtail production or forgo development of its assets in order to satisfy these requirements. Equipment that meets future GHG emission standards may not be available on an economic basis and other compliance methods to reduce emissions or emissions intensity to future required levels may significantly increase operating costs or reduce the output of Strathcona's projects. Offset credits, emission performance credits or fund credits under TIER or other regulatory GHG emissions compliance regimes in the other provinces which Strathcona operates may not be available for acquisition or may not be available on an economical basis. Any failure to meet GHG emission reduction compliance obligations may have a material adverse effect on Strathcona's business and result in fines, penalties and the suspension of operations and may impact the public perception of Strathcona's operations.

The federal *Clean Fuel Regulations* (Canada) require producers and importers of gasoline and diesel to reduce the carbon intensity of these fuels. The carbon intensity reduction requirements took effect as of July 1, 2023 and become more stringent on an annual basis until 2030. The carbon intensity of regulated fuels is determined based on lifecycle carbon emissions, including the carbon emissions associated with the extraction or production of the feedstock used to produce the fuel. These regulations may have a material adverse effect on Strathcona's business as a result of increased costs or decreased demand for Strathcona's products and services.

Future federal legislation, including the implementation of potential international requirements enacted under Canadian law, as well as provincial legislation and emissions reduction requirements, may require the reduction of GHG or other industrial air emissions, or emissions intensity, from Strathcona's operations and facilities. Mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for crude oil and natural gas producers. Strathcona is unable to predict the impact of emissions reduction legislation on Strathcona and it is possible that such legislation may have a material adverse effect on Strathcona's financial condition, results of operations and prospects.

Proposed Import Restrictions

Some foreign jurisdictions, including the State of California, have attempted to introduce carbon fuel standards that require a reduction in life cycle GHG emissions from vehicle fuels. Some standards propose a system to calculate the life cycle of GHG emissions of fuels to permit the identification and use of lower-emitting fuels.

Any foreign import restrictions or financial penalties imposed on the use of heavy crude oil may restrict the markets in which Strathcona may sell its heavy crude oil and/or result in Strathcona receiving a lower price for such products.

Abandonment and Reclamation Costs

Strathcona will be required to comply with the terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of its projects and reclamation of the project lands at the end of their economic life, which will result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of Strathcona's approvals and such legislation and/or regulations may result in the imposition of fines and penalties.

Strathcona estimates its uninflated and undiscounted abandonment and reclamation costs to be approximately \$996.3 million as of June 30, 2023. In addition, in the future, Strathcona may determine it prudent or be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If Strathcona establishes a reclamation fund, its liquidity and cash flows may be adversely affected.

Regulatory Approvals and Compliance for Projects

The construction, operation and decommissioning of Strathcona's projects are and will be conditional upon various environmental and regulatory approvals, permits, leases and licenses issued by governmental

authorities, including the approval of provincial regulatory bodies in Alberta, Saskatchewan and British Columbia. There can be no assurance such approvals, permits, leases and licenses will be granted, or, once granted or renewed, that they will subsequently be renewed or will not be cancelled or contain terms and conditions which make Strathcona's projects uneconomic, or cause Strathcona to significantly alter its projects. Further, the construction, operation and decommissioning of Strathcona's projects will be subject to regulatory approvals and statutes and regulations relating to environmental protection and operational safety. There can be no assurance that third parties will not object to the development of such projects during applicable regulatory processes.

There can be no assurance that legislation that directly or indirectly regulates or affects the crude oil and natural gas industry will not be changed in a manner that will adversely affect Strathcona. Such changes could occur locally, provincially, nationally or internationally in a wide variety of fields, including areas as diverse as derivatives trading, rail transportation, environmental and tax regulation.

Although Strathcona believes that its projects are or will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in thermal oil production operations and there can be no assurance that substantial costs and liabilities will not be incurred or that Strathcona's projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the projects, could result in substantial costs and liabilities to Strathcona or delays to or cancellation of Strathcona's other projects.

Regulations on Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate the production of crude oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of crude oil and natural gas from reservoirs that were previously unproductive. Hydraulic fracturing has featured prominently in recent political, media and activist commentary on the subject of water usage, induced seismicity events and environmental damage. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to limitations or restrictions on development activities, operational delays, increased operating costs, third party or governmental claims, and could increase Strathcona's costs of compliance and operating costs as well as delay the development of crude oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and natural gas that Strathcona is ultimately able to produce from its reserves.

Regulatory Water Use Restrictions and Limited Access to Water

Strathcona undertakes or intends to undertake certain hydraulic fracturing, SAGD, carbon capture and storage and waterflooding programs. To undertake such operations Strathcona requires access to sufficient volumes of water, or other liquids. There is no certainty that Strathcona will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as hydraulic fracturing, SAGD, carbon capture and storage and waterflooding. If Strathcona is unable to access such water it may not be able to undertake hydraulic fracturing, SAGD, carbon capture and storage or waterflooding activities, which may reduce the amount of crude oil and natural gas that Strathcona is ultimately able to produce from its reserves.

Regulations Regarding the Disposal of Fluids

The safe disposal of hydraulic fracturing fluids (including additives) and water recovered from crude oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, among other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase Strathcona's costs of compliance.

Additional Regulation and Regulatory Compliance

The crude oil and natural gas industry in Canada operates under Canadian federal, provincial and municipal legislation and regulations governing such matters as land tenure, lease extensions, Indigenous consultation, prices, royalties, taxes, production rates, environmental protection controls, operating practices, income, the production, transportation, sale and export of crude oil, natural gas and other products, the use of subsurface water, land use, expropriation and other matters. In addition, there are many international rules, regulations and requirements relating to the shipping of crude oil and natural gas products, via land or sea.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the thermal oil production industry may have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Operations in a Limited Geographic Area

Strathcona's producing properties are geographically concentrated. As a result, to the extent demand for and costs of personnel, equipment, power, services, and resources in such geographic areas are high it could result in a delay or inability to secure the personnel, equipment, power, services, and resources. Any delay or inability to secure the personnel, equipment, power, services, and resources could result in crude oil, natural gas and NGLs production volumes being below Strathcona's forecasted production volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

As a result of this concentration, Strathcona may be disproportionately exposed to the impact of delays or interruptions of operations or production in these areas caused by external factors such as governmental regulation, provincial politics, market limitations, supply shortages, or extreme weather-related conditions.

Internal Controls

Effective internal controls are necessary for Strathcona to provide reliable financial reports and to help prevent fraud. Although Strathcona has undertaken and will undertake a number of procedures in order to help ensure the reliability of its financial reports, Strathcona cannot be certain that such measures will ensure that it will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Strathcona's results of operations or cause Strathcona to fail to meet its reporting obligations. Additionally, implementing and monitoring effective internal controls can be costly. If Strathcona or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce investors' confidence in Strathcona's financial statements.

Other Risks Affecting Strathcona's Business

Dependence on Key Management and Other Personnel

Strathcona's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects. Strathcona does not have any key person insurance in effect. The contributions of the existing management team to Strathcona's immediate and near-term operations are likely to be of central importance and the competition for qualified personnel in the crude oil and natural gas exploration and production industry is intense. In addition, certain of Strathcona's current employees have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce.

The design, development and construction of, and commencement or continuation of operations (as applicable) at, Strathcona's projects requires experienced executive, management and technical personnel and operational employees and contractors with expertise in a wide range of areas. The labor force in western Canada is limited and there can be no assurance that all of the required employees and contractors with the necessary expertise will be available. Strathcona's projects will compete with other projects for experienced employees and contractors and such competition may result in increases to compensation paid to such personnel or a lack of qualified personnel. Increased labor costs could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Conflicts of Interest

Some of Strathcona's directors and officers are engaged and will continue to be engaged in, other activities in the oil and gas industry from time to time, including the employment by, or other involvement in or with, WEF. As a result of these and other activities, certain directors and officers of Strathcona may become subject to conflicts of interest from time to time. Conflicts of interest, if any, are subject to and governed by procedures prescribed by the ABCA, which provide that in the event that an officer or director is a party to, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such officer or director shall disclose such officer's or director's interest and, with respect to a director, to refrain from voting on any matter in respect of such contract or transaction unless otherwise permitted under the ABCA.

Changes in Tax Laws and Government Incentive Programs

Income tax laws or government incentive programs relating to the crude oil and natural gas industry, and in particular the thermal oil production industry may in the future be changed or interpreted in a manner that adversely affects Strathcona's result of operations, financial condition or prospects. While Strathcona believes that its tax filing positions are appropriate and supportable, it is possible that tax authorities may: (i) amend tax legislation (or its interpretation of such legislation may change), or (ii) successfully challenge Strathcona's interpretation of tax legislation, either of which could expose Strathcona to additional tax liabilities and may affect Strathcona's estimate of current and future income taxes, which could, in turn, have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Estimates and Assumptions in Financial Reporting

In preparing financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and Strathcona must exercise significant judgment. Estimates may be used in management's assessment of items such as depletion, depreciation and accretion, fair values, useful lives of assets, deferred income taxes, estimates of reserves, derivative financial instruments and decommissioning obligations. Actual results could differ materially from the estimates and assumptions used by Strathcona, which could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Demand for, and Alternatives to, Petroleum Products.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to crude oil and natural gas, and technological advances in fuel economy and energy generation and storage devices could reduce the demand for crude oil. Strathcona cannot predict the impact of changing demand for crude oil and natural gas products, and any major changes may have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen demand for petroleum products and create downward pressure on commodity prices. Public concerns regarding the impact of crude oil and natural gas development on the environment and climate change have received considerable attention in the media and recent public commentary, and the social value proposition of resource development is being challenged. Additionally, certain pipeline leaks, rail car derailments, major weather events and induced seismicity events have gained media, environmental and other stakeholder attention.

The implementation of future laws and regulations or the modification of existing regulations affecting the crude oil and natural gas industry may be impacted by such increased attention, which could have a material adverse effect on Strathcona's business, financial condition, results of operations, cash flows and prospects. Further, ongoing third party challenges to regulatory decisions or orders have reduced the efficiency of the regulatory regime, and such delays may result in uncertainty and interruption that could have a material adverse effect on Strathcona's business, financial condition, results of operations and prospects.

Cybersecurity

Strathcona uses forms of information technology in its operations and such use creates various cybersecurity threats, including the possibility of security breaches, operational disruptions and the release of non-public information (such as financial data, supplier and customer information and employee information). Although Strathcona has taken various steps to protect itself against such risks, its efforts may not always be successful, especially because of the rapidly changing nature of such cybersecurity threats. In the event of a cybersecurity incident, Strathcona's operations could be disrupted resulting in potential loss of customers, violation of laws and additional liabilities to the business.

In addition, Strathcona could be impacted by existing and proposed domestic and international laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection. Any data security breach could subject Strathcona to legal claims or proceedings, violation of privacy laws, and/or damage Strathcona's reputation.

Forward-looking Information

Shareholders and prospective investors are cautioned not to place undue reliance on Strathcona's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found under the heading "*Cautionary Statement Regarding Forward Looking Statements and Information*" in this Appendix "H" and "*General – Forward-Looking Statements*" in this Information Circular.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To Strathcona's knowledge, there are no outstanding legal proceedings material to Strathcona to which Strathcona is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

To Strathcona's knowledge, there are no outstanding: (i) penalties or sanctions imposed against Strathcona by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Information Circular; (ii) any other penalties or sanctions imposed by a court or regulatory body against Strathcona necessary for this Information Circular to contain full, true and plain disclosure of all material facts; and (iii) settlement agreements Strathcona entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Information Circular.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular (including this Appendix "H" and Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"*), to the knowledge of the directors and officers of Strathcona, none of the directors or executive officers of Strathcona, nor any person or company that beneficially owns, controls or directs, directly or indirectly, more than 10 percent of the voting rights attached to all outstanding Strathcona Shares, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this Information Circular which has materially affected or is reasonably expected to materially affect Strathcona or a subsidiary thereof.

In connection with the Arrangement, the WEF Manager, the WEF Shareholders and AmalCo will enter into the WEF Investment Rights Agreement, which will provide the WEF Manager and the WEF Shareholders with certain rights, including, among other rights, board nomination rights, board observer rights, subscription rights and demand and piggyback registration rights. See *"Material Contract – WEF Investment Rights Agreement"* in Appendix "I" – *"Information Concerning AmalCo After Giving Effect to the Arrangement"* of this Information Circular.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The independent auditor of Strathcona is Deloitte LLP, Suite 700, 850-2nd Street SW, Calgary, Alberta, T2P 0R8.

Blake, Cassels & Graydon LLP at its offices in Calgary, Alberta is the registrar for the Strathcona Shares. U.S. Bank National Association at its offices in Dallas, Texas is the trustee for the Senior Notes.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Strathcona has entered into since January 1, 2022 or before January 1, 2022 but that are still in effect:

- (a) the Arrangement Agreement – See Appendix C to this Information Circular;
- (b) the Revolving Credit Agreement – See *"Description of Capital Structure – Bank Credit Facilities – Revolving Credit Facility"* in this Appendix "H";
- (c) the Term Credit Agreement – See *"Description of Capital Structure – Bank Credit Facilities – Term Credit Facility"* in this Appendix "H"; and
- (d) the Strathcona USA; and
- (e) the Note Indenture.

Strathcona USA

Strathcona is a party to the Strathcona USA pursuant to which all of the Strathcona Shareholders, from time to time, are deemed to be a party and bound. The Strathcona USA governs certain conduct of the business and affairs of Strathcona, the relationship between the Strathcona Shareholders, their respective rights and obligations as shareholders and certain other related matters.

If the Arrangement is completed, the Strathcona USA will be terminated pursuant to the Plan of Arrangement on the Effective Date.

Under the Strathcona USA, each Strathcona Shareholder has agreed to vote or cause to be voted all Strathcona Shares owned by such Strathcona Shareholder in favour of: (i) the election of individuals designated by the Strathcona Board of Directors to the Strathcona Board of Directors; (ii) the appointment or re-appointment of the auditors of Strathcona selected by the Strathcona Board of Directors; and (iii) any other matter arising under the Strathcona USA submitted to a vote by Strathcona Shareholders by the Strathcona Board of Directors or by the WEF Shareholders. Each holder of Strathcona Class A Shares and Strathcona Class B Shares will vote or cause to be voted such Strathcona Shareholder's Strathcona Shares in the same manner as the WEF Shareholders on any matter submitted to a vote of the Strathcona Shareholders by the Strathcona Board of Directors, such that the outcome of the vote of the holders of the Strathcona Class A Shares and Strathcona Class B Shares, as applicable, voting as a single class is the same as the outcome of the vote of the WEF Shareholders.

If so directed by the Strathcona Board of Directors or the WEF Shareholders, each Strathcona Shareholder will vote or cause to be voted all Strathcona Shares owned by such Strathcona Shareholder in favour of a distribution that constitutes a return of capital to the Strathcona Class B Shares, provided that the payment of such return of capital is in compliance with applicable law.

Other than limited exceptions, no Strathcona Shareholder may Transfer (as defined in the Strathcona USA) any Strathcona Shares, except as expressly permitted by the Strathcona USA and the Strathcona Articles.

In the event that any Strathcona Shareholder (other than the WEF Shareholders) ceases to be a director, officer, employee or consultant of Strathcona for any reason whatsoever, Strathcona has the right to repurchase for cancellation all of the Strathcona Shares held by the Strathcona Shareholder at such time.

If the WEF Shareholders propose to make an arm's length *bona fide* Transfer of greater than an aggregate of 10% of their Strathcona Shares to any third party (the "**Third Party Purchaser**"), the WEF Shareholders have the right to obtain from the Third Party Purchaser a *bona fide* offer (a "**Drag Along Offer**") addressed to each other Strathcona Shareholder to purchase the same proportion of their respective Strathcona Shares as the WEF Shareholders, on substantially the same terms and conditions, and all other Strathcona Shareholders will be required to accept the Drag Along Offer within seven days of receipt. If the WEF Shareholders cannot or have not elected to exercise their drag-along rights, then, prior to completing any Transfer of its Strathcona Shares, the WEF Shareholders must obtain from the Third Party Purchaser a *bona fide* offer addressed to every other Strathcona Shareholder, containing substantially the same terms and conditions, to purchase the same proportion of their respective Strathcona Shares as the WEF Shareholders are Transferring to such Third Party Purchaser.

Subject to certain exceptions, the Strathcona USA may only be amended, supplemented or otherwise modified or waived by written agreement signed by Strathcona and the WEF Shareholders. Any amendment, supplement, waiver or modification of any provision of the Strathcona USA that would have a materially adverse and disproportionate effect on any Strathcona Shareholder may be effected only with the consent of the shareholder so affected. Any amendment, supplement, waiver or modification of any provision of the Strathcona USA that would have a materially adverse and disproportionate effect on a class of Strathcona Shares without similarly affecting the rights of another class of Strathcona Shares may only be effected with the consent of 66⅔% of the class of Strathcona Shares so affected.

The Strathcona USA will terminate automatically upon the completion of an Initial Public Offering (as defined in the Strathcona USA) or by written agreement of all parties. As a step under the Plan of Arrangement, the Strathcona USA will be terminated and cease to have any further force or effect. See "*The Arrangement – The Arrangement Agreement – Summary of the Arrangement*" in this Information Circular.

Note Indenture

On July 20, 2021, Strathcona issued U.S.\$500 million aggregate principal amount of 6.875% Senior Notes. The Senior Notes bear interest at an annual rate of 6.875%, which is payable on February 1 and August 1 of each year and mature on August 1, 2026.

The Senior Notes are senior unsecured obligations of Strathcona and the Senior Notes and the related guarantees rank equally in right of payment with the borrowings under the Revolving Credit Facility, the Term Credit Facility and the Letter of Credit Facility and any of Strathcona's other future senior indebtedness and senior to any of Strathcona's future subordinated indebtedness. The Senior Notes are guaranteed on a senior unsecured basis by each of Strathcona's existing subsidiaries and will also be guaranteed in the future by each restricted subsidiary that guarantees the Revolving Credit Facility and the Term Credit Facility and by certain future subsidiaries, subject to certain exceptions. The Senior Notes and the guarantees are effectively subordinated to all of Strathcona's secured indebtedness (including all borrowings and other obligations under the Revolving Credit Facility and the Term Credit Facility) to the extent of the value of the collateral securing such indebtedness and structurally subordinated in right of payment to all existing and future indebtedness and other liabilities (including trade payables) of any future subsidiaries that do not guarantee the Senior Notes.

The Senior Note Indenture contains covenants that, among other things, limit Strathcona's ability and the ability of its restricted subsidiaries to: (i) incur or guarantee additional indebtedness or issue certain types of preferred equity; (ii) pay dividends or distributions in respect of its equity or redeem, repurchase or retire its equity or subordinated indebtedness; (iii) transfer or sell assets; (iv) make investments; (v) create certain liens; (vi) enter into agreements that restrict dividends or other payments from any non-guarantor restricted subsidiaries to Strathcona; (vii) consolidate, amalgamate, merge or transfer all or substantially all of Strathcona's assets; (viii) engage in transactions with affiliates; and (ix) create unrestricted subsidiaries.

Strathcona may, at its option, redeem all or a portion of the Senior Notes at any time at certain redemption prices, plus accrued and unpaid interest to, but excluding, the redemption date. If Strathcona experiences certain kinds of changes of control accompanied by a ratings decline, holders of the Senior Notes may require Strathcona to repurchase all or a portion of their Senior Notes for a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of repurchase. The Senior Notes are not listed, and Strathcona does not intend to list the Senior Notes in the future, on any securities exchange.

INTERESTS OF EXPERTS

There is no person or company who is named as having prepared or certified a statement, report or valuation in respect of Strathcona in this Appendix "H" and whose profession or business gives authority to the statement, report or valuation made by the person or company other than as set forth below.

Sproule prepared the Sproule Report in respect of Strathcona's petroleum and natural gas natural gas reserves associated with Strathcona's interests in Alberta, British Columbia and Saskatchewan, a summary of which is contained in this Appendix "H". As of the date of the Sproule Report, the "designated professionals" (as defined in Form 51-102F2 – *Annual Information Form*) of Sproule, as a group, beneficially owned, directly or indirectly, no outstanding Strathcona Shares.

McDaniel prepared the McDaniel Reports in respect of the bitumen reserves of Strathcona at the Tucker Lake Property and the heavy oil reserves of Strathcona properties, a summary of which is contained in this Appendix "H". McDaniel also prepared estimates of contingent resources attributable to Strathcona's properties, which are referred to in Schedule G to this Appendix "H". As of the date of the McDaniel Reports, the designated professionals of McDaniel, as a group, beneficially owned, directly or indirectly, no outstanding Strathcona Shares.

The Strathcona Annual Financial Statements as at and for the year ended December 31, 2022, which are attached as Schedule A to this Appendix "H" have been audited by Deloitte LLP, as set forth in their report thereon. Deloitte LLP, the auditor of Strathcona, is independent with respect to Strathcona within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta for the period covered by their report thereon.

KPMG LLP, the former auditors of Strathcona, confirmed with respect to Strathcona that they were independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

REPORTING REQUIREMENTS

Strathcona is not a reporting issuer or the equivalent thereof under the securities laws in any jurisdiction in Canada, the U.S. or elsewhere. Accordingly, Strathcona is not subject to the continuous reporting and disclosure requirements prescribed by such securities laws. Therefore, there is no requirement that Strathcona comply with such requirements, including, without limitation, the requirements to provide prompt notifications of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annually audited or quarterly unaudited financial statements.

SCHEDULE A

STRATHCONA ANNUAL FINANCIAL STATEMENTS

(See attached).



STRATHCONA

RESOURCES LTD

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

Independent Auditor's Report

To the Shareholders and Board of Directors of Strathcona Resources Ltd.

Opinion

We have audited the consolidated financial statements of Strathcona Resources Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year ended December 31, 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Restated and additional comparative information

The financial statements as at December 31, 2021 and 2020 (not presented herein but from which the comparative information as at January 1, 2021 has been derived) and for the years ended December 31, 2021 and 2020, excluding the adjustments related to the voluntary change in accounting policy and the reclassification of purchased product that were applied to restate certain comparative information, as described in Note 2, and excluding the disclosures in Note 20 as at and for the years ended December 31, 2021 and 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 30, 2022 and March 30, 2021, respectively.

As part of our audit of the financial statements for the year ended December 31, 2022, we also audited the adjustments applied to restate certain comparative information presented as a result of the voluntary change in accounting policy and the reclassification of purchased product as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. As a part of our audit of the financial statements for the year ended December 31, 2022, we also audited the disclosures in Note 20 as at and for the years ended December 31, 2021 and 2020. In our opinion, the disclosures in Note 20 are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information and the disclosures in Note 20 as at and for the years ended December 31, 2021 and 2020, we were not engaged to audit, review, or apply any procedures to the financial statements as at and for the years ended December 31, 2021 and 2020 (December 31, 2020 consolidated statement of financial position not presented herein) and as at January 1, 2021. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
August 24, 2023



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Strathcona Resources Ltd.

Opinion

We have audited, prior to the adjustments explained in Note 2 and excluding the disclosures in Note 20, the comparative information in the consolidated accompanying financial statements of Strathcona Resources Ltd. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020 (not presented herein)
- the consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2021 and December 31, 2020
- the consolidated statement of changes in equity for the years ended December 31, 2021 and December 31, 2020
- the consolidated statements of cash flows for the years ended December 31, 2021 and December 31, 2020
- and notes to the consolidated comparative information, including a summary of significant accounting policies but excluding the adjustments described in Note 2 related to the voluntary change in accounting policy and the reclassification of purchased product that were applied to restate certain comparative information and excluding the disclosures in Note 20.

(Hereinafter referred to as the "comparative information")

In our opinion, the comparative information in the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020 (not presented herein) and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and December 31, 2020 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Comparative Information***” section of our auditor’s report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the comparative information in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – 2022 Financial Statements

The consolidated 2022 financial statements, which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2022
- the consolidated statement of changes in equity for the year ended December 31, 2022
- the consolidated statement of cash flows for the year ended December 31, 2022
- and notes to the consolidated financial statements, including a summary of significant accounting policies and including the adjustments described in Note 2 related to the voluntary change in accounting policy and the reclassification of purchased product that were applied to restate certain comparative information and including the disclosures in Note 20

are audited by another auditor, who expressed an unmodified opinion on those financial statements on August 24, 2023. The adjustment of the comparative information includes the restatement of the consolidated statement of financial position as at December 31, 2020 (not presented herein) from which the consolidated statement of financial position as at January 1, 2021 was derived. We were not engaged to audit, review, or apply any procedures to the consolidated statement of financial position as at January 1, 2021. Accordingly, we do not express an opinion or any other form of assurance on the consolidated statement of financial position as at January 1, 2021 taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Comparative Information

Management is responsible for the preparation and fair presentation of the comparative information in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of the comparative information that is free from material misstatement, whether due to fraud or error.

In preparing the comparative information, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.



Auditor's Responsibilities for the Audit of the Comparative Information

Our objectives are to obtain reasonable assurance about whether the comparative information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the comparative information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the comparative information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the comparative information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the comparative information, including the disclosures, and whether the comparative information represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the comparative information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
March 30, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Cdn\$ millions

As at	Note	December 31, 2022	December 31, 2021 (Restated – Note 2)	January 1, 2021 (Restated – Note 2)
Assets				
Current				
Cash		34.3	—	—
Restricted cash		—	8.7	—
Accounts receivable	16	299.1	138.6	75.0
Inventory		64.2	16.1	7.6
Prepaid expenses and deposits		10.0	3.8	3.8
Cross-currency swap asset	7	4.3	—	—
Risk management asset	16	9.5	3.4	8.5
Sable remediation fund		—	7.4	11.3
Total current assets		421.4	178.0	106.2
Property, plant and equipment	5	8,724.2	3,344.7	2,067.4
Other assets	6	18.9	14.2	59.1
Investments	4	—	301.9	—
Risk management asset		—	—	0.4
Total assets		9,164.5	3,838.8	2,233.1
Liabilities				
Current				
Accounts payable and accrued liabilities		652.9	268.5	110.8
Debt	7	295.0	20.0	30.0
Deferred consideration		—	8.6	—
Deferred revenue	11	50.0	—	—
Cross-currency swap liability	7	—	3.9	3.7
Lease and other obligations	8	32.4	24.3	23.4
Decommissioning provision	9	35.1	19.1	11.3
Risk management liability	16	108.6	98.9	32.8
Share purchase liability		—	—	45.0
Total current liabilities		1,174.0	443.3	257.0
Long-term debt	7	2,749.1	891.5	474.8
Lease and other obligations	8	224.1	88.4	100.3
Decommissioning provision	9	256.4	87.0	26.3
Deferred tax liability	15	445.2	—	—
Risk management liability	16	113.5	23.7	3.6
Total liabilities		4,962.3	1,533.9	862.0
Equity				
Share capital	10	3,052.8	2,513.7	1,840.4
Warrants		—	—	4.0
Contributed surplus		49.9	49.9	49.9
Retained earnings (deficit)		1,099.5	(258.7)	(523.2)
Total equity		4,202.2	2,304.9	1,371.1
Total liabilities and equity		9,164.5	3,838.8	2,233.1

Commitments and contingencies (Note 17)

Subsequent event (Note 21)

See accompanying notes to the consolidated financial statements.

Signed “Adam Waterous”
Adam Waterous, Chairman

Signed “Andrew Kim”
Andrew Kim, Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Cdn\$ millions, except per share amounts

For the Year Ended December 31,	Note	2022	2021 (Restated – Note 2)	2020 (Restated – Note 2)
Revenues and other income				
Oil and natural gas sales	2, 11	4,343.4	1,572.3	538.8
Sales of purchased products	2	64.7	44.6	—
Royalties		(666.8)	(147.7)	(24.5)
Oil and natural gas revenues		3,741.3	1,469.2	514.3
Loss on risk management contracts	16	(188.2)	(320.4)	(23.2)
Other income		5.3	11.0	15.9
		3,558.4	1,159.8	507.0
Expenses				
Purchased product	2	64.3	45.6	—
Blending costs		1,037.9	364.4	165.0
Production and operating		640.2	231.6	144.3
Transportation and processing		258.2	103.7	57.9
Acquired inventory	4	54.2	—	—
General and administrative		68.8	43.9	27.7
Interest	7	109.4	37.3	26.1
Transaction related costs	4	11.2	7.1	6.3
Finance costs	12	29.8	26.8	19.1
Depletion, depreciation and amortization	5	395.7	184.4	83.9
(Reversal of impairment) Impairment	5	—	(161.1)	80.1
Foreign exchange loss (gain)	13	43.7	0.1	(0.4)
Unrealized loss (gain) on Sable remediation fund	6	0.7	3.2	(3.2)
Revaluation of share purchase liability	4	—	18.0	—
Gain on disposal of oil and natural gas properties	5	—	(7.5)	—
Share-based compensation		—	—	2.2
		2,714.1	897.5	609.0
Share of equity investment income	4	11.3	2.2	—
Gain on step acquisition of equity method investee	4	132.1	—	—
Loss on termination of lease liability	8	(1.4)	—	—
Income (loss) before income taxes		986.3	264.5	(102.0)
Deferred tax recovery	15	(371.9)	—	—
Income (loss) and comprehensive income (loss)		1,358.2	264.5	(102.0)
Net income (loss) per share				
Basic and Diluted	14	0.63	0.15	(0.09)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Cdn\$ millions

	Note	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit) (Restated – Note 2)	Total Equity (Restated – Note 2)
Balance, December 31, 2019		1,043.3	—	13.9	(421.2)	636.0
Equity issuance		524.0	—	—	—	524.0
Conversion of promissory notes	4	29.0	—	36.0	—	65.0
Strathcona Amalgamation	4	244.1	4.0	—	—	248.1
Loss and comprehensive loss		—	—	—	(102.0)	(102.0)
Balance, December 31, 2020 and January 1, 2021		1,840.4	4.0	49.9	(523.2)	1,371.1
Equity issuance - Osum Acquisition	4, 10	672.4	—	—	—	672.4
Equity issuance - employees	10	2.0	—	—	—	2.0
Equity purchase - employees	10	(1.1)	—	—	—	(1.1)
Warrant purchase	10	—	(4.0)	—	—	(4.0)
Income and comprehensive income		—	—	—	264.5	264.5
Balance, December 31, 2021		2,513.7	—	49.9	(258.7)	2,304.9
Equity issuance - Caltex Acquisition	4, 10	295.8	—	—	—	295.8
Equity issuance - Stickney Acquisition	4, 10	242.0	—	—	—	242.0
Equity issuance - employees	10	1.7	—	—	—	1.7
Equity purchase - employees	10	(0.4)	—	—	—	(0.4)
Income and comprehensive income		—	—	—	1,358.2	1,358.2
Balance, December 31, 2022		3,052.8	—	49.9	1,099.5	4,202.2

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS **Cdn\$ millions**

For the Year Ended December 31,	Note	2022	2021 (Restated – Note 2)	2020 (Restated – Note 2)
Cash flow from (used in) operating activities				
Net income (loss)		1,358.2	264.5	(102.0)
Items not involving cash	19	(135.5)	94.9	198.9
Incentive awards settled with cash		—	—	(17.5)
Decommissioning costs	9	(23.2)	(18.0)	(39.1)
Changes in non-cash working capital	19	255.8	57.2	7.8
		1,455.3	398.6	48.1
Cash flow from (used in) financing activities				
Draw of debt	7	2,094.5	—	339.5
Repayment of debt	7	—	(206.2)	(120.8)
Issuance of senior unsecured notes		—	631.8	—
Repayment of acquired debt	4	(530.2)	(184.8)	(119.9)
Proceeds from asset backed financing	8	137.0	—	—
Payment of share purchase liability and warrants	4	—	(77.2)	—
Loan to Stickney	4	(25.0)	—	—
Debt issuance costs	7	(27.5)	(26.3)	(7.4)
Issuance of common shares, net of share purchases	10	1.3	0.9	524.0
Lease payments	8	(27.7)	(24.0)	(18.2)
Promissory note issuance		—	—	65.0
		1,622.4	114.2	662.2
Cash flow from (used in) investing activities				
Property, plant and equipment expenditures, net of government grants	5	(620.9)	(273.9)	(100.8)
Property acquisitions and dispositions, net	5	0.9	(24.2)	0.1
Expenditures on corporate combinations, net of cash acquired	4	(2,300.0)	2.3	(727.8)
Investment in associates	4	(156.3)	(220.0)	—
Deposit on acquisition		—	(80.0)	—
Sale of contingent gross overriding royalties	5	—	—	70.0
Change in other assets		2.0	47.5	31.3
Changes in non-cash working capital	19	30.9	35.5	16.9
		(3,043.4)	(512.8)	(710.3)
Change in cash		34.3	—	—
Cash, beginning of period		—	—	—
Cash, end of period		34.3	—	—
Cash interest paid		99.4	17.6	27.0

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

1. DESCRIPTION OF BUSINESS

Strathcona Resources Ltd. ("**Strathcona**" or the "**Company**") is incorporated under the Business Corporations Act (Alberta) (the "**ABCA**") and is engaged in the exploration, acquisition, development and production of petroleum and natural gas reserves in western Canada. The consolidated financial statements (the "**financial statements**") include the results of Strathcona Resources Ltd. and its wholly owned subsidiaries.

At December 31, 2022, approximately 99.7% of the Company's shares were owned by certain limited partnerships comprising of Waterous Energy Fund and its affiliates (collectively, "**WEF**"). Management and employees of the Company also own a minority interest of the Company's shares.

The Company's head office is located at Suite 1900, 421 – 7 Avenue SW, Calgary, Alberta, Canada, T2P 4K9.

2. BASIS OF PREPARATION

Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). These financial statements were authorized for issue by the Board of Directors on August 24, 2023.

These financial statements have been prepared on the historical cost basis except for those items that are presented at fair value as detailed in the accounting policies disclosed in Note 3.

In these financial statements, all amounts are expressed in Canadian dollars ("**CAD**" or "**C\$**") unless otherwise indicated, which is the Company's functional and presentation currency.

Voluntary change in accounting policy and reclassification

Effective December 31, 2022, the Company voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit adjusted discount rate to determine the discounted amount of the liability presented at each balance sheet date. The Company previously utilized a risk-free discount rate to determine the discounted amount of its decommissioning liability. The Company believes that discounting the decommissioning provision using a credit adjusted discount rate more closely approximates the value at which such liabilities could be transferred to a third party, increases the comparability of its financial statements to peer companies, and results in more relevant information to the users of the consolidated financial statements. Concurrent with the voluntary accounting policy change, there was also an impact to depletion expense recorded in the respective periods due to change in estimated present value of future development costs at each period end for purposes of unit-of-production calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

This voluntary change in accounting policy was applied retrospectively and the effect of this change is described below. Comparative amounts in these consolidated financial statements have been restated.

Reconciliation of the Consolidated Statements of Financial Position

As at	December 31, 2022	December 31, 2021			January 1, 2021		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Property, plant and equipment	120.4	3,383.8	(39.1)	3,344.7	2,188.2	(120.8)	2,067.4
Decommissioning provision	(26.7)	392.3	(286.2)	106.1	353.1	(315.5)	37.6
Deferred tax liability	34.4	—	—	—	—	—	—
Retained earnings (deficit)	112.7	(505.8)	247.1	(258.7)	(717.9)	194.7	(523.2)

Reconciliation of the Consolidated Statements of Comprehensive Income

For the year ended	2022	2021			2020		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Depletion, depreciation and amortization	(146.6)	267.4	(83.0)	184.4	169.0	(85.1)	83.9
Finance costs	(0.5)	25.1	1.7	26.8	16.7	2.4	19.1
Reversal of impairment	—	(190.0)	28.9	(161.1)	110.3	(30.2)	80.1
Deferred tax recovery	34.4	—	—	—	—	—	—
Net income	112.7	212.1	52.4	264.5	(214.9)	112.9	(102.0)
Net income per share							
Basic and Diluted	0.05	0.12	0.03	0.15	(0.20)	0.11	(0.09)

Reconciliation of the Consolidated Statements of Cash Flows

For the year ended	2022	2021			2020		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Net income (loss)	112.7	212.1	52.4	264.5	(214.9)	112.9	(102.0)
Items not involving cash	(112.7)	147.3	(52.4)	94.9	311.8	(112.9)	198.9

Reclassification of purchased product

The Company has revised the presentation of certain expenses related to purchased product and the related sale of purchased product in the Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2021. The impact was an increase in oil and natural gas sales of \$1.0 million from \$1,571.3 million to \$1,572.3 million; an increase in sales of purchased products from \$nil to \$44.6 million; and an increase in purchased product from \$nil to of \$45.6 million. This reclassification had no impact on net income or cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimated.

Future changes to environmental laws and climate-related regulations are uncertain and could affect the Company's financial position and future earnings. New laws and regulations may result in an overall decrease in the demand for oil and gas products and an increase to operating costs. These factors are considered in management's judgments, estimates and assumptions which affect the application of accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about certain areas of estimation uncertainty and critical judgments in applying accounting policies that affect amounts recognized in these financial statements is as follows:

Business combinations

Management is required to exercise judgment in determining whether assets acquired and liabilities assumed constitute a business. A business consists of an integrated set of assets and activities, comprised of inputs and processes, that is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method of accounting, whereby the net identifiable assets acquired are recorded at fair value. The fair value of individual assets is often required to be estimated, which may involve estimating the fair values of proved plus probable reserves, contingent resources, tangible assets, undeveloped land, intangible assets and other assets. These estimates incorporate assumptions using indicators of fair value, as determined by management. Changes in any of the estimates or assumptions used in determining the fair value of the net identifiable assets acquired may impact the carrying values assigned to assets acquired and liabilities assumed and could have a material impact on earnings.

Identification of cash-generating units ("CGUs")

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into CGUs, which are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Determination of what constitutes a CGU is subject to management's judgment. Factors considered in the classification include the integration between assets, shared infrastructure, the existence of common sales points, geography, geological structure and the manner in which management monitors and makes decisions about its operations. As such, the determination of a CGU can have a significant impact on impairment losses and reversals.

Oil and natural gas reserves

Proved and probable reserves have been estimated by external experts and are based on a number of underlying assumptions including oil and natural gas prices, future costs, oil and natural gas in place and reservoir performance, all of which are inherently uncertain. Established industry techniques are used to generate these estimates, however, the reserves that are ultimately recovered from any field cannot be known with certainty until the end of the field's life. Changes in reserves estimates could have a material impact on unit-of-production rates used for depletion, timing of decommissioning obligations and impairment of oil and natural gas properties. The Company's reserves are evaluated annually and reported to the Company by its independent qualified reserves evaluator.

Recoverability of property, plant and equipment ("PPE")

The Company has significant investments in property, plant and equipment. Changes in circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the carrying value to be written down to its recoverable amount. Evaluating whether an asset is impaired requires a high degree of judgment in estimating relevant future cash flows, based on assumptions about the future market prices, production output and discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Exploration and evaluation ("E&E") assets

The accounting for E&E assets requires management to make judgments as to whether E&E investments have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such reserves to be estimated and could be impacted by a shift in demand as global energy markets transition to a lower carbon-based economy. Previous estimates are sometimes revised as new information becomes available.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the reserves is technically feasible and commercially viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have E&E assets remain classified as such for several years while additional E&E activities are carried out or the Company seeks government, regulatory, or internal approval for development plans. E&E assets are subject to ongoing management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. When management is making this assessment, changes to project economics, expected capital investments and production costs, results of other operators in the region, and access to infrastructure and potential infrastructure expansions are important factors considered.

Decommissioning provision

The Company has obligations in respect of decommissioning its oil and natural gas properties. The present value of the obligation is calculated based on estimated future cash flows, timing of remediation activities, estimated inflation rate and the credit adjusted discount rate applied. Assumptions, based on current economic factors which management believes are reasonable, have been made to estimate the future liability. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration.

Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16 - Leases ("**IFRS 16**"). Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. The estimates and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The incremental borrowing rates are based on judgments including economic environment, term, currency and the underlying risk inherent to the asset. The carrying balance of the right-of-use ("**ROU**") assets, lease obligations and the resulting accretion and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Share purchase liability

Management applies judgment in estimating the fair value of the share purchase liability through the use of available market inputs and other assumptions. Changes in estimates of the initial fair value could have a material impact on the share purchase liability and on the Consolidated Statements of Comprehensive Income (Loss).

Financial Instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward curves for commodity prices and foreign exchange rates. A change in these factors could result in a change to the overall estimated valuation of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Debt

The Company estimates excess cash flow for the Term Credit Facility to determine the current portion. The estimate is based on information from the Company's budget and forecast processes such as forecast commodity prices, forecast foreign exchange rates and planned capital expenditures.

Income taxes

The calculation of deferred income tax assets and liabilities is based on management's interpretation of applicable laws, regulations, relevant court decisions and estimates regarding the timing of reversals of temporary differences.

Liquidity

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy, ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof along with other factors which may or may not be within the control of the Company. See further discussions relating to liquidity in Note 16.

Control assessment

A significant judgment relates to the consideration of control, joint control and significant influence in the Company's acquisitions and investments. This requires management to apply significant judgment to assess whether the investment structure results in the Company having control, joint control or significant influence over the investee, and to determine the classification of any non-controlling interest. The assessment of whether the Company has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as voting and liquidity rights. Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Company's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

3. SIGNIFICANT ACCOUNTING POLICIES

Segment Reporting

Commencing the second quarter of 2022 and upon integration of Stickney and Caltex, senior management including the chief operating decision maker are now analyzing the results of operations and performance on a segment basis. In conjunction, the Company adopted IFRS 8 – Operating Segments. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The reportable segments of the Company have been derived because: (a) they engage in business activities from which revenues are earned and expenses are incurred; (b) their operating results are regularly reviewed by the Company's chief operating decision maker, identified as the Company's President and Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) discrete financial information is available. The Company evaluates the financial performance and allocates resources to its operating segments primarily based on operating income. Operating income is defined as oil and natural gas sales less royalties, production and operating expenses, blending costs, transportation and processing expenses, and acquired inventory.

The Company has identified three operating segments through examination of the Company's performance which is based on the similarity of services and goods provided and economic characteristics exhibited by the operating segments. The three operating segments are:

- **Cold Lake Thermal** includes the development and production of bitumen in the Cold Lake region of Northern Alberta.
- **Lloydminster Heavy Oil** includes the development and production of heavy oil through enhanced oil recovery methods in Southeast Alberta and Southwest Saskatchewan.
- **Montney** includes the development and production of liquids rich natural gas produced from the Montney region in Northwest Alberta and Northeast British Columbia.

The Company reports activities not directly attributable to an operating segment under Corporate and Eliminations. All inter-segment transactions are eliminated on consolidation.

Basis of consolidation

The financial statements include accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive voting rights are considered. Subsidiaries are consolidated from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the financial statements.

Equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to the initial recognition, the financial statements include the Company's share of profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence ceases.

Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates on the respective dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined. Non-monetary assets held at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

historical cost are not retranslated subsequent to initial recognition. Foreign currency differences arising on translation are recognized in earnings and are reported on a net basis.

Inventory

Inventory consists of raw crude oil, diluent and blended crude oil at the Company's facilities, and in-transit via pipeline and rail. Inventory is carried at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and includes direct purchase costs and costs of production (royalties, production and operating costs, transportation and processing costs, blending costs and depletion of oil and natural gas properties). Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Property, plant and equipment

(i) General

Items of oil and natural gas properties and corporate assets, collectively, "property, plant and equipment", are measured at cost less accumulated depletion, depreciation and amortization and accumulated impairment losses.

(ii) Oil and natural gas properties

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of a decommissioning obligation, if any, and for qualifying assets, borrowing costs.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts are recognized as oil and natural gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized expenditures generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves. The carrying amount of any significant replaced or sold component is derecognized. The costs of the day-to-day servicing of oil and natural gas properties are recognized in earnings as incurred.

When significant parts of an item of oil and natural gas properties have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of an item of oil and natural gas properties are determined by comparing the proceeds from disposal with the carrying amount of oil and natural gas properties and are recognized in earnings.

(iii) Corporate assets

Costs associated with intangible assets, office furniture, fixtures, leasehold improvements, information technology and other corporate assets are carried at cost and depreciated based on the estimated useful lives of the assets.

Corporate assets also include the recognition of ROU assets, in accordance with IFRS 16. ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Depreciation on ROU assets is recognized in depletion, depreciation and amortization.

(iv) Non-monetary exchanges

Non-monetary exchanges of oil and natural gas properties are measured at fair value, unless the transaction lacks commercial substance or the fair value of the asset received or given up cannot be reliably measured. When fair value is not used, the carrying amount of the asset given up is used as the cost of the asset acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

(v) Depletion and depreciation

Oil and natural gas properties, including related facilities, are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. For purposes of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content where six thousand cubic feet of natural gas equates to one barrel of oil. These estimates are prepared by independent reserve engineers at least annually. Oil and natural gas properties are grouped with assets that are dedicated to serving the same reserves.

The estimated useful lives of depreciable assets are as follows:

Furniture and office equipment	30% declining balance
Computer hardware and systems software	30% declining balance
Vehicles	30% declining balance
Facilities	Straight line over 15 - 20 years
Computer application software	Straight-line over 1 year
Leasehold improvements	Straight-line over the term of the lease

Exploration for and evaluation of mineral resources

E&E costs incurred prior to obtaining the legal right to explore are expensed. Costs incurred after the legal right to explore an area has been obtained are capitalized as exploration and evaluation assets. These costs include license acquisition, geological and geophysical, drilling, sampling and other directly attributable internal costs. Exploration and evaluation assets are not depreciated and are accumulated in cost centers until technical feasibility and commercial viability of the project, area or field is determined or the assets are determined to be impaired. Technical feasibility and commercial viability of E&E assets is dependent upon the assignment of a sufficient amount of economically recoverable crude oil, condensate, natural gas, and natural gas liquids reserves available and available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals.

Once technical feasibility and commercial viability has been established for a project, area or field, the exploration and evaluation assets attributable to those reserves are first assessed for impairment by comparing the carrying amount to the greater of the assets' fair value less costs of disposal or value in use and then transferred from intangible exploration assets to oil and natural gas properties. If a decision is made by the Company not to continue an E&E project, the E&E is derecognized and all associated costs are charged to the statements of comprehensive income in E&E expense at that time.

Impairment of non-financial assets

CGUs are reviewed at each reporting date to determine whether there is any indication that the carrying amount may exceed its recoverable amount. If any such indication exists, an impairment test is performed by comparing the CGU's carrying value to its estimated recoverable amount. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, if no impairment loss had been recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Business combinations

The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in earnings.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in earnings.

Transaction costs that are incurred in connection with a business combination, other than those associated with the issuance of debt or equity securities, are recognized in earnings.

Leases

On the date that the leased asset becomes available for use, the Company recognizes an ROU asset and a corresponding lease obligation. Accretion expense associated with the lease obligation is charged to earnings over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depletion, depreciation and amortization.

A lease obligation is measured at the commencement date of the lease term at the present value of the lease payments that have not yet been paid as of that date. The ROU asset is measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received net of any onerous contracts, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any.

The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease obligation is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the earnings if the carrying amounts of the ROU asset has been reduced to \$nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Provisions

(i) General

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate is adjusted for the Company's credit risk. Provisions are not recognized for future operating losses. The unwinding of the discount is recognized as a finance cost.

(ii) Decommissioning provision

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provisions are measured at its present value at the statement of financial position date, of management's best estimate of the expenditures required to settle the obligation, at the end of the asset's useful life. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. Subsequent to the initial measurement, the provision is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs (accretion expense) whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

Financial instruments

(i) Measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the consolidated statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized from the financial statements when the liability is extinguished either through settlement or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives (risk management contracts, cross-currency swaps) are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

- **Amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.
- **Fair value through other comprehensive income ("FVOCI"):** A financial asset shall be measured at FVOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.
- **Fair value through profit or loss ("FVTPL"):** All financial assets that do not meet the definition of being measured at amortized cost or FVOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(ii) *Impairment of financial assets*

Impairment of financial assets carried at amortized cost is determined by measuring the assets' expected credit loss ("ECL"). Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable and if credit risk increases significantly since initial recognition, a further lifetime ECL is required to be recognized.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net income. The asset, together with the associated allowance, are written off when there is no realistic prospect of future recovery, and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated loss increases or decreases because of an event occurring after the loss was recognized, the previously recognized loss is increased or reduced by adjusting the allowance account.

Based on industry experience, the Company considers its commodity sales and joint interest accounts receivable to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, the gross carrying amount of the financial asset and the associated allowance from the consolidated statements of financial position are derecognized.

Fair value measurements

All financial and non-financial assets and liabilities for which fair value is measured or disclosed in these financial statements are further categorized using a three-level hierarchy based upon the inputs used to measure fair value:

- Level 1: Values are based on unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Values are based on unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. At each reporting date, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each asset or liability measured or disclosed at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Fair values in these financial statements have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- The value in use or fair value less costs of disposal is calculated to determine the recoverable amount of non-financial assets that are tested for impairment.
- The fair value of risk management contracts, foreign exchange swaps, or cross-currency swaps are based on listed market prices, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual price and the current forward price for the residual maturity of the contract using a risk-free interest rate.
- The fair value of long-term debt is based upon observable market data and/or other sources utilizing assumptions that market participants would use to determine fair value.
- The fair value of the share purchase liability is based on the estimated fair value determined using valuation techniques and assumptions that incorporate unobservable inputs (level three fair value hierarchy inputs), including market-based metrics of comparable companies and transactions and other indicators of value.

Revenue

Revenues from the sale of crude oil and natural gas are measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer and collection is reasonably assured. This is generally considered to occur when legal title to the product passes to customers, which is when it is physically transferred to the pipeline or other transportation method agreed upon.

Purchases and sales of products that are entered into in contemplation of each other with the same counter party are recorded on a net basis. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

The Company satisfies its performance obligations in contracts with customers upon the delivery of crude oil and natural gas, which is generally at a point in time. Performance obligations for services are satisfied over time as the service is provided. The Company sells its production of crude oil and natural gas pursuant to variable price contracts which generally have a term of one year or less. The transaction price for variable price contracts is based on the commodity index price, adjusted for quality, location and other factors depending on the contract terms. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period.

The Company's revenue transactions do not contain significant financing components and payments are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point. The Company does not disclose or quantify information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

For certain oil sales transported by rail, Strathcona receives consideration before the performance obligation is satisfied. The Company reports this as deferred revenue. The Company recognizes revenue once the performance obligation has been satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Blending and transportation and processing expenses

The costs associated with the transportation of oil and natural gas, including the cost of diluent used in blending, are recognized when the product is sold.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. When the conditions of a grant relate to income or expense, it is recognized in earnings in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related assets and amortized into income through depletion, depreciation and amortization.

Income tax

Income tax expense includes current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to a business combination, items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment in respect of previous years.

Deferred tax is recorded for the effect of any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Net income (loss) per share

Basic net income per share is calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potential common shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

4. ACQUISITIONS

2022

Acquisition of Caltex Resources Ltd.

On November 30, 2021, an affiliate of WEF ("**WEF Fund II**") and Strathcona completed the acquisition of Caltex Resources Ltd. ("**Caltex**"). Caltex was a private company engaged in the exploration, acquisition, development, and production of petroleum and natural gas reserves. Immediately after closing, Strathcona held a 50.0% economic interest (44.4% voting interest) in Caltex. WEF Fund II held the remaining interests. The acquired assets are located in Alberta and Western Saskatchewan, close to Strathcona's Lloydminster Heavy Oil properties. Management determined it did not control Caltex at November 30, 2021, and accounted for its investment in Caltex using the equity method. At December 31, 2021, Strathcona's investment in Caltex was \$221.9 million on the consolidated statement of financial position.

On January 31, 2022, Strathcona exchanged \$30.9 million of its shares in Stickney Resources Ltd. ("**Stickney**") (see following pages) with WEF Fund II for shares of Caltex (the "**Share Exchange**"). Following the Share Exchange, Strathcona held a 57.0% economic interest (44.4% voting interest) in both Stickney and Caltex. The remaining interests were held by WEF Fund II.

Subsequent to the Share Exchange on January 31, 2022, management determined that it did not control Caltex until Strathcona acquired the remaining 43.0% economic interest (55.6% voting interest) on March 11, 2022, as the Company did not have the ability to direct the relevant activities of Caltex, including the significant investing, financing, or otherwise strategic decisions. Accordingly, between January 31, 2022 and March 11, 2022, the Company continued to account for its investment in Caltex using the equity method. For the period from January 1, 2022 to March 11, 2022, Strathcona recognized \$6.9 million as its share of profits from the investment in Caltex. From the period from November 30, 2021 to December 31, 2021, Strathcona recognized \$2.2 million as its share of profits from the investment in Caltex. This amount is included in the share of equity investment income on the Consolidated Statements of Comprehensive Income.

On March 11, 2022, Strathcona acquired the remaining 43.0% interest in Caltex from WEF Fund II in exchange for 132.6 million Class A shares (the "**Caltex Acquisition**"). This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3 - Business Combinations ("**IFRS 3**"). Accordingly, the Company remeasured its interest in Caltex immediately before the acquisition date to its estimated fair value of \$392.1 million, resulting in a gain of \$132.1 million. This gain is included in the Gain on step acquisition of equity method investee on the Consolidated Statements of Comprehensive Income. Immediately following the acquisition, Strathcona and Caltex were amalgamated.

The results of operations of Caltex are included in these financial statements from the date of closing of the acquisition on March 11, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Purchase Price Allocation

The following table summarizes the total consideration paid and net assets acquired:

Consideration	
Fair value of Strathcona's common shares issued	295.8
Fair value of pre-existing equity investment	392.1
Total consideration	687.9
Accounts receivable	35.5
Inventory	2.2
Prepaid expenses and deposits	0.9
Risk management asset	1.6
Oil and natural gas properties	1,097.0
Accounts payable and accrued liabilities	(16.6)
Risk management liability	(4.6)
Debt	(186.7)
Decommissioning provision	(18.3)
Deferred tax liability	(223.1)
Net assets acquired	687.9

If the closing of the Caltex Acquisition had occurred on January 1, 2022, the Company's oil and natural gas sales and income before income taxes for the twelve months ended December 31, 2022 would have been approximately \$4,423.7 million and \$947.4 million, respectively. During the twelve months ended December 31, 2022, actual revenue contributed by the Caltex assets was \$356.0 million and net income before tax was \$146.5 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Acquisition of Stickney Resources Ltd.

Stickney was formed by Strathcona and WEF Fund II for the purpose of acquiring the Tucker asset, a producing thermal oil property located in Cold Lake, Alberta. On January 31, 2022, Stickney acquired the Tucker asset for \$800.0 million cash consideration before purchase price adjustments.

Upon close of the transaction, Strathcona paid \$156.3 million cash. This was in addition to the \$80.0 million deposit paid in 2021, for a total investment of \$236.3 million. On January 31, 2022, Strathcona also issued an unsecured, interest-bearing loan of \$25.0 million to Stickney. This loan was subsequently extinguished as part of the Stickney Acquisition (see below) on March 11, 2022. Strathcona held a 65.6% economic interest (44.4% voting interest) in Stickney immediately following the Tucker acquisition on January 31, 2022.

On January 31, 2022, immediately following the Tucker acquisition by Stickney, Strathcona completed the Share Exchange. Management determined that it did not control Stickney until Strathcona acquired the remaining economic and voting interest on March 11, 2022, as the Company did not have the ability to direct the relevant activities of Stickney, including the significant investing, financing, or otherwise strategic decisions. Accordingly, between January 31, 2022 and March 11, 2022, the Company accounted for its investment in Stickney using the equity method. The equity investment in Stickney was initially recorded at cost and the carrying amount was subsequently adjusted to recognize the Company's share of Stickney's profits and losses. For the period from January 31, 2022 to March 11, 2022, Strathcona recognized \$4.4 million (December 31, 2021 - \$nil) as its share of profits from the investment in Stickney.

On March 11, 2022, Strathcona acquired the remaining 43.0% interest (55.6% voting interest) in Stickney from WEF Fund II in exchange for 108.5 million Class A shares (the "**Stickney Acquisition**"). The Company opted to apply the optional IFRS 3 concentration test, which resulted in the transaction being accounted for as an asset acquisition. Immediately following the acquisition, Strathcona and Stickney were amalgamated.

Stickney Assets and Liabilities Acquired

The following table summarizes the total consideration paid and net assets acquired:

Consideration	
Fair value of Strathcona's common shares issued	242.0
Carrying amount of pre-existing equity investment	209.8
Total consideration	451.8
Cash	0.2
Accounts receivable	45.1
Inventory	3.6
Prepaid expenses and deposits	0.4
Oil and natural gas properties	804.6
Accounts payable and accrued liabilities	(15.2)
Risk management liability	(8.3)
Debt	(293.1)
Loan from Strathcona (Note 18)	(25.0)
Decommissioning provision	(60.5)
Net assets acquired	451.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Acquisition of Serafina Energy Ltd.

On August 29, 2022, Strathcona acquired all of the issued and outstanding shares of Serafina Energy Ltd. ("**Serafina**") for cash consideration of \$1.9 billion and \$400.0 million in acquisition notes (Note 7). Serafina was a private company engaged in the exploration, acquisition, development, and production of petroleum and natural gas reserves, with thermal heavy oil assets located in Saskatchewan.

This transaction was accounted for as a business combination in accordance with IFRS 3 using the acquisition method. The results of operations of Serafina are included in these financial statements from the date of closing of the acquisition on August 29, 2022.

Purchase Price Allocation

The following table summarizes the total consideration paid and net assets acquired:

Consideration	
Cash	1,900.0
Acquisition notes (Note 7)	400.0
Total consideration	2,300.0
Cash	0.4
Accounts receivable	41.3
Inventory	54.2
Prepaid expenses and deposits	3.3
Risk management asset	67.7
Oil and natural gas properties	3,019.7
Exploration and evaluation assets	117.3
Right of use assets	17.2
Accounts payable and accrued liabilities	(87.8)
Deferred revenue	(12.2)
Risk management liability	(240.1)
Debt	(50.4)
Leases	(17.6)
Decommissioning provision	(19.0)
Deferred tax liability	(594.0)
Net assets acquired	2,300.0

Inventory acquired in the acquisition of Serafina was expensed as Acquired inventory on the consolidated statement of comprehensive income when it was sold.

If the acquisition of Serafina had occurred on January 1, 2022, the Company's oil and natural gas sales and income before income taxes for the twelve months ended December 31, 2022 would have been approximately \$5,274.9 million and \$949.1 million, respectively. During the twelve months ended December 31, 2022, actual revenue contributed by the Serafina assets was \$397.2 million and net income before tax was \$107.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

2021

Acquisition of Osum Oil Sands Corp.

On June 11, 2021, the Company acquired Osum Oil Sands Corp. ("Osum"). Osum was a private company with bitumen assets located in Cold Lake, Alberta.

As a result of the acquisition, approximately 480.3 million common shares of Strathcona were issued.

Purchase Price Allocation

The following table summarizes the total consideration paid and net assets acquired:

Consideration	
Fair value of Strathcona's common shares issued	672.4
Total consideration	672.4
Cash	2.3
Restricted cash	4.7
Accounts receivable	27.5
Inventory	3.6
Prepaid expenses and deposits	2.3
Oil and natural gas properties	915.5
Accounts payable and accrued liabilities	(22.6)
Debt	(184.8)
Commodity contracts liability	(51.0)
Share purchase liability ⁽¹⁾	(10.2)
Decommissioning provision	(14.9)
Net assets acquired	672.4

- (1) Certain Osum shareholders exercised their rights of dissent under section 191 of the ABCA in respect of the amount offered to be paid to acquire all of the Osum shares. As a result, the dissenting shareholders' shares were not converted into Strathcona shares and were not reflected in the share consideration for the transaction. On June 11, 2021, the Company recorded a share purchase liability of \$10.2 million. During the year ended December 31, 2021, the Company paid the dissenting shareholders an interim payment of \$10.2 million; the dissent process is ongoing. Any difference between any final settlement amount and the interim payment made will be recorded upon completion of the dissent process.

If the acquisition of Osum had occurred on January 1, 2021, the Company's oil and natural gas sales and income before income taxes for the twelve months ended December 31, 2021 would have been approximately \$1,818.9 million and \$226.6 million, respectively. During the twelve months ended December 31, 2021, actual revenue contributed by the Osum assets was \$305.2 million and net income before taxes was \$110.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

2020

Formation of Strathcona Resources Ltd.

On August 14, 2020, Strath Resources Ltd. (“**Strath**”) and Cona Resources Ltd. (“**Cona**”) were amalgamated to form Strathcona Resources Ltd. (the “**Amalgamation**”). Strath was a private company with assets located in Northern Alberta targeting liquids rich natural gas. WEF held a majority interest in Strath and minority interests were held by each of Paramount Resources Ltd. (“**Paramount**”) and employees of Strath and their associates. Cona was a private company with assets located in British Columbia, Alberta and Saskatchewan targeting bitumen, heavy oil and natural gas. WEF held a 100% interest in Cona.

Purchase Price Allocation

The following table summarizes the total consideration paid and net assets acquired:

	(\$ millions)
Consideration	
Fair value of Strathcona’s common shares issued	244.1
Fair value of Strathcona’s warrants issued	4.0
Total consideration	248.1
Cash	3.0
Accounts receivable	24.8
Prepaid expenses and deposits	1.0
Commodity contracts	0.3
Property, plant and equipment	481.6
Accounts payable and accrued liabilities	(30.7)
Debt	(119.9)
Share purchase liability ⁽¹⁾	(45.0)
Lease obligations	(64.3)
Decommissioning provision	(2.7)
Net assets acquired	248.1

(1) On June 17, 2021, the Company settled the dissent proceedings with Paramount relating to 85.0 million common shares of Strath Resources Ltd. and purchased Paramount’s one common share of Strathcona and 10.1 million warrants of Strathcona for \$67.0 million resulting in a \$18.0 million revaluation of the share purchase liability. Subsequent to the settlement, Paramount no longer has an ownership interest in the Company.

If the closing of the Amalgamation had occurred on January 1, 2020, the Company’s oil and natural gas sales and loss before income taxes for the twelve months ended December 31, 2020 would have been approximately \$674.5 million and \$487.0 million, respectively. During the twelve months ended December 31, 2020, actual revenue contributed by the Strath assets was \$199.8 million and net income before tax was \$87.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Acquisition of Pengrowth Energy Corporation

On January 7, 2020, the Company acquired all of the outstanding common shares of Pengrowth Energy Corporation ("Pengrowth") for total consideration of \$731.2 million plus transaction costs. The Company acquired all of the outstanding common shares of Pengrowth for cash consideration of \$28.3 million and paid \$702.9 million to settle Pengrowth's outstanding bank debt and notes (the "Pengrowth Acquisition").

The assets acquired were predominantly located in Alberta and British Columbia and include the Lindbergh Thermal property located in the Cold Lake oil sands region of Alberta and the Groundbirch property located in Northeastern British Columbia in the Montney play.

The acquisition was funded through an equity issuance to WEF for total proceeds of \$519.0 million, a non-interest-bearing promissory note issued to WEF for \$65.0 million, a new reserve-based lending arrangement and the sale of a contingent gross overriding royalty on certain thermal and potential thermal properties for \$50.0 million.

Purchase Price Allocation

The following table summarizes the total consideration paid and net assets acquired:

	(\$ millions)
Consideration	
Pengrowth debt repayment	702.9
Pengrowth common shares	28.3
Total consideration	731.2
Cash	0.4
Accounts receivable	53.2
Inventory	4.5
Prepaid expenses and deposits	1.4
Property, plant and equipment	752.9
Sable remediation fund	81.2
Other assets	14.5
Accounts payable and accrued liabilities	(56.1)
Lease obligations	(63.9)
Decommissioning provision	(56.9)
Net assets acquired	731.2

For the year ended December 31, 2020, transaction costs included the reversal of \$6.9 million of unrealized losses related to foreign currency swap contracts the Company entered in December 2019 to hedge the CAD/USD currency exposure on a portion of Pengrowth's US dollar denominated debt. On January 7, 2020, these contracts were settled in conjunction with the Pengrowth Acquisition and the Company recorded a realized loss of \$6.6 million.

If the closing of the Pengrowth Acquisition had occurred on January 1, 2020, the Company's oil and natural gas sales and loss before income taxes for the twelve months ended December 31, 2020 would have been approximately \$557.5 million and \$101.9 million, respectively. During the twelve months ended December 31, 2022, actual revenue contributed by the Pengrowth assets was \$200.0 million and net income before tax was \$43.0 million.

Transaction Related Costs

For the year ended December 31, 2022, Strathcona incurred \$11.2 million (December 31, 2021 - \$7.1 million, December 31, 2020 - \$6.3 million) in transaction related costs related to all business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

5. PROPERTY, PLANT AND EQUIPMENT

	Oil and natural gas properties	Exploration and evaluation assets	Right of Use Assets	Other Assets	Total
	(Restated – Note 2)				(Restated – Note 2)
Cost					
Balance, January 1, 2021	2,905.4	—	103.8	33.3	3,042.5
Additions	280.5	—	0.9	2.0	283.4
Osum Acquisition (Note 4)	915.5	—	—	—	915.5
Acquisitions and dispositions - other	28.1	—	—	—	28.1
Change in decommissioning provision (Note 9)	73.9	—	—	—	73.9
Balance, December 31, 2021	4,203.4	—	104.7	35.3	4,343.4
Additions	618.6	—	5.5	2.3	626.4
Caltex Acquisition (Note 4)	1,097.0	—	—	—	1,097.0
Stickney Acquisition (Note 4)	804.6	—	—	—	804.6
Serafina Acquisition (Note 4)	3,019.7	117.3	17.2	—	3,154.2
Acquisitions and dispositions - other	(0.9)	—	—	—	(0.9)
Change in decommissioning provision (Note 9)	106.2	—	—	—	106.2
Balance, December 31, 2022	9,848.6	117.3	127.4	37.6	10,130.9
Accumulated DD&A and Impairment					
Balance, January 1, 2021	(943.4)	—	(8.0)	(23.7)	(975.1)
Depletion, depreciation and amortization	(171.9)	—	(10.0)	(2.8)	(184.7)
Impairment reversals	161.1	—	—	—	161.1
Balance, December 31, 2021	(954.2)	—	(18.0)	(26.5)	(998.7)
Depletion, depreciation and amortization	(396.8)	—	(8.5)	(2.7)	(408.0)
Balance, December 31, 2022	(1,351.0)	—	(26.5)	(29.2)	(1,406.7)
Net book value, January 1, 2021	1,962.0	—	95.8	9.6	2,067.4
Net book value, December 31, 2021	3,249.2	—	86.7	8.8	3,344.7
Net book value, December 31, 2022	8,497.6	117.3	100.9	8.4	8,724.2

For the year ended December 31, 2022, \$19.7 million of direct and incremental overhead charges were capitalized (\$8.7 million for the year ended December 31, 2021).

The calculation of depletion for the year ended December 31, 2022 includes \$9.1 billion of estimated future development costs required to bring the Company's estimated proved plus probable reserves on production (December 31, 2021 – \$4.4 billion, December 31, 2020 – \$2.7 billion). Depletion includes an adjustment related to oil inventory of \$12.3 million (December 31, 2021 – \$0.3 million, December 31, 2020 – \$0.1 million).

Acquisitions and dispositions – other

On July 16, 2021, the Company acquired assets for total consideration of \$25.5 million (including \$3.9 million of decommissioning liabilities), located directly offsetting and integral with the Company's existing Montney operations (the "**Montney Acquisition**"). In addition to the Montney Acquisition, during the year, the Company acquired and disposed of minor petroleum and natural gas rights with associated net proceeds of \$2.6 million.

In addition, on December 20, 2021, a non-core property was disposed of. The purchaser assumed decommissioning liabilities of \$7.5 million. The property had no associated net book value, resulting in a gain of \$7.5 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Impairment

At December 31, 2022, the Company evaluated its CGUs for indicators of impairment and determined that no indicators were present.

July 1, 2021 CGU Re-alignment

At July 1, 2021, the Company conducted an analysis of its CGUs to determine if the composition was still reflective of the Company's core asset base and internal asset management. As a result, the Company's CGUs were realigned into three CGUs: Cold Lake Thermal, Lloydminster Heavy Oil and Montney. At the time of realignment, the Company estimated the recoverable amounts of its new CGUs and compared them to the recoverable amounts of its previous CGUs and their respective carrying amounts. No impairment or reversal of impairment was determined as a result of the realignment of CGUs.

2021 Impairment Reversals

In 2021, indicators of potential impairment reversal were identified as a result of an increase in forward benchmark commodity prices and increases to proved plus probable reserves within certain CGUs. The Company conducted a test for reversal of impairment for its Lloydminster Heavy Oil and Cold Lake Thermal CGUs.

September 30, 2021

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at September 30, 2021.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
WTI Crude oil (US\$/bbl)	76.00	71.00	68.00	66.00	67.32	68.67	70.04	71.44	72.87	74.33
AECO Natural gas (\$/MMBtu)	5.00	4.00	3.36	3.02	3.08	3.14	3.21	3.27	3.34	3.40
Exchange Rate (CAD/USD)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

As a result, the Company recorded impairment reversals for the Lloydminster Heavy Oil CGU in the amount of \$71.2 million (total recoverable amount of \$1.0 billion), which was recognized in the Consolidated Statement of Comprehensive Income.

December 31, 2021

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2021.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WTI Crude oil (US\$/bbl)	73.00	70.00	68.00	69.36	70.75	72.16	73.61	75.08	76.58	78.11
AECO Natural gas (\$/MMBtu)	3.88	3.36	3.02	3.08	3.14	3.21	3.27	3.34	3.40	3.47
Exchange Rate (CAD/USD)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

The impairment test of PP&E at December 31, 2021 concluded that the fair value less costs of disposal of the Lloydminster Heavy Oil and Cold Lake Thermal CGUs exceeded their respective carrying amounts. As a result, the Company recorded impairment reversals for the Lloydminster Heavy Oil CGU in the amount of \$76.7 million (total estimated recoverable amount of \$1.1 billion) and the Cold Lake Thermal CGU in the amount of \$13.2 million (total estimated recoverable amount of \$2.3 billion) which was recognized in the Consolidated Statement of Comprehensive Income. Discounted future cash flows were determined using a pre-tax rate of 20%. This represents the full amount of previous impairment charges eligible to recover in the Lloydminster Heavy Oil and Cold Lake Thermal CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

The estimates used to determine the recoverable amounts of the Company's CGUs are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, management's best estimates. The results of the impairment tests performed are sensitive to changes in any of the key judgments, such as a revision in reserves, a change in forecast commodity prices, expected royalties, required future development capital expenditures, or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or reversal of impairment charges.

An increase or decrease of one percent in the discount rate or five percent in estimated cash flows would have no impact on the reversal of impairment recognized.

December 31, 2020

At December 31, 2020, the Company completed impairment tests over all of its CGUs. In estimating the recoverable amount of each CGU, the Company incorporated the net present value of the before-tax cash flows from proved plus probable reserves of each CGU based on reserves estimated by the Company's independent reserve evaluator at December 31, 2020.

Each CGU's carrying value is compared to its recoverable amount. The recoverable amount is the greater of a CGU's fair value less cost to sell and the value in use of the CGU. The estimated recoverable amounts were based on fair value less cost to sell calculations using before-tax discount rates ranging from 10% to 15%, depending on the resource composition of the assets in the CGU and an inflation rate of 2%. The following table details the forward pricing used in estimating the recoverable amounts of the Company's CGUs at December 31, 2020:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
WTI Crude oil (US\$/bbl)	46.00	48.00	53.00	54.06	55.14	56.24	57.37	58.52	59.69	60.88
AECO Natural gas (\$/MMBtu)	2.86	2.78	2.69	2.75	2.80	2.86	2.91	2.97	3.03	3.09
Exchange Rate (CAD/USD)	0.77	0.77	0.77	0.77	0.77	0.77	0.77	0.77	0.77	0.77

As a result of its impairment test at December 31, 2020, the Company recognized a total impairment loss of \$80.1 million with respect to its Lloydminster Heavy Oil CGU (\$93.9 million) partially offset by a reversal of impairment at its Cold Lake Thermal CGU (\$13.8 million). The \$13.8 million in impairment reversals increased the carrying value of the Cold Lake Thermal CGU to its recoverable amount of \$629.8 million. The \$93.9 million in impairment reduced the carrying value of the Lloydminster Heavy Oil CGU to its recoverable amount of \$883.8 million.

Contingent Gross Overriding Royalties

During the year ended December 31, 2020, the Company granted contingent gross overriding royalties ("GORR") on certain Cold Lake Thermal properties and certain Lloydminster Heavy Oil properties to a third party for gross cash proceeds of \$70.0 million. The GORR is based on a scale from 2.5% to 15.0% based on a Western Canadian Select ("WCS") heavy oil benchmark. The minimum rate of 2.5% is triggered at US\$60.00/bbl WCS with a sliding scale up to 15.0% at US\$100.00/bbl WCS. No gain or loss was recorded on the sale of the GORR.

The GORR is based on the Company's realized oil price, which is determined net of diluent, transportation and storage costs. The Company has no associated commitments to develop future expansions or projects. The GORR can be paid in cash or in kind.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

6. OTHER ASSETS

As at	December 31, 2022	December 31, 2021
Tax assessment deposit	12.2	12.2
Investment	2.0	2.0
Sable remediation fund	4.7	—
Total other assets	18.9	14.2

The Company has certain income tax filings from predecessor entities that are in dispute with tax authorities. \$12.2 million was paid to tax authorities to challenge a tax assessment and the Company believes that it is more likely than not to be successful in defending its positions. Should the Company be unsuccessful, the deposit paid will not be recovered and the Company will be required to pay the balance of the assessment amount totaling \$12.2 million plus interest.

7. DEBT

As at	December 31, 2022	December 31, 2021
Revolving Credit Facility - due Feb 27, 2026	1,706.7	302.9
Term Credit Facility - due Feb 29, 2024	701.6	—
Total Credit Facilities ⁽¹⁾	2,408.3	302.9
Senior Notes - due Aug 1, 2026	677.7	631.9
Unamortized debt issuance costs ⁽²⁾	(41.9)	(23.3)
Total debt	3,044.1	911.5
Current debt ⁽³⁾	295.0	20.0
Long-term debt	2,749.1	891.5

(1) The Company periodically borrows from its Credit Facilities in US dollars ("USD" or "US\$") and concurrently enters into cross-currency interest rate swap ("CCS") contracts to take advantage of an interest rate arbitrage that results from the relationship between CAD and USD interest rates and forward foreign exchange curves. Foreign currency risk associated with these borrowings is eliminated at the time of borrowing using CCS contracts (see Note 16). The terms of the Revolving Credit Facility and the Term Credit Facility allow the CAD equivalent of USD borrowings to exceed contracted amounts due to fluctuations in foreign exchange, provided that settlement amounts have been fixed upfront using CCS contracts. Debt on the balance sheet includes the CAD equivalent of USD borrowings, translated at the period end exchange rate, which does not include the offsetting impact of CCS contracts. At December 31, 2022, the CCS contracts had an asset value of \$4.3 million (December 31, 2021 - \$3.9 million liability) and total debt includes an unrealized loss of \$5.9 million (December 31, 2021 - unrealized gain of \$4.2 million) related to USD borrowings on Credit Facilities. Unrealized gains or losses on USD borrowings and offsetting unrealized gains or losses on CCS contracts are included in foreign exchange gains or losses on the statement of comprehensive income (see Note 13).

(2) As at December 31, 2022 and December 31, 2021, the unamortized debt issuance costs relate to the Credit Facilities and the Senior Notes.

(3) Current debt as of December 31, 2022 related to estimated excess cash flow sweeps on the Term Credit Facility over the following 12-month period. Current debt as of December 31, 2021 related to quarterly amortization payments required on the term component of the Old Credit Facility over the following 12-month period. The term component of the Old Credit Facility was removed as part of the amendment on March 11, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Bank Credit Facilities

(a) Covenant-Based Revolving Credit Facility

At December 31, 2022, the Company had a covenant-based revolving credit facility of \$2.0 billion with a syndicate of Canadian, U.S. and international banks (the "**Revolving Credit Facility**").

The Revolving Credit Facility has a maturity date of February 27, 2026. There are no mandatory payments on the Revolving Credit Facility. In addition, the covenant-based Revolving Credit Facility is not a borrowing base facility and does not require annual or semi-annual reviews.

The Revolving Credit Facility bears interest at the applicable prime lending rate, base rate, bankers' acceptance or Secured Overnight Financing Rate ("**SOFR**") plus applicable margins. The applicable margin charged by the lenders is dependent on the Company's Senior Debt to Adjusted EBITDA ratio (as defined below) for the most recently completed quarter. The Revolving Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

At December 31, 2022, the Company had letters of credit outstanding under the Revolving Credit Facility of \$12.5 million (December 31, 2021 - \$15.5 million).

(b) Term Credit Facility

At December 31, 2022, the Company had a \$700.0 million term loan with a syndicate of Canadian banks (the "**Term Credit Facility**") and together with the Revolving Credit Facility, the "**Credit Facilities**"). The Term Credit Facility has a maturity date of February 29, 2024 and bears interest at the applicable prime lending or base rates plus 2.75%, or the applicable bankers' acceptance or SOFR rates plus 3.75%. A duration fee of 0.25% is due on August 29, 2023 if the aggregate amount outstanding under the Term Credit Facility is greater than or equal to \$350.0 million.

The Term Credit Facility requires quarterly excess cash flow sweeps calculated based on the Company's quarterly financial results. Excess cash flow sweeps are due within 10 days of the delivery of the quarterly financial statements to lenders. Excess cash flow is calculated as Adjusted EBITDA (as defined below) less cash capital and decommissioning expenditures, lease payments (to the extent not already deducted), taxes, interest expense and any extraordinary and non-recurring losses added back in the determination of Adjusted EBITDA. Payments on the Acquisition Notes (as defined below) are also deducted in the calculation of excess cash flow. A 100% excess cash flow sweep is required for the period commencing with the fiscal quarter ended December 31, 2022 and ending on the earlier of four fiscal quarters and the date on which the outstanding balance under the Term Credit Facility is less than \$350.0 million. Thereafter, the excess cash flow sweep is the greater of 50% of excess cash flow and \$116.7 million. The Revolving Credit Facility may be used for excess cash flow sweeps if there is availability of \$150.0 million after such payment. Mandatory prepayments are also required using 50% of the net cash proceeds from the issuance of hybrid securities or preferred shares (excludes common shares), certain debt issuances and certain asset sales. Payments made immediately reduce the Term Credit Facility.

An estimate of the excess cash flow sweep payments to be made over the next 12 months is recorded on the Company's December 31, 2022 consolidated statement of financial position as a current liability. The estimated amount of \$295.0 million includes payments in respect of the quarters ending March 31, 2023, June 30, 2023 and September 30, 2023. There was no excess cash flow sweep for the quarter ending December 31, 2022 due to the repayment of the Acquisition Notes. The provisions of the Term Credit Facility do not restrict the Company from making payments in excess of the cash flow sweep amounts.

The Term Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

While the Term Credit Facility is in place, the Company is required to maintain commodity hedges on at least 50% of forecast production (before royalties) on a rolling six-month basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

(c) Changes to bank credit facilities during 2022

At December 31, 2021, the Company had a \$890.0 million covenant-based credit facility, consisting of a \$800.0 million revolving component and a \$90.0 million term component (the "Old Credit Facility"). The term component of the Old Credit Facility required quarterly amortization payments of \$5.0 million.

On March 11, 2022, concurrent with the Caltex Acquisition and Stickney Acquisition, the Old Credit Facility was amended and restated to a \$1.5 billion revolving credit facility and the term component of the facility was removed.

On August 29, 2022, concurrent with the Serafina Acquisition, Strathcona increased its revolving credit facility to \$2.0 billion (from \$1.5 billion) and entered into the \$700.0 million Term Credit Facility.

(d) Availability under bank credit facilities and liquidity

Availability under the Company's bank credit facilities and liquidity is calculated as follows:

As at	December 31, 2022	December 31, 2021
Credit capacity	2,700.0	890.0
Credit facilities debt per balance sheet	(2,408.3)	(302.9)
Unrealized gain (loss) on US borrowings	5.9	(4.2)
Letters of credit outstanding	(12.5)	(15.5)
Availability	285.1	567.4

(1) Availability at December 31, 2022 does not include cash of \$34.3 million (December 31, 2021 - \$nil).

(e) Financial Covenants

At December 31, 2022, the Revolving Credit Facility and Term Credit Facility had three financial covenants which are calculated quarterly (as set out below). The financial covenant calculations under the Revolving Credit Facility and Term Credit Facility credit agreements (the "Credit Agreements") are identical.

- (i) Total Debt to Adjusted EBITDA Ratio – All debt excluding the Financing Agreement (see Note 8), capital leases and letters of credit constituting debt ("Total Debt"), each as defined in the Credit Agreements shall not exceed 4.0 times trailing 12-month net income before non-cash items, income taxes, interest expense and extraordinary and non-recurring losses, adjusted for material acquisitions or dispositions as if they occurred on the first day of the calculation period ("Adjusted EBITDA"). For the purposes of Adjusted EBITDA, lease payments are deducted from the calculation if a lease would have been considered an operating lease before the adoption of IFRS 16. Total Debt may include the value of the Company's undiscounted inactive abandonment and reclamation obligations for a material jurisdiction if the liability management ratio in that jurisdiction falls below the minimum maintenance level required under the Credit Agreements (1.0 in British Columbia and 2.0 in all other material jurisdictions). Liability management ratios are calculated by provincial regulators based on deemed asset and deemed liability values determined by the respective regulator, other than for British Columbia, which is calculated by the Company based on past practice of the BC Oil and Gas Commission.
- (ii) Senior Debt to Adjusted EBITDA Ratio – Total Debt excluding permitted junior debt (e.g. Senior Notes), as defined in the Credit Agreements, shall not exceed 3.5 times trailing 12-month Adjusted EBITDA.
- (iii) Interest Coverage Ratio – Trailing 12-month Adjusted EBITDA, shall not be less than 3.5 times cash interest expense, as defined in the Credit Agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

At December 31, 2022, the Company was in compliance with its financial covenants, summarized in the following table:

As at	December 31, 2022
Total Debt to Adjusted EBITDA Ratio (≤ 4.00)	1.67
Senior Debt to Adjusted EBITDA Ratio (≤ 3.50)	1.30
Interest Coverage Ratio (≥ 3.50)	14.34

Acquisition Notes

As part of the consideration for the Serafina Acquisition, Strathcona issued \$400.0 million principal of non-interest bearing senior unsecured notes (the “**Acquisition Notes**”). The Acquisition Notes were due in \$100.0 million monthly installments, with the first installment made on October 3, 2022. As of December 31, 2022, the Acquisition Notes had been paid in full.

Senior Notes

At December 31, 2022, Strathcona had \$677.7 million (December 31, 2021 - \$631.9 million) of senior unsecured notes outstanding, in aggregate principal amount of US\$500.0 million, due August 1, 2026 (the “**Senior Notes**”). The Senior Notes bear interest at 6.875% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2022. The Senior Notes are redeemable at Strathcona's option, in whole or in part, after August 1, 2023 at the following redemption prices:

Date	Price
August 1, 2023	105.156 %
August 1, 2024	101.719 %
August 1, 2025 and thereafter	100.000 %

The Senior Notes have no financial maintenance covenants.

Demand Letter of Credit Facility

The Company has a \$60.0 million demand letter of credit facility with a financial institution (the “**LC Facility**”). The LC Facility is supported by an account performance security guarantee issued by Export Development Canada in favour of the financial institution. The letters of credit outstanding under the LC Facility do not impact the Company's borrowing capacity under the Revolving Credit Facility. At December 31, 2022, the Company had letters of credit in the amount of \$52.6 million (December 31, 2021 - \$47.8 million) outstanding under the LC Facility.

Interest Expense

During the year ended December 31, 2022, the Company recorded \$44.7 million in interest expense on the Senior Notes (December 31, 2021 – \$19.4 million, December 31, 2020 – \$nil) and \$64.7 million in interest expense on the Credit Facilities (December 31, 2021 – \$17.9 million, December 31, 2020 – \$26.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

8. LEASE AND OTHER OBLIGATIONS

As at	December 31, 2022	December 31, 2021
Lease obligations, beginning of year	112.7	123.7
Serafina Acquisition (Note 4)	17.6	—
Additions	5.5	0.9
Accretion	11.4	12.1
Settlements	(27.7)	(24.0)
Lease obligations, end of year	119.5	112.7
Other obligations	137.0	—
Lease and other obligations, end of year	256.5	112.7
Current portion	32.4	24.3
Long-term portion	224.1	88.4

For the year ended December 31, 2022, the Company recognized \$1.4 million loss on lease liabilities comprised of payments and costs related to the early cancellation of a lease (December 31, 2021 – \$nil, December 31, 2020 – \$nil). The loss on termination of lease liability is made up of a non-cash gain on cancellation (\$0.4 million) of the lease and an accrued liability in the amount of \$1.8 million for costs associated with the cancellation.

On December 29, 2022, the Company entered into an asset-backed financing agreement (the “**Financing Agreement**”) to sell certain processing facilities for total proceeds of \$137.0 million. Under the terms of the Financing Agreement, the Company retains legal title to the processing facilities but holds the beneficial interest in trust for the purchaser. The Company has recorded a corresponding financial liability in accordance with IFRS 9 – Financial Instruments (included in other obligations in the table above) for the Financing Agreement. The Financing Agreement has a maturity date of January 1, 2031 and bears interest at the applicable lending rate plus 7.00%. Interest payments are made on a monthly basis with principal payments beginning on August 1, 2023. The Company has the option to reduce principal payments and make interest and principal payments in kind until August 1, 2024. In addition, the Company may also repurchase the processing facilities interest (the “**Repurchase Option**”) at any time at the specified prices set out in the Financing Agreement. The Repurchase Option is a combination of the remaining principal balance and a varying option premium that is dependent on the time of exercise.

9. DECOMMISSIONING PROVISION

As at	December 31, 2022	December 31, 2021
		(Restated – Note 2)
Balance, beginning of year	106.1	37.6
Additions	1.8	1.3
Liabilities acquired through acquisitions (Note 4)	98.0	18.8
Liabilities disposed	(0.1)	(7.5)
Settlements – government grant ⁽¹⁾	(5.0)	(5.8)
Settlements – other	(23.2)	(18.0)
Changes in estimates ⁽²⁾	104.4	72.6
Accretion (Note 12)	9.5	7.1
Balance, end of year	291.5	106.1
Current portion	35.1	19.1
Long-term portion	256.4	87.0

(1) Relates to amounts granted to the Company through the Site Rehabilitation Program (Alberta), Dormant Sites Reclamation Program (British Columbia) and the Accelerated Site / Closure Program (Saskatchewan) to pay service companies to complete abandonment and reclamation work.

(2) Relates to changes in costs of future obligations and anticipated settlement dates of decommissioning provision. During the year ended December 31, 2022, Strathcona reviewed and updated its cost and timing assumptions based on newly available information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

As at December 31, 2022, the uninflated and undiscounted estimated cash flows required to settle the obligation were \$1,015.8 million (December 31, 2021 – \$376.5 million), which have been inflated at a rate of 2.00% (December 31, 2021 – 1.72%) and discounted using a credit adjusted rate of 9.60% (December 31, 2021 – 7.24%). The expected timing of payment of the cash flows required for settling the obligations are substantially expected to be incurred between 2023 and 2081.

10. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of voting Class A common shares, an unlimited number of voting Class B common shares and an unlimited number of preferred shares. No preferred shares have been issued by the Company as at December 31, 2022 (December 31, 2021 – \$nil). Each Class A common share is convertible at the option of the holder into one Class B common share and each Class B common share is convertible at the option of the holder into one Class A common share.

The following table provides a summary of the Company's issued and outstanding common shares:

	Common Shares		Class A Common Shares		Class B Common Shares		Total Common Shares	
	Shares	\$	Shares	\$	Shares	\$	Shares	\$
Balance, December 31, 2020	1,463.8	1,840.4	—	—	—	—	1,463.8	1,840.4
Equity issuance – employees	1.4	2.0	—	—	—	—	1.4	2.0
Equity conversion – Osum Acquisition ⁽¹⁾	(1,465.2)	(1,842.4)	616.8	775.5	848.4	1,066.9	—	—
Equity issuance – Osum Acquisition (Note 4)	—	—	228.6	320.0	251.7	352.4	480.3	672.4
Equity purchase – employees	—	—	—	—	(0.7)	(1.1)	(0.7)	(1.1)
Balance, December 31, 2021	—	—	845.4	1,095.5	1,099.4	1,418.2	1,944.8	2,513.7
Issuance – Caltex Acquisition (Note 4)	—	—	132.6	295.8	—	—	132.6	295.8
Issuance – Stickney Acquisition (Note 4)	—	—	108.5	242.0	—	—	108.5	242.0
Issuance – employees	—	—	—	—	0.8	1.7	0.8	1.7
Purchase – employees	—	—	—	—	(0.2)	(0.4)	(0.2)	(0.4)
WEF II Holdco Amalgamation	—	—	(153.9)	(343.3)	153.9	343.3	—	—
Balance, December 31, 2022	—	—	932.6	1,290.0	1,253.9	1,762.8	2,186.5	3,052.8

(1) Concurrent with the Osum Acquisition, each holder of a Strathcona voting common share received Class A or Class B common shares as set out in the amalgamation agreement.

On December 30, 2022, Strathcona amalgamated with one of its shareholders, WEF II Holdco Corp. ("WEF II Holdco") pursuant to the ABCA. Immediately prior to the amalgamation, WEF II Holdco was wholly owned by one of WEF's limited partnerships, and had no liabilities or assets other than its ownership of Strathcona shares. As part of the amalgamation, the 241.1 million Class A common shares held by WEF II Holdco were cancelled and 87.2 million Class A common shares and 153.9 million Class B common shares of Strathcona were reissued to one of WEF's limited partnerships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

11. OIL AND NATURAL GAS SALES

For the Year Ended December 31,	2022	2021	2020
Bitumen blend	2,358.8	864.2	277.2
Heavy oil, blended and raw	1,326.5	373.4	169.8
Condensate and light oil	341.3	147.0	45.5
Other natural gas liquids	96.8	64.6	14.4
Natural gas	220.0	123.1	31.9
Oil and natural gas sales	4,343.4	1,572.3	538.8

12. FINANCE COSTS

For the Year Ended December 31,	2022	2021	2020
Accretion of lease obligations (Note 8)	11.4	12.1	8.3
Accretion of decommissioning provision (Note 9) (Restated – Note 2)	9.5	7.1	6.6
Amortization of debt issuance costs	8.9	4.2	2.8
Write-off of debt issuance costs	—	3.4	1.4
Finance costs	29.8	26.8	19.1

13. FOREIGN EXCHANGE LOSS

For the Year Ended December 31,	2022	2021	2020
Realized gain	(5.7)	(0.1)	—
Unrealized loss – Senior Notes	45.9	0.1	—
Unrealized loss (gain) – Credit Facilities ⁽¹⁾	10.1	(0.2)	(4.1)
Unrealized (gain) loss – cross-currency swaps ⁽¹⁾	(8.1)	0.2	3.7
Unrealized (gain) loss – other	1.5	0.1	—
Foreign exchange loss	43.7	0.1	(0.4)

- (1) Strathcona enters into CCS contracts, which eliminate foreign currency risk on USD denominated debt drawn under the Credit Facilities. At maturity, the realized gains and losses relating to USD borrowings will be offset by the realized gains and losses on CCS contracts. See Note 7.

14. NET INCOME (LOSS) PER SHARE

Basic and diluted per share amounts are calculated by taking net income (loss) divided by the weighted average number of common shares outstanding. At December 31, 2022, 2021 and 2020, the Company had no dilutive instruments outstanding.

For the Year Ended December 31,	2022	2021	2020
Weighted average common shares (millions) – basic and diluted	2,140.8	1,733.1	1,073.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

15. INCOME TAXES

Estimated future income tax deductions

The Company has approximately \$6,038.1 million of estimated future income tax deductions, in various taxpool categories, available at December 31, 2022 (December 31, 2021 - \$5,278.2 million, December 31, 2020 - \$4,422.9 million).

Deferred income tax recovery

	2022	2021	2020
		(Restated – Note 2)	(Restated – Note 2)
Origination and reversal of temporary differences	209.7	68.5	(25.3)
Change in expected statutory tax rates	5.2	8.7	(6.3)
Change in opening tax pools	(3.0)	0.5	2.0
Change in unrecognized tax losses	(583.8)	(77.7)	29.6
Deferred income tax recovery	(371.9)	—	—

Reconciliation of effective tax rate

	2022	2021	2020
		(Restated – Note 2)	(Restated – Note 2)
Income (loss) before income taxes	986.3	264.5	(102.0)
Expected tax rate	24.4%	24.3%	25.0%
Expected income tax expense	240.7	64.3	(25.5)
Non-deductible expenses – increase in share purchase liability	—	4.4	—
Non-deductible expenses – equity investment income	(2.8)	—	—
Non-deductible expenses – gain on step acquisition of equity method investee	(32.2)	—	—
Non-deductible expenses – other	0.1	(0.2)	0.3
Change in unrecognized tax losses	(583.8)	(77.7)	29.6
Change in expected statutory tax rates	5.2	8.7	(6.3)
Change in opening tax pools	(3.0)	0.5	1.9
Other	3.9	—	—
Deferred income tax recovery	(371.9)	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Recognized deferred income tax asset and liabilities

The movement in deferred income tax assets and liabilities is as follows:

	January 1, 2022	Recognized on Caltex Acquisition	Recognized on Serafina Acquisition	Recognized in earnings	December 31, 2022
	(Restated – Note 2)				
Deferred income tax assets					
Financial derivative contracts	29.0	0.7	41.7	(19.6)	51.8
Decommissioning provision	25.8	4.4	4.6	36.3	71.1
Lease obligations	27.8	—	4.3	(2.7)	29.4
Non-capital losses	310.6	4.3	—	402.0	716.9
Financing costs	2.8	1.0	0.4	0.3	4.5
Other	45.5	—	—	14.1	59.6
	441.5	10.4	51.0	430.4	933.3
Deferred income tax liabilities					
Deferred partnership income	(25.7)	(13.2)	—	(22.4)	(61.3)
Property, plant and equipment	(415.8)	(220.3)	(645.0)	(36.1)	(1,317.2)
	(441.5)	(233.5)	(645.0)	(58.5)	(1,378.5)
Deferred tax liability	—	(223.1)	(594.0)	371.9	(445.2)

	January 1, 2021	Recognized in earnings	December 31, 2021
	(Restated – Note 2)		(Restated – Note 2)
Deferred income tax assets			
Financial derivative contracts	6.7	22.3	29.0
Decommissioning provision	7.1	18.7	25.8
Lease obligations	30.7	(2.9)	27.8
Non-capital losses	110.0	200.6	310.6
Financing costs	2.3	0.5	2.8
Deferred partnership income	5.3	(5.3)	—
Other	—	45.5	45.5
	162.1	279.4	441.5
Deferred income tax liabilities			
Unrealized gain on Sable remediation fund	(0.8)	0.8	—
Deferred partnership income	—	(25.7)	(25.7)
Property, plant and equipment	(158.9)	(256.9)	(415.8)
Other	(2.4)	2.4	—
	(162.1)	(279.4)	(441.5)
Deferred tax asset - unrecognized	—	—	—

Non-capital losses

The Company's non-capital losses as at December 31, 2022 are as follows:

Expiry Year	2027	2028	2029	2030	2031	Thereafter	Total
Non-capital loss balances	15.9	154.1	157.1	491.8	155.7	1,737.1	2,711.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Unrecognized deferred income tax assets

A temporary difference has not been recognized in respect of the following items:

	2022	2021
		(Restated – Note 2)
Non-capital losses	—	2,122.3
Property, plant and equipment	80.2	73.3
Capital losses	67.7	67.6
	147.9	2,263.2

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At December 31, 2022, the Company's financial instruments include accounts receivable, risk management contracts, the Sable remediation fund, accounts payable and accrued liabilities, cross-currency swaps, other obligations and debt.

The estimated fair values of the financial instruments have been determined based on the Company's assessment of available market information. These estimates may not necessarily be indicative of the amounts that could be realized or settled in a market transaction. The fair values of the financial instruments, other than the Company's risk management contracts, cross-currency swaps and Sable remediation fund approximate their carrying amounts due to the short-term maturity of these instruments.

The Company's risk management contracts and CCS contracts were classified as Level 1 in the fair value hierarchy. For purposes of estimating the fair value of these instruments, the Company used quoted market prices in active markets for identical assets or liabilities. The Sable remediation fund was classified as Level 2 in the fair value hierarchy. For the purposes of estimating the fair value of this instrument, the Company used estimates from third-party brokers and observable market data and/or other sources utilizing assumptions that market participants would use to determine fair value.

The Company's Senior Notes were classified as Level 1 in the fair value hierarchy. At December 31, 2022, the fair value of the Company's Senior Notes was \$526.8 million. The fair value of all other debt approximates its carrying amount given the indexed rates of interest.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities. These risks include credit risk, liquidity risk and market risk. There have been no significant changes in the Company's risk management policies or exposures during the year ended December 31, 2022.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This will arise principally from outstanding receivables related to oil and natural gas customers, counterparties related to financial derivative contracts and joint interest partners.

On entering into any business contract, the extent to which the arrangement exposes the Company to credit risk is considered. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with reputable counterparties, review the financial capacity of its counterparties, may request prepayment and, in certain circumstances, the Company may seek enhanced credit protection from a counterparty or purchase accounts receivable insurance. Receivables from oil and natural gas sales are generally collected on the 25th day of the month following production. Joint operations receivables are typically collected within one to three months of the invoice being issued.

The Company's maximum exposure to credit risk at December 31, 2022 is in respect of accounts receivable, net of ECL provision and risk management asset. As at December 31, 2022, \$3.0 million of accounts receivable were past due, all of which were considered collectable (December 31, 2021 – \$3.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

The following table provides a summary of the Company's maximum exposure to credit risk:

As at	December 31, 2022	December 31, 2021
Oil and natural gas sales	293.0	136.6
Joint interest partners	3.3	1.9
Other	4.6	1.7
	300.9	140.2
Allowance for credit losses	(1.8)	(1.6)
Accounts receivable	299.1	138.6
Cross-currency swap asset	4.3	—
Risk management asset	9.5	3.4
Total credit exposure	312.9	142.0

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on or about the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days.

The Company had no external customers individually exceeding 10% of total oil and natural gas sales for the year ended December 31, 2022 (December 31, 2021 – four external customers for 50% or \$785.5 million, December 31, 2020 – three external customers for 58% or \$311.5 million). Included in accounts receivable at December 31, 2022 was \$293.0 million of accrued sales revenue for December 2022 production (December 31, 2021 - \$136.6 million for December 2021 production, December 31, 2020 – \$62.2 million for December 2020 production).

Credit risk related to joint interest receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint interest partners. The Company may have the ability to withhold production from joint interest partners in the event of non-payment or may be able to register security on the assets of joint interest partners.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants under the Credit Facilities. As of the date of these financial statements, management's forecasts for Strathcona indicate that financial covenants for the next twelve months will be met under the Credit Facilities.

At December 31, 2022, the Company had availability under the Revolving Credit Facility of \$285.1 million (December 31, 2021 – \$567.4 million) after considering letters of credit outstanding, and cash on hand of \$34.3 million (December 31, 2021 - \$nil). See Note 7.

Future liquidity depends on the ability of Strathcona to access debt markets, availability under credit facilities, availability of additional equity, cash flow from operations and the ability to comply with financial covenants. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect Strathcona's future liquidity.

The following tables detail the cash flows and contractual maturities of the Company's financial liabilities:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

As at December 31, 2022	Total	<1 year	1-3 years	4-5 years	> 5 years
Revolving Credit Facility ⁽¹⁾ (Note 7)	1,702.4	—	—	1,702.4	—
Term Credit Facility ⁽²⁾ (Note 7)	761.6	350.1	411.5	—	—
Senior Notes ⁽³⁾ (Note 7)	864.1	46.6	46.6	46.6	724.3
Accounts payable and accrued liabilities	652.9	652.9	—	—	—
Risk management contract liability	222.1	108.6	113.5	—	—
Lease and other obligations ⁽⁴⁾ (Note 8)	433.3	41.9	87.8	82.0	221.6
Total	4,636.4	1,200.1	659.4	1,831.0	945.9

- (1) Contractual amount reflects contracted settlement price on CCS contracts and excludes future interest payments on borrowings.
- (2) Contractual amount reflects contracted settlement price on CCS contracts and includes interest payments and duration fee based on estimated excess cash flow sweeps.
- (3) Amounts represent repayment of the Senior Notes and associated interest payments based on foreign exchange rate in effect on December 31, 2022.
- (4) Amounts relate to undiscounted payments for lease and other obligations. The estimation of future cash payments related to other obligations are subject to forecast lending rates and timing of exercise of the Repurchase Option. The Repurchase Option on the asset backed financing arrangement is assumed to be exercised on January 1, 2029. See Note 8.

Market risk

Market risk is the risk that the future fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is composed of commodity price risk, foreign exchange risk and interest rate risk.

The fair value of the Company's risk management contracts (excluding cross-currency interest rate swaps) was as follows:

As at	December 31, 2022			December 31, 2021		
	Commodity	Foreign Exchange	Total	Commodity	Foreign Exchange	Total
Risk management asset – current	9.5	—	9.5	3.4	—	3.4
Risk management liability – current	(108.6)	—	(108.6)	(98.9)	—	(98.9)
Risk management liability – long-term	(76.8)	(36.7)	(113.5)	(23.7)	—	(23.7)
Total liability	(175.9)	(36.7)	(212.6)	(119.2)	—	(119.2)

The Company's loss on risk management contracts was as follows:

For the Year Ended December 31,	2022	2021	2020
Realized (loss) gain	(278.6)	(279.6)	4.0
Unrealized gain (loss)	90.4	(40.8)	(27.2)
Total loss on risk management contracts	(188.2)	(320.4)	(23.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Commodity price risk

The Company's operational results and financial condition are largely dependent on the commodity price received for oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.

The following tables summarize the Company's risk management as at December 31, 2022:

Term	Contract	Index	Currency	Volume	Units	Price	Buy/Sell ⁽¹⁾
Jan 1 - Jun 30, 2023	Swap	WTI	USD	22,400	bbl/d	\$76.99	Sell
Mar 1 - May 31, 2024	Swap	WTI	USD	5,000	bbl/d	\$48.10	Sell
Jan 1 - Jun 30, 2023	Call	WTI	USD	14,400	bbl/d	\$98.44	Buy
Jan 1 - Jun 30, 2023	Call	WTI	USD	30,000	bbl/d	\$100.00	Sell
Mar 1 - Aug 31, 2024	Call	WTI	USD	15,739	bbl/d	\$165.00	Buy
Jan 1 - Jun 30, 2023	Collar	WTI	USD	56,762	bbl/d	\$55.68 -\$95.73	Buy/Sell
Mar 1 - Aug 31, 2024	Collar	AECO	CAD	49,837	gj/d	\$0.52 -\$1.41	Buy/Sell

(1) Buy/Sell is from the perspective of the Company's fixed price exposure. Sell means the Company receives the fixed price and pays the index price. For collars, the Company receives the floor price if the index is below the floor and the cap price if the index is above the cap.

The fair value of the Company's risk management as at December 31, 2022 are sensitive to fluctuations in commodity prices. With all other variables held constant, a 10% increase or decrease in commodity prices could potentially result in unrealized gains or losses of \$348.2 million, impacting income or loss (December 31, 2021 – \$35.0 million, December 31, 2020 – \$47.7 million).

Foreign exchange risk

The Company is exposed to fluctuations of the CAD to USD exchange rate given commodity pricing is directly influenced by USD denominated benchmark pricing. In addition, the Company periodically borrows from its Credit Facilities in USD and the Senior Notes are denominated in USD.

The following tab summarizes the Company's foreign exchange contracts on revenues as at December 31, 2022:

Term	Contract	USD per Month	CAD/USD Floor	CAD/USD Ceiling
Mar 1, 2024 - Feb 28, 2025	Collar	30.5 million	1.2081	1.2410

Foreign exchange risk on USD denominated Credit Facilities borrowings is eliminated by entering into CCS contracts at the time of a USD borrowing. As part of the CCS, the CAD/USD foreign exchange rate at the beginning and end of the SOFR borrowing term is fixed so the Company does not have any foreign exchange risk on its USD borrowings. As at December 31, 2022, the Company had CCS contracts outstanding totaling:

Notional (US\$)	Maturity Date	Contract Price
1,776.8 million	January 6, 2023	CAD/USD 1.3521

The Company has not entered into any foreign exchange contracts related to the Senior Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

The carrying amounts of the Company's USD denominated monetary assets and liabilities exposed to fluctuations in the CAD/USD foreign currency exchange rate are as follows:

As at	December 31, 2022	December 31, 2021
(US\$)		
Assets	8.9	2.0
Liabilities	(521.8)	(505.3)
Net liabilities	(512.9)	(503.3)

With all other variables held constant, a \$0.01 change in the CAD/USD foreign exchange rate at December 31, 2022 would result in a change in USD denominated monetary assets and liabilities and change annualized net income (loss) by \$5.1 million (December 31, 2021 – \$5.0 million, December 31, 2020 – nominal amount).

Interest rate risk

The Company is exposed to movements in floating interest rates on the Credit Facilities and other liabilities. At December 31, 2022, an increase or decrease to interest rates of 50 basis points would result in a \$12.7 million impact on annualized interest expense (December 31, 2021 – \$1.5 million, December 31, 2020 – \$2.5 million). The Company is not exposed to interest rate risk on the Senior Notes as they bear a fixed interest rate.

Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include equity, long-term debt and working capital.

17. COMMITMENTS AND CONTINGENCIES

As at December 31, 2022, the Company is committed to the following non-cancellable payments:

	Total	< 1 year	1-3 years	4-5 years	> 5 years
Transportation and processing commitments	1,266.1	168.3	300.5	229.0	568.3
Capital commitments	136.7	133.4	3.3	—	—
Other	11.5	4.4	5.6	1.5	—
Office leases ⁽¹⁾	3.0	0.7	1.0	1.0	0.3
Total	1,417.3	306.8	310.4	231.5	568.6

(1) Represents lease commitments where the lease term has not yet commenced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

18. RELATED PARTY TRANSACTIONS

On December 30, 2022, Strathcona amalgamated with one of its shareholders, WEF II Holdco pursuant to the ABCA. Immediately prior to the amalgamation, WEF II Holdco was wholly owned by one of WEF's limited partnerships, and had no liabilities or assets other than its ownership of Strathcona shares. As part of the amalgamation, the 241.1 million Class A common shares held by WEF II Holdco were cancelled and 87.2 million Class A common shares and 153.9 million Class B common shares of Strathcona were reissued to one of WEF's limited partnerships.

Prior to the Caltex Acquisition and the Stickney Acquisition, the Company provided management and administrative services to Caltex and Stickney. The fees received pursuant to this agreement from January 1, 2022 to March 11, 2022 totaled \$0.6 million for Stickney (December 31, 2021 - nil) and \$1.3 million for Caltex (December 31, 2021 - \$0.6 million). On March 11, 2022, the Company acquired the remaining interests in Caltex and Stickney from WEF Fund II as disclosed in Note 4.

On January 31, 2022, Strathcona issued an unsecured, interest-bearing loan in the amount of \$25.0 million to Stickney. The loan was extinguished when Stickney was amalgamated with Strathcona on March 11, 2022 (Note 4).

On January 31, 2022, Strathcona exchanged \$30.9 million of its shares in Stickney with WEF Fund II for shares of Caltex. Following the Share Exchange, Strathcona held a 57.0% economic interest (44.4% voting interest) in both Stickney and Caltex. The remaining interests were held by WEF Fund II (Note 4).

In December 2021, the Company provided an unsecured, interest-bearing loan to Caltex in the amount of \$10.0 million. This loan was repaid in full by December 31, 2021.

Key management personnel of the Company include its officers and directors. Amounts recorded by the Company relating to compensation of officers and directors were as follows:

For the Year Ended December 31,	2022	2021	2020
Key management compensation	10.0	11.1	14.9

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

For the Year Ended December 31,	2022	2021	2020
Source (use) of cash:			
Restricted cash ⁽¹⁾	8.7	(4.0)	—
Accounts receivable	(38.6)	(36.1)	28.1
Inventory	24.2	(4.6)	(2.3)
Prepaid expenses and deposits	(1.6)	2.3	(1.5)
Accounts payable and accrued liabilities	264.8	135.1	0.4
Deferred consideration	(8.6)	—	—
Deferred revenue	37.8	—	—
	286.7	92.7	24.7
Related to operating activities	255.8	57.2	7.8
Related to investing activities	30.9	35.5	16.9

(1) Relates to a government grant that is to be used for the development of a capital project in Alberta.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

Items not involving cash

For the Year Ended December 31,	2022	2021	2020
Depletion, depreciation and amortization (Note 5)	395.7	184.4	83.9
(Reversal of impairment) impairment (Note 5)	—	(161.1)	80.1
Revaluation of share purchase liability	—	18.0	—
Unrealized (gain) loss on risk management contracts (Note 16)	(90.4)	40.8	27.2
Unrealized loss (gain) on foreign exchange (Note 13)	49.4	0.2	(0.4)
Unrealized gain on foreign exchange swaps (Note 4)	—	—	(6.9)
Unrealized loss (gain) on Sable remediation fund (Note 6)	0.7	3.2	(3.2)
Finance costs (Note 12)	29.8	26.8	19.1
Remediation fund reinvestment (Note 6)	—	(1.9)	(3.1)
Other income – ARO government grant (Note 9)	(5.0)	(5.8)	—
Share-based compensation	—	—	2.2
Share of equity investment income (Note 4)	(11.3)	(2.2)	—
Gain on step acquisition of equity method investee (Note 4)	(132.1)	—	—
Gain on disposal of oil and natural gas properties (Note 5)	—	(7.5)	—
Gain on termination of lease liability (Note 8)	(0.4)	—	—
Deferred tax recovery (Note 15)	(371.9)	—	—
	(135.5)	94.9	198.9

20. SEGMENT INFORMATION

Operating segments

As a result of the anticipated filing of the financial statements with a regulator for the purpose of issuing shares in a public market, commencing in 2022, the Company became subject to the scope of IFRS 8, Operating Segments (Note 3).

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management for the noted periods ended December 31, 2022, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts are expressed in Cdn\$ millions unless otherwise noted

For the Year Ended December 31,	Cold Lake Thermal			Lloydminster Heavy Oil			Montney			Corporate and Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Segment revenues															
Oil and natural gas sales	2,358.6	863.3	278.1	1,331.4	375.0	173.6	672.8	403.3	97.9	(19.4)	(69.3)	(10.8)	4,343.4	1,572.3	538.8
Sales of purchased products	—	—	—	—	—	—	—	—	—	64.7	44.6	—	64.7	44.6	—
Royalties	(419.0)	(78.7)	(8.7)	(151.1)	(39.5)	(15.6)	(96.7)	(29.5)	(0.2)	—	—	—	(666.8)	(147.7)	(24.5)
Oil and natural gas revenues	1,939.6	784.6	269.4	1,180.3	335.5	158.0	576.1	373.8	97.7	45.3	(24.7)	(10.8)	3,741.3	1,469.2	514.3
Segmented expenses															
Purchased product	—	—	—	—	—	—	—	—	—	64.3	45.6	—	64.3	45.6	—
Blending costs	878.6	312.2	128.4	178.3	87.8	36.6	—	—	—	(19.0)	(35.6)	—	1,037.9	364.4	165.0
Production and operating	378.5	128.5	59.8	204.4	90.1	73.7	57.3	47.7	21.6	—	(34.7)	(10.8)	640.2	231.6	144.3
Transportation and processing	69.2	34.2	25.4	114.4	9.6	12.0	74.6	59.9	20.5	—	—	—	258.2	103.7	57.9
Acquired inventory	—	—	—	54.2	—	—	—	—	—	—	—	—	54.2	—	—
	1,326.3	474.9	213.6	551.3	187.5	122.3	131.9	107.6	42.1	45.3	(24.7)	(10.8)	2,054.8	745.3	367.2
Operating income	613.3	309.7	55.8	629.0	148.0	35.7	444.2	266.2	55.6	—	—	—	1,686.5	723.9	147.1
Loss on risk management contracts										(188.2)	(320.4)	(23.2)	(188.2)	(320.4)	(23.2)
Other income										5.3	11.0	15.9	5.3	11.0	15.9
General and administrative										(68.8)	(43.9)	(27.7)	(68.8)	(43.9)	(27.7)
Interest										(109.4)	(37.3)	(26.1)	(109.4)	(37.3)	(26.1)
Transaction related costs										(11.2)	(7.1)	(6.3)	(11.2)	(7.1)	(6.3)
Finance costs (Restated – Note 2)										(29.8)	(26.8)	(19.1)	(29.8)	(26.8)	(19.1)
Depletion, depreciation and amortization (Restated – Note 2)	(120.8)	(52.5)	(26.6)	(191.2)	(58.7)	(38.5)	(72.6)	(62.5)	(18.7)	(11.1)	(10.7)	(0.1)	(395.7)	(184.4)	(83.9)
Reversal of impairment (Impairment) (Restated – Note 2)		13.2	13.8		147.9	(93.9)				—	—	—	—	161.1	(80.1)
Foreign exchange loss										(43.7)	(0.1)	0.4	(43.7)	(0.1)	0.4
Unrealized loss on Sable remediation fund										(0.7)	(3.2)	3.2	(0.7)	(3.2)	3.2
Revaluation of share purchase liability										—	(18.0)	—	—	(18.0)	—
Gain on disposal of oil and natural gas properties										—	7.5	—	—	7.5	—
Share-based compensation										—	—	(2.2)	—	—	(2.2)
Share of equity investment income										11.3	2.2	—	11.3	2.2	—
Gain on step acquisition of equity method investee										132.1	—	—	132.1	—	—
Loss on termination of lease liability										(1.4)	—	—	(1.4)	—	—
Income (loss) before income taxes (Restated – Note 2)													986.3	264.5	(102.0)
Deferred tax recovery													(371.9)	—	—
Income (loss) and comprehensive income (loss) (Restated – Note 2)													1,358.2	264.5	(102.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted

For the Year Ended December 31,	Cold Lake Thermal			Lloydminster Heavy Oil			Montney			Corporate and Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Capital expenditures	256.2	100.2	33.8	160.2	59.1	32.5	201.5	122.3	32.9	3.0	0.9	1.6	620.9	282.5	100.8
Decommissioning costs ⁽¹⁾⁽²⁾	2.2	6.7	0.4	7.4	4.1	0.7	13.6	7.2	5.5	—	—	32.5	23.2	18.0	39.1

(1) Decommissioning costs include amounts granted to the Company through the Site Rehabilitation Program (Alberta), Dormant Sites Reclamation Program (British Columbia) and the Accelerated Site Closure Program (Saskatchewan) to pay service companies to complete abandonment and reclamation work.

(2) Decommissioning costs of \$32.5 million in Corporate and Eliminations for the year ended December 31, 2020 relate to the Sable Energy Offshore Project.

Geographical information

Revenues from external customers

For the Year Ended December 31,	2022	2021	2020
Sales to Canadian customers	3,959.1	1,572.3	538.8
Sales to foreign customers	384.3	—	—
Total	4,343.4	1,572.3	538.8

Non-current assets

The Company's non-current assets are located entirely in Canada.

21. SUBSEQUENT EVENT

On July 31, 2023, Strathcona entered into an arrangement agreement to acquire Pipestone Energy Corp. ("Pipestone") for all share consideration (the "**Arrangement**"). Upon completion of the Arrangement, Strathcona will become a public reporting issuer in Canada. The Arrangement requires the approval of at least 66 2/3% of the votes cast by Pipestone shareholders at a special meeting to consider the transaction. The Arrangement provides for mutual break fees of \$25.0 million in the event the transaction is not completed or is terminated by either party in certain circumstances.

SCHEDULE B

STRATHCONA INTERIM FINANCIAL STATEMENTS

(See attached).



STRATHCONA

RESOURCES LTD

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Cdn\$ millions (unaudited)

As at	Note	June 30, 2023	December 31, 2022
Assets			
Current			
Cash		—	34.3
Accounts receivable	14	277.8	299.1
Inventory		52.9	64.2
Prepaid expenses and deposits		23.9	10.0
Cross-currency swap asset	5	—	4.3
Risk management asset	14	129.6	9.5
Total current assets		484.2	421.4
Property, plant and equipment	3	8,935.8	8,724.2
Other assets	4	18.9	18.9
Risk management asset		12.3	—
Total assets		9,451.2	9,164.5
Liabilities			
Current			
Accounts payable and accrued liabilities		565.3	652.9
Debt	5	662.1	295.0
Deferred revenue		14.5	50.0
Cross-currency swap liability	5, 14	36.2	—
Lease and other obligations	6	34.3	32.4
Decommissioning provision	7	38.3	35.1
Risk management liability	14	88.7	108.6
Total current liabilities		1,439.4	1,174.0
Long-term debt	5	2,236.1	2,749.1
Lease and other obligations	6	231.5	224.1
Decommissioning provision	7	316.2	256.4
Deferred tax liability	13	606.8	445.2
Risk management liability	14	53.7	113.5
Total liabilities		4,883.7	4,962.3
Equity			
Share capital	8	3,053.5	3,052.8
Contributed surplus		49.9	49.9
Retained earnings		1,464.1	1,099.5
Total equity		4,567.5	4,202.2
Total liabilities and equity		9,451.2	9,164.5

Commitments and contingencies (Note 15)

Subsequent event (Note 19)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Cdn\$ millions, except per share amounts (unaudited)

		Three Months Ended		Six Months Ended	
	Note	2023	2022	2023	2022
Revenues and other income					
Oil and natural gas sales	2, 9	1,112.8	1,331.5	2,160.5	2,105.9
Sale of purchased products		14.0	11.6	27.8	42.6
Royalties		(106.2)	(244.7)	(219.3)	(361.2)
Oil and natural gas revenues		1,020.6	1,098.4	1,969.0	1,787.3
Gain (loss) on risk management contracts	14	142.1	(36.7)	206.3	(294.4)
Other income		0.2	1.6	0.2	2.6
		1,162.9	1,063.3	2,175.5	1,495.5
Expenses					
Purchased product		14.6	11.3	29.4	43.3
Blending costs		249.8	332.6	535.0	533.3
Production and operating		190.6	170.0	395.2	272.2
Transportation and processing		104.8	46.3	232.7	79.5
General and administrative		20.8	14.2	46.7	28.4
Interest	5	50.3	17.3	104.4	31.2
Transaction related costs		0.4	1.6	1.6	2.9
Finance costs (Restated - Note 2)	10	17.8	6.7	35.6	12.8
Depletion, depreciation and amortization (Restated - Note 2)	3	170.7	96.5	333.8	154.8
Foreign exchange (gain) loss	11	(12.2)	16.8	(18.1)	11.8
Unrealized loss (gain) on Sable remediation fund	4	0.1	0.3	(0.1)	0.7
		807.7	713.6	1,696.2	1,170.9
Share of equity investment income		—	—	—	11.3
Gain on step acquisition of equity method investee		—	—	—	132.1
Loss on termination of lease liability	6	—	—	—	(1.4)
Income before income taxes		355.2	349.7	479.3	466.6
Income tax expense (recovery)	13	81.1	—	114.7	(223.1)
Income and comprehensive income		274.1	349.7	364.6	689.7
Net income per share					
Basic and Diluted	12	0.13	0.16	0.17	0.33

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
Cdn\$ millions (unaudited)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, December 31, 2021		2,513.7	49.9	(258.7)	2,304.9
Equity issuance - Caltex Acquisition		295.8	—	—	295.8
Equity issuance - Stickney Acquisition		242.0	—	—	242.0
Equity issuance - Employees		1.7	—	—	1.7
Equity purchase - Employees		(0.1)	—	—	(0.1)
Income (loss) and comprehensive income (loss) (Restated - Note 2)		—	—	689.7	689.7
Balance, June 30, 2022		3,053.1	49.9	431.0	3,534.0
Balance, December 31, 2022		3,052.8	49.9	1,099.5	4,202.2
Equity issuance - employees	8	0.7	—	—	0.7
Income and comprehensive income		—	—	364.6	364.6
Balance, June 30, 2023		3,053.5	49.9	1,464.1	4,567.5

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Cdn\$ millions (unaudited)

		Three Months Ended		Six Months Ended	
	Note	2023	2022	2023	2022
Cash flow from (used in) operating activities					
Net income		274.1	349.7	364.6	689.7
Items not involving cash	17	114.7	42.0	299.9	(89.8)
Decommissioning costs	7	(4.6)	(1.4)	(16.7)	(10.4)
Changes in non-cash working capital	17	(41.1)	1.6	(123.6)	10.1
		343.1	391.9	524.2	599.6
Cash flow from (used in) financing activities					
Draw of debt	5	(116.4)	—	(93.4)	583.0
Repayment of acquired debt		—	(292.7)	—	(772.5)
Lease and other obligations	6	(11.1)	(6.1)	(21.2)	(13.1)
Loan to Stickney		—	—	—	(25.0)
Debt issuance costs	5	—	—	—	(4.2)
Issuance of common shares, net of share purchases		0.7	1.7	0.7	1.6
Changes in non-cash working capital	17	—	—	0.6	—
		(126.8)	(297.1)	(113.3)	(230.2)
Cash flow from (used in) investing activities					
Property, plant and equipment expenditures	3	(231.7)	(141.0)	(460.4)	(240.3)
Property acquisitions and dispositions, net	3	—	0.8	—	0.4
Expenditures on corporate combinations, net of cash acquired		—	—	—	0.2
Investment in associates		—	—	—	(156.3)
Change in other assets	4	—	0.7	—	2.0
Changes in non-cash working capital	17	15.4	44.7	15.2	24.6
		(216.3)	(94.8)	(445.2)	(369.4)
Change in cash		—	—	(34.3)	—
Cash, beginning of period		—	—	34.3	—
Cash, end of period		—	—	—	—
Cash interest paid		41.2	17.3	105.8	31.2

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

1. DESCRIPTION OF BUSINESS

Strathcona Resources Ltd. ("**Strathcona**" or the "**Company**") is incorporated under the Business Corporations Act (Alberta) (the "**ABCA**") and is engaged in the exploration, acquisition, development and production of petroleum and natural gas reserves in western Canada. The condensed consolidated interim financial statements (the "**financial statements**") include the results of Strathcona Resources Ltd. and its wholly owned subsidiaries.

At June 30, 2023, approximately 99.7% of the Company's shares were owned by certain limited partnerships comprising of Waterous Energy Fund and its affiliates (collectively, "**WEF**"). Management and employees of the Company also own a minority interest of the Company's shares.

The Company's head office is located at Suite 1900, 421 – 7 Avenue SW, Calgary, Alberta, Canada, T2P 4K9.

2. BASIS OF PREPARATION

Preparation

These financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, using the same accounting policies as those set out in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2022 which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Certain disclosures, which are normally required to be included in the notes to the audited annual consolidated financial statements, have been condensed or omitted. The financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2022.

In these financial statements, all amounts are expressed in Canadian dollars ("**CAD**" or "**C\$**") unless otherwise indicated, which is the Company's functional and presentation currency.

The Company has reclassified certain comparative information on the condensed consolidated interim statements of income and comprehensive income to conform with current period presentation.

These financial statements were authorized for issue by the Board of Directors on August 17, 2023.

Voluntary change in accounting policy

As detailed in Note 2 of the most recent audited annual consolidated financial statements, effective December 31, 2022, the Company voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit adjusted discount rate to determine the discounted amount of the liability presented at each balance sheet date. The Company previously utilized a risk-free discount rate to determine the discounted amount of its decommissioning liability. Concurrent with the voluntary accounting policy change, there was also an impact to depletion expense recorded in the respective periods due to change in estimated present value of future development costs at each period end for purposes of unit-of-production calculations.

This voluntary change in accounting policy was applied retrospectively and the effect of this change is described below. Comparative amounts in these *condensed consolidated interim* financial statements have been restated.

Reconciliation of the Condensed Consolidated Interim Statements of Income and Comprehensive Income

For the Three Months Ended June 30,	2022		
	Prior to accounting policy change	Effect of change	Restated
Depletion, depreciation and amortization	122.6	(26.1)	96.5
Finance costs	7.0	(0.3)	6.7
Net income	323.3	26.4	349.7
Net income per share			
Basic and Diluted	0.15	0.01	0.16

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

For the Six Months Ended June 30,	2022		
	Prior to accounting policy change	Effect of change	Restated
Depletion, depreciation and amortization	202.3	(47.5)	154.8
Finance costs	13.0	(0.2)	12.8
Net income	642.0	47.7	689.7
Net income per share			
Basic and Diluted	0.31	0.02	0.33

Reconciliation of the Condensed Consolidated Interim Statements of Cash Flows

For the Three Months Ended June 30,	2022		
	Previous accounting policy	Effect of change	Restated
Net income	323.3	26.4	349.7
Items not involving cash	68.4	(26.4)	42.0

For the Six Months Ended June 30,	2022		
	Previous accounting policy	Effect of change	Restated
Net income	642.0	47.7	689.7
Items not involving cash	(42.1)	(47.7)	(89.8)

3. PROPERTY, PLANT AND EQUIPMENT

	Oil and natural gas properties	Exploration and evaluation assets	Right of use assets	Corporate assets	Total
Cost					
Balance, December 31, 2022	9,848.6	117.3	127.4	37.6	10,130.9
Additions	454.4	—	13.5	6.0	473.9
Change in decommissioning provision	65.5	—	—	—	65.5
Balance, June 30, 2023	10,368.5	117.3	140.9	43.6	10,670.3
Accumulated Depletion, Depreciation, Amortization					
Balance, December 31, 2022	(1,351.0)	—	(26.5)	(29.2)	(1,406.7)
Depletion, depreciation and amortization	(317.5)	—	(8.1)	(2.0)	(327.6)
Balance, June 30, 2023	(1,668.5)	—	(34.6)	(31.2)	(1,734.3)
Net book value, December 31, 2022	8,497.6	117.3	100.9	8.4	8,724.2
Net book value, June 30, 2023	8,700.0	117.3	106.3	12.4	8,936.0

For the three and six months ended June 30, 2023, \$9.0 million and \$18.9 million, respectively of overhead charges were capitalized (for the three and six months ended June 30, 2022 – \$6.2 million and \$11.6 million, respectively).

The calculation of depletion for the six months ended June 30, 2023 includes \$10.2 billion of estimated future development costs required to bring the Company's estimated proved plus probable reserves on production (December 31, 2022 – \$9.1 billion). Depletion includes an adjustment related to oil inventory of \$5.9 million (June 30, 2022 – \$0.2 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

At June 30, 2023, the Company evaluated its CGUs for indicators of impairment and determined that no indicators were present.

4. OTHER ASSETS

As at	June 30, 2023	December 31, 2022
Tax assessment deposit	12.2	12.2
Investment	2.0	2.0
Sable remediation fund	4.7	4.7
Total other assets	18.9	18.9

The Company has certain income tax filings from predecessor entities that are in dispute with tax authorities. \$12.2 million was paid to tax authorities to challenge a tax assessment and the Company believes that it is more likely than not to be successful in defending its positions. Should the Company be unsuccessful, the deposit paid will not be recovered and the Company will be required to pay the balance of the assessment amount totaling \$12.2 million plus interest.

5. DEBT

As at	June 30, 2023	December 31, 2022
Revolving Credit Facility - due Feb 27, 2026	1,609.6	1,706.7
Term Credit Facility - due Feb 29, 2024	662.1	701.6
Total Credit Facilities ⁽¹⁾	2,271.7	2,408.3
Senior Notes - due Aug 1, 2026	662.1	677.7
Unamortized debt issuance costs	(35.6)	(41.9)
Total debt	2,898.2	3,044.1
Current debt ⁽²⁾	662.1	295.0
Long-term debt	2,236.1	2,749.1

(1) The Company periodically borrows from its Credit Facilities in US dollars ("USD" or "US\$") and concurrently enters into cross-currency interest rate swap ("CCS") contracts to take advantage of an interest rate arbitrage that results from the relationship between CAD and USD interest rates and forward foreign exchange curves. Foreign currency risk associated with these borrowings are eliminated at the time of borrowing using CCS contracts (see Note 14). Debt on the balance sheet includes the CAD equivalent of USD borrowings, translated at the period end exchange rate, which does not include the offsetting impact of CCS contracts. The terms of the Revolving Credit Facility and the Term Credit Facility allow the CAD equivalent of USD borrowings to exceed contracted amounts due to fluctuations in foreign exchange, provided that settlement amounts have been fixed upfront using CCS contracts. At June 30, 2023, the CCS contracts had a liability value of \$36.2 million (December 31, 2022 - \$4.3 million asset) and total debt includes an unrealized gain of \$37.2 million (December 31, 2022 - unrealized loss of \$5.9 million) related to USD borrowings on Credit Facilities. Unrealized gains or losses on USD borrowings and offsetting unrealized gains or losses on CCS contracts are included in foreign exchange gains or losses on the Condensed Consolidated Interim Statements of Income and Comprehensive Income (see Note 11).

(2) Current debt relates to the Term Credit Facility.

Bank Credit Facilities

(a) Covenant-Based Revolving Credit Facility

At June 30, 2023, the Company had a covenant-based revolving credit facility of \$2.0 billion (December 31, 2022 - \$2.0 billion) with a syndicate of Canadian, U.S. and international banks (the "Revolving Credit Facility").

The Revolving Credit Facility has a maturity date of February 27, 2026. There are no mandatory payments on the Revolving Credit Facility. In addition, the covenant-based Revolving Credit Facility is not a borrowing base facility and does not require annual or semi-annual reviews.

The Revolving Credit Facility bears interest at the applicable prime lending rate, base rate, bankers' acceptance or Secured Overnight Financing Rate ("SOFR") plus applicable margins. The applicable margin charged by the lenders is

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

dependent on the Company's Senior Debt to Adjusted EBITDA ratio (as defined below) for the most recently completed quarter. The Revolving Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

At June 30, 2023, the Company had letters of credit outstanding under the Revolving Credit Facility of \$10.6 million (December 31, 2022 - \$12.5 million).

(b) Term Credit Facility

At June 30, 2023, the Company had a \$675.0 million term loan (December 31, 2022 - \$700.0 million) with a syndicate of Canadian banks (the "**Term Credit Facility**") and together with the Revolving Credit Facility, the "**Credit Facilities**"). The Term Credit Facility has a maturity date of February 29, 2024.

The Term Credit Facility requires quarterly excess cash flow sweeps calculated based on the Company's quarterly financial results. Excess cash flow sweeps are due within 10 days of the delivery of the quarterly financial statements to lenders. Excess cash flow is calculated as Adjusted EBITDA (as defined below) less cash capital and decommissioning expenditures, lease payments (to the extent not already deducted), taxes, interest expense and any extraordinary and non-recurring losses added back in the determination of Adjusted EBITDA. A 100% excess cash flow sweep is required for the period commencing with the fiscal quarter ended December 31, 2022 and ending on the earlier of four fiscal quarters and the date on which the outstanding balance under the Term Credit Facility is less than \$350.0 million. Thereafter, the excess cash flow sweep is the greater of 50% of excess cash flow and \$116.7 million. Mandatory prepayments are also required using 50% of the net cash proceeds from the issuance of hybrid securities or preferred shares (excludes common shares), certain debt issuances and certain asset sales. Payments made immediately reduce the Term Credit Facility.

The Revolving Credit Facility may be used to repay amounts owing on the Term Credit Facility if there is availability of \$150.0 million after such payment.

The Term Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

(c) Availability under bank credit facilities and liquidity

Availability under the Company's bank credit facilities and liquidity is calculated as follows:

As at	June 30, 2023	December 31, 2022
Credit capacity	2,675.0	2,700.0
Credit facilities debt at period end exchange rate	(2,271.7)	(2,408.3)
Unrealized (gain) loss on US borrowings	(37.2)	5.9
Letters of credit outstanding	(10.6)	(12.5)
Availability	355.5	285.1

(d) Financial Covenants

At June 30, 2023, the Revolving Credit Facility and Term Credit Facility had three financial covenants which are calculated quarterly (as set out below). The financial covenant calculations under the Revolving Credit Facility and Term Credit Facility credit agreements (the "**Credit Agreements**") are identical.

- (i) Total Debt to Adjusted EBITDA Ratio – All debt excluding the Financing Agreement (see Note 6), capital leases and letters of credit constituting debt ("**Total Debt**"), each as defined in the Credit Agreements shall not exceed 4.0 times trailing 12-month net income before non-cash items, income taxes, interest expense and extraordinary and non-recurring losses, adjusted for material acquisitions or dispositions as if they occurred on the first day of the calculation period ("**Adjusted EBITDA**"). For the purposes of Adjusted EBITDA, lease payments are deducted from the calculation if a lease would have been considered an operating lease before the adoption of IFRS 16. Total Debt may include the value of the Company's undiscounted inactive abandonment and reclamation obligations for a material jurisdiction if the liability management ratio in that jurisdiction falls below the minimum maintenance level required under the Credit Agreements (1.0 in British Columbia and 2.0 in all other material jurisdictions). Liability management ratios are calculated by provincial regulators based on deemed asset and deemed liability values determined by the respective regulator, other than for British Columbia, which is calculated by the Company based on past practice of the BC Oil and Gas Commission.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

- (ii) Senior Debt to Adjusted EBITDA Ratio – Total Debt excluding permitted junior debt (e.g. Senior Notes), as defined in the Credit Agreements, shall not exceed 3.5 times trailing 12-month Adjusted EBITDA.
- (iii) Interest Coverage Ratio – Trailing 12-month Adjusted EBITDA, shall not be less than 3.5 times cash interest expense, as defined in the Credit Agreements.

At June 30, 2023, the Company was in compliance with its financial covenants, summarized in the following table:

As at	June 30, 2023
Total Debt to Adjusted EBITDA Ratio (≤ 4.00)	1.95
Senior Debt to Adjusted EBITDA Ratio (≤ 3.50)	1.52
Interest Coverage Ratio (≥ 3.50)	7.70

Senior Notes

At June 30, 2023, Strathcona had \$662.1 million (December 31, 2022 - \$677.7 million) of senior unsecured notes outstanding, in aggregate principal amount of US\$500.0 million, due August 1, 2026 (the “**Senior Notes**”). The Senior Notes bear interest at 6.875% per annum, payable semi-annually in arrears on February 1 and August 1 of each year. The Senior Notes are redeemable at Strathcona’s option, in whole or in part, after August 1, 2023 at the following redemption prices:

Date	Price
August 1, 2023	105.156 %
August 1, 2024	101.719 %
August 1, 2025 and thereafter	100.000 %

The Senior Notes have no financial maintenance covenants.

Demand Letter of Credit Facility

At June 30, 2023, the Company had a \$100.0 million (December 31, 2022 - \$60.0 million) demand letter of credit facility with a financial institution (the “**LC Facility**”). The LC Facility is supported by an account performance security guarantee issued by Export Development Canada in favour of the financial institution. The letters of credit outstanding under the LC Facility do not impact the Company’s borrowing capacity under the Revolving Credit Facility. At June 30, 2023, the Company had letters of credit in the amount of \$54.5 million (December 31, 2022 - \$52.6 million) outstanding under the LC Facility.

Interest Expense

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Credit Facilities interest	42.8	6.3	85.3	9.3
Senior Notes interest	11.6	11.0	23.2	21.9
Realized gain on interest rate swaps	(4.1)	—	(4.1)	—
Interest expense	50.3	17.3	104.4	31.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

6. LEASE AND OTHER OBLIGATIONS

As at	June 30, 2023	December 31, 2022
Lease obligations, beginning of period	119.5	112.7
Leases acquired through acquisitions	—	17.6
Additions	15.7	5.5
Accretion (Note 10)	5.6	11.4
Settlements	(17.4)	(27.7)
Lease obligations, end of period	123.4	119.5
Other obligations, beginning of period	137.0	—
Additions	—	137.0
Accretion (Note 10)	9.2	—
Settlements	(3.8)	—
Other obligations, end of period	142.4	137.0
Lease and other obligations, end of period	265.8	256.5
Current portion	34.3	32.4
Long-term portion	231.5	224.1

Other obligations include an asset-backed financing agreement on certain processing facilities interest (the "**Financing Agreement**"). The Financing Agreement has a maturity date of January 1, 2031 and bears interest at the applicable lending rate plus 7.00%. Interest payments are made on a monthly basis with principal payments beginning on August 1, 2023. The Company has the option to reduce principal payments and make interest and principal payments in kind until August 1, 2024. The Company may also repurchase the processing facilities interest (the "**Repurchase Option**") at any time at the specified prices set out in the Financing Agreement. The Repurchase Option is a combination of the remaining principal balance and a varying option premium that is dependent on the time of exercise.

7. DECOMMISSIONING PROVISION

As at	June 30, 2023	December 31, 2022
Balance, beginning of period	291.5	106.1
Additions	0.2	1.8
Liabilities acquired through acquisitions	—	98.0
Liabilities disposed	—	(0.1)
Settlements – government grant ⁽¹⁾	(0.3)	(5.0)
Settlements – other	(16.7)	(23.2)
Changes in estimates	65.3	104.4
Accretion (Note 10)	14.5	9.5
Balance, end of period	354.5	291.5
Current portion	38.3	35.1
Long-term portion	316.2	256.4

(1) Relates to amounts granted to the Company through the Site Rehabilitation Program (Alberta), Dormant Sites Reclamation Program (British Columbia) and the Accelerated Site / Closure Program (Saskatchewan) to pay service companies to complete abandonment and reclamation work.

As at June 30, 2023, the uninflated and undiscounted estimated cash flows required to settle the obligation were \$996.3 million (December 31, 2022 – \$1,015.8 million), which have been inflated at a rate of 2.00% (December 31, 2022 – 2.00%) and discounted using a credit adjusted rate of 8.00% (December 31, 2022 – 9.60%). The expected timing of payment of the cash flows required for settling the obligations are substantially expected to be incurred between 2023 and 2081.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

8. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of voting Class A common shares, an unlimited number of voting Class B common shares and an unlimited number of preferred shares. No preferred shares have been issued by the Company as at June 30, 2023 (December 31, 2022 – nil). Each Class A common share is convertible at the option of the holder into one Class B common share and each Class B common share is convertible at the option of the holder into one Class A common share.

	Class A Common Shares		Class B Common Shares		Total Common Shares	
	Shares (millions)	\$	Shares (millions)	\$	Shares (millions)	\$
Balance, December 31, 2022	932.6	1,290.0	1,253.9	1,762.8	2,186.5	3,052.8
Issuance – employees	—	—	0.2	0.7	0.2	0.7
Balance, June 30, 2023	932.6	1,290.0	1,254.1	1,763.5	2,186.7	3,053.5

9. OIL AND NATURAL GAS SALES

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Bitumen blend	548.0	803.8	1,018.2	1,266.5
Heavy oil, blended and raw	434.6	322.0	882.3	492.7
Light oil and condensate	90.8	106.4	164.3	173.8
Other natural gas liquids	14.5	27.7	36.5	51.5
Natural gas	24.9	71.6	59.2	121.4
Oil and natural gas sales	1,112.8	1,331.5	2,160.5	2,105.9

10. FINANCE COSTS

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Accretion of lease obligations (Note 6)	2.8	2.9	5.6	5.8
Accretion of other obligations (Note 6)	4.6	—	9.2	—
Accretion of decommissioning provision (Note 7) (Restated - Note 2)	7.3	2.3	14.5	4.0
Amortization of debt issuance costs	3.1	1.5	6.3	3.0
Finance costs	17.8	6.7	35.6	12.8

11. FOREIGN EXCHANGE (GAIN) LOSS

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Realized loss	0.3	0.4	0.5	0.3
Unrealized (gain) loss – Senior Notes	(13.7)	18.4	(15.6)	11.8
Unrealized (gain) loss – Credit Facilities ⁽¹⁾	(17.4)	14.4	(43.1)	1.8
Unrealized loss (gain) – cross-currency swaps ⁽¹⁾	18.2	(15.7)	40.5	(1.2)
Unrealized (gain) loss – other	0.4	(0.7)	(0.4)	(0.9)
Foreign exchange (gain) loss	(12.2)	16.8	(18.1)	11.8

- (1) Strathcona enters into CCS contracts, which eliminate foreign currency risk on USD denominated debt drawn under the Credit Facilities. At maturity, the realized gains and losses relating to USD borrowings will be offset by the realized gains and losses on CCS contracts. See Note 5.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

12. NET INCOME PER SHARE

Basic and diluted per share amounts are calculated by taking net income divided by the weighted average number of common shares outstanding. At June 30, 2023 and 2022, the Company had no dilutive instruments outstanding.

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Weighted average common shares (millions) – basic and diluted	2,186.7	2,186.5	2,186.6	2,094.3

13. INCOME TAXES

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Current tax (recovery)	—	—	(46.9)	—
Deferred tax expense (recovery)	81.1	—	161.6	(223.1)
Income tax expense (recovery)	81.1	—	114.7	(223.1)

During the six months ended 2023, a current tax recovery of \$46.9 million was recorded upon filing of the final tax return of Serafina Energy Ltd. ("Serafina"), which resulted from an income tax election to apply fair value treatment to financial derivative contracts. The current tax recovery was offset by a corresponding deferred tax expense due to the liability recorded by Strathcona to reflect the income inclusion related to the election filed. The remaining deferred tax expense for the three and six months ended June 30, 2023 relates primarily to net income for the period.

During the six months ended 2022, a deferred tax recovery of \$223.1 million was recorded to offset the deferred tax liabilities recorded on the acquisition of Caltex. The Company determined that its deductible temporary differences did not meet the threshold for utilization until after the acquisition of Serafina on August 29, 2022.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At June 30, 2023, the Company's financial instruments include accounts receivable, risk management contracts, the Sable remediation fund, accounts payable and accrued liabilities, cross-currency swaps, other obligations and debt.

The estimated fair values of the financial instruments have been determined based on the Company's assessment of available market information. These estimates may not necessarily be indicative of the amounts that could be realized or settled in a market transaction. The fair values of the financial instruments, other than the Company's risk management contracts, debt and Sable remediation fund approximate their carrying amounts due to the short-term maturity of these instruments.

The Company's risk management contracts and CCS contracts were classified as Level 1 in the fair value hierarchy. For purposes of estimating the fair value of these instruments, the Company used quoted market prices in active markets for identical assets or liabilities. The Sable remediation fund was classified as Level 2 in the fair value hierarchy. For the purposes of estimating the fair value of this instrument, the Company used estimates from third-party brokers and observable market data and/or other sources utilizing assumptions that market participants would use to determine fair value.

The Company's Senior Notes were classified as Level 1 in the fair value hierarchy. At June 30, 2023, the fair value of the Company's Senior Notes was \$580.8 million. The fair value of all other debt approximates its carrying amount given the indexed rates of interest. The carrying amount of the Term Credit Facility approximates its fair value due to the short-term maturity.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities. These risks include credit risk, liquidity risk and market risk. There have been no significant changes in the Company's risk management policies or exposures during the six months ended June 30, 2023.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This will arise principally from outstanding receivables related to oil and natural gas customers, counterparties related to financial derivative contracts and joint interest partners.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

On entering into any business contract, the extent to which the arrangement exposes the Company to credit risk is considered. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with reputable counterparties, review the financial capacity of its counterparties, may request prepayment and, in certain circumstances, the Company may seek enhanced credit protection from a counterparty or purchase accounts receivable insurance. Receivables from oil and natural gas sales are generally collected on the 25th day of the month following production. Joint operations receivables are typically collected within one to three months of the invoice being issued.

The Company's maximum exposure to credit risk at June 30, 2023 is in respect of accounts receivable, net of expected credit losses provision and risk management asset. As at June 30, 2023, \$2.9 million of accounts receivable were past due, all of which were considered collectable (December 31, 2022 – \$3.0 million).

The following table provides a summary of the Company's maximum exposure to credit risk:

As at	June 30, 2023	December 31, 2022
Oil and natural gas sales	263.8	293.0
Joint interest partners	4.7	3.3
Other	11.1	4.6
	279.6	300.9
Allowance for credit losses	(1.8)	(1.8)
Accounts receivable	277.8	299.1
Cross-currency swap asset	—	4.3
Risk management asset	141.9	9.5
Total credit exposure	419.7	312.9

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on or about the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days.

The Company had one external customer exceeding 10% of total oil and natural gas sales that accounted for approximately 16% or \$341.2 million of the Company's revenue for the six months ended June 30, 2023 (June 30, 2022 – two external customers for 23% or \$459.7 million). Included in accounts receivable at June 30, 2023 was \$263.8 million of accrued sales revenue for June 2023 production (December 31, 2022 – \$293.0 million for December 2022 production).

Credit risk related to joint interest receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint interest partners. The Company may have the ability to withhold production from joint interest partners in the event of non-payment or may be able to register security on the assets of joint interest partners.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants under the Credit Facilities. As of the date of these financial statements, management's forecasts for Strathcona indicate that financial covenants for the next twelve months will be met under the Credit Facilities.

At June 30, 2023, the Company had availability under the Revolving Credit Facility of \$355.5 million after considering letters of credit outstanding. At December 31, 2022, availability under the Revolving Credit Facility was \$285.1 million and the Company had cash on hand of \$34.3 million. See Note 5.

Future liquidity depends on the ability of Strathcona to access debt markets, availability under credit facilities, availability of additional equity, cash flow from operations and the ability to comply with financial covenants. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect Strathcona's future liquidity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

The following tables detail the cash flows and contractual maturities of the Company's financial liabilities:

As at June 30, 2023	Total	<1 year	1-3 years	4-5 years	> 5 years
Revolving Credit Facility ⁽¹⁾ (Note 5)	1,633.9	—	—	1,633.9	—
Term Credit Facility ⁽²⁾ (Note 5)	706.7	706.7	—	—	—
Senior Notes ⁽³⁾ (Note 5)	821.4	45.5	91.0	684.9	—
Accounts payable and accrued liabilities	565.3	565.3	—	—	—
Risk management contract liability	142.4	88.7	53.7	—	—
Lease and other obligations ⁽⁴⁾ (Note 6)	423.8	44.3	98.2	80.2	201.1
Total	4,293.5	1,450.5	242.9	2,399.0	201.1

(1) Contractual amount reflects contracted settlement price on CCS contracts and excludes future interest payments on borrowings.

(2) Contractual amount reflects contracted settlement price on CCS contracts and includes estimated interest payments.

(3) Amounts represent repayment of the Senior Notes and associated interest payments based on foreign exchange rate in effect on June 30, 2023.

(4) Amounts relate to undiscounted payments for lease and other obligations. The estimation of future cash payments related to other obligations are subject to forecast lending rates and timing of exercise of the Repurchase Option. The Repurchase Option on the Financing Arrangement is assumed to be exercised on January 1, 2029. See Note 6.

Market risk

Market risk is the risk that the future fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is composed of commodity price risk, foreign exchange risk and interest rate risk.

The fair value of the Company's risk management contracts (excluding cross-currency interest rate swaps) was as follows:

As at	June 30, 2023				December 31, 2022		
	Commodity	Foreign Exchange	Interest Rate	Total	Commodity	Foreign Exchange	Total
Risk management asset – current	100.1	—	29.5	129.6	9.5	—	9.5
Risk management asset – long-term	—	—	12.3	12.3	—	—	—
Risk management liability – current	(79.3)	(9.4)	—	(88.7)	(108.6)	—	(108.6)
Risk management liability – long-term	(35.2)	(18.5)	—	(53.7)	(76.8)	(36.7)	(113.5)
Total liability	(14.4)	(27.9)	41.8	(0.5)	(175.9)	(36.7)	(212.6)

The Company's gain (loss) risk management contracts was as follows:

For the Three and Six Months Ended June 30,	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Realized loss	(0.4)	(113.2)	(5.8)	(194.7)
Unrealized gain (loss)	142.5	76.5	212.1	(99.7)
Total gain (loss) on risk management contracts	142.1	(36.7)	206.3	(294.4)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

Commodity price risk

The Company's operational results and financial condition are largely dependent on the commodity price received for oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.

The following tables summarize the Company's risk management as at June 30, 2023:

Term	Contract ⁽¹⁾	Index	Currency	Volume	Units	Price
Jul 1, 2023 - Sep 30, 2023	Swap	WTI	USD	76,000	bbl/d	\$76.21
Oct 1, 2023 - Dec 31, 2023	Swap	WTI	USD	77,000	bbl/d	\$77.77
Mar 1, 2024 - May 31, 2024	Swap	WTI	USD	5,000	bbl/d	\$48.10
Mar 1, 2024 - Aug 31, 2024	Bought call ⁽²⁾	WTI	USD	15,739	bbl/d	\$165.00
Jul 1, 2023 - Sep 30, 2023	Sold put	WTI	USD	76,000	bbl/d	\$60.00
Oct 1, 2023 - Dec 31, 2023	Sold put	WTI	USD	77,000	bbl/d	\$60.00
Sept 1, 2023 - Jan 31, 2024	Swap	WCS	USD	3,000	bbl/d	\$(15.45)
Sept 1, 2023 - Dec 31, 2024	Swap	WCS	USD	10,000	bbl/d	\$(14.25)

(1) For swap contracts, Strathcona receives the fixed price and pays the index. Call options are in-the-money if the index price is above the strike price. For sold calls, Strathcona receives the strike price, and for bought calls, Strathcona pays the strike price. Put options are in-the-money if the index price is below the strike price. For sold puts, Strathcona pays the strike price. For collars, Strathcona receives the floor price if the index is below the floor and the cap price if the index is above the cap.

(2) This contract has a premium of US\$13.35/bbl payable over the term of the contract.

(3) The Company has a premium of US\$14.45/bbl on expired contracts of 14,400 bbl/d which is payable from March 1, 2024 to August 31, 2024.

The fair value of the Company's risk management as at June 30, 2023 are sensitive to fluctuations in commodity prices. With all other variables held constant, a 10% increase or decrease in commodity prices could potentially result in unrealized losses of \$30.1 million or gains of \$182.9 million, impacting net income.

Foreign exchange risk

The Company is exposed to fluctuations of the CAD to USD exchange rate given commodity pricing is directly influenced by USD denominated benchmark pricing. In addition, the Company borrows from its Credit Facilities in USD and the Senior Notes are denominated in USD.

The following table summarizes the Company's foreign exchange contracts on revenues as at June 30, 2023:

Term	Contract	USD per Month	CAD/USD Floor	CAD/USD Ceiling
Mar 1, 2024 - Feb 28, 2025	Collar	30.5 million	1.2081	1.2410

Foreign exchange risk on USD denominated Credit Facilities borrowings is eliminated by entering into CCS contracts at the time of a USD borrowing. As part of the CCS, the CAD/USD foreign exchange rate at the beginning and end of the SOFR borrowing term is fixed so the Company does not have any foreign exchange risk on its USD borrowings. As at June 30, 2023, the Company had CCS contracts outstanding totaling:

Notional (US\$)	Maturity Date	Contract Price
1,654.8 million	July 10, 2023	CAD/USD 1.3467

The Company has not entered into any foreign exchange contracts related to the Senior Notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

The carrying amounts of the Company's USD denominated monetary assets and liabilities exposed to fluctuations in the CAD/USD foreign currency exchange rate are as follows:

As at	June 30, 2023	December 31, 2022
(US\$)		
Assets	75.9	8.9
Liabilities	(671.5)	(521.8)
Net liabilities	(595.6)	(512.9)

With all other variables held constant, a \$0.01 change in the CAD/USD foreign exchange rate at June 30, 2023 would result in a change in USD denominated monetary assets and liabilities and change annualized net income by \$6.0 million (December 31, 2022 – \$5.1 million).

Interest rate risk

The Company is exposed to movements in floating interest rates on the Credit Facilities and other liabilities. At June 30, 2023, the following risk management contracts were in place to fix interest rates:

Notional (C\$)	Term	Contract	Index	Contract Price
1,500.0 million	May 1, 2023 - Apr 30, 2028	Swap	1 month CDOR	3.4316%

At June 30, 2023, an increase or decrease to interest rates of 50 basis points would result in a \$4.8 million impact on annualized interest expense (December 31, 2022 - \$12.7 million). The Company is not exposed to interest rate risk on the Senior Notes as they bear a fixed interest rate.

Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include equity, long-term debt and working capital.

15. COMMITMENTS AND CONTINGENCIES

As at June 30, 2023, the Company is committed to the following non-cancellable payments:

	Total	< 1 year	1-3 years	4-5 years	> 5 years
Transportation and processing commitments	1,326.4	176.0	347.7	259.6	543.1
Capital commitments	114.7	98.2	16.5	—	—
Other	13.4	4.5	6.5	2.4	—
Total	1,454.5	278.7	370.7	262.0	543.1

16. RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2023, there were no related party transactions.

On January 31, 2022, Strathcona exchanged \$30.9 million of its shares in its investment in Stickney Resources Ltd. ("Stickney") with an affiliate of WEF ("WEF Fund II") for shares of Caltex Resources Ltd. ("Caltex").

On January 31, 2022, Strathcona issued an unsecured, interest-bearing loan in the amount of \$25.0 million to Stickney. The loan was extinguished when Stickney was amalgamated with Strathcona on March 11, 2022.

On March 11, 2022, Strathcona acquired the remaining interests in Caltex and Stickney from WEF Fund II for share consideration valued at \$295.8 million and \$242.0 million respectively, and amalgamated with the entities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

Prior to the March 11, 2022 amalgamations, the Company provided management and administrative services to Caltex and Stickney. The fees received pursuant to this agreement from January 1, 2022 to March 11, 2022 totaled \$0.6 million for Stickney and \$1.3 million for Caltex.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

For the Three and Six Months Ended June 30,	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Source (use) of cash:				
Restricted cash	—	5.4	—	5.5
Accounts receivable	73.7	(94.3)	21.3	(218.7)
Inventory	4.1	0.7	7.9	(2.4)
Prepaid expenses and deposits	(18.7)	(4.0)	(13.9)	(3.4)
Accounts payable and accrued liabilities	(88.9)	138.5	(87.6)	253.7
Deferred revenue	4.1	—	(35.5)	—
	(25.7)	46.3	(107.8)	34.7
Related to operating activities	(41.1)	1.6	(123.6)	10.1
Related to financing activities	—	—	0.6	—
Related to investing activities	15.4	44.7	15.2	24.6

Items not involving cash

For the Three and Six Months Ended June 30,	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Depletion, depreciation and amortization (Note 3) (Restated - Note 2)	170.7	96.5	333.8	154.8
Unrealized (gain) loss on risk management contracts (Note 14)	(142.5)	(76.5)	(212.1)	99.7
Unrealized (gain) loss on foreign exchange (Note 11)	(12.5)	16.4	(18.6)	11.4
Unrealized loss (gain) on Sable remediation fund (Note 4)	0.1	0.3	(0.1)	0.7
Finance costs (Note 10) (Restated - Note 2)	17.8	6.7	35.6	12.8
Remediation fund reinvestment (Note 4)	—	(0.1)	—	—
Other income – ARO government grant (Note 7)	—	(1.3)	(0.3)	(2.3)
Share of equity investment income	—	—	—	(11.3)
Gain on step acquisition of equity method investee	—	—	—	(132.1)
Gain on termination of lease liability ⁽¹⁾	—	—	—	(0.4)
Deferred tax expense (recovery) (Note 13)	81.1	—	161.6	(223.1)
	114.7	42.0	299.9	(89.8)

(1) The loss on termination of lease liability recorded in the condensed consolidated interim statement of comprehensive income (loss) of \$1.4 million is made up of a non-cash gain on cancellation (\$0.4 million) of the lease and an accrued liability in the amount of \$1.8 million for costs associated with the cancellation.

18. SEGMENT INFORMATION

Operating segments

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's audited annual consolidated financial statements. The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management for the noted periods ended June 30, 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

For the Three Months Ended June 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate and Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Segment revenues										
Oil and natural gas sales	547.6	803.9	435.2	323.8	129.4	212.4	0.6	(8.6)	1,112.8	1,331.5
Sale of purchased Products	—	—	—	—	—	—	14.0	11.6	14.0	11.6
Royalties	(66.5)	(180.0)	(35.4)	(43.7)	(4.3)	(21.0)	—	—	(106.2)	(244.7)
Oil and natural gas revenues	481.1	623.9	399.8	280.1	125.1	191.4	14.6	3.0	1,020.6	1,098.4
Segmented expenses										
Purchased product	—	—	—	—	—	—	14.6	11.3	14.6	11.3
Blending costs	208.3	276.0	41.5	64.9	—	—	—	(8.3)	249.8	332.6
Production and operating	93.4	113.7	79.9	40.3	17.3	16.0	—	—	190.6	170.0
Transportation and processing	18.7	18.2	66.7	7.1	19.4	21.0	—	—	104.8	46.3
	320.4	407.9	188.1	112.3	36.7	37.0	14.6	3.0	559.8	560.2
Operating income	160.7	216.0	211.7	167.8	88.4	154.4	—	—	460.8	538.2
(Gain) loss on risk management contracts	—	—	—	—	—	—	(142.1)	36.7	(142.1)	36.7
Other income	—	—	—	—	—	—	(0.2)	(1.6)	(0.2)	(1.6)
General and administrative	—	—	—	—	—	—	20.9	14.2	20.9	14.2
Interest	—	—	—	—	—	—	50.3	17.3	50.3	17.3
Transaction related costs	—	—	—	—	—	—	0.4	1.6	0.4	1.6
Finance costs	—	—	—	—	—	—	17.8	6.7	17.8	6.7
Depletion, depreciation and amortization	36.9	36.4	107.6	38.3	22.7	18.2	3.5	3.6	170.6	96.5
Foreign exchange loss (gain)	—	—	—	—	—	—	(12.2)	16.8	(12.2)	16.8
Unrealized loss on Sable remediation fund	—	—	—	—	—	—	0.1	0.3	0.1	0.3
Income before income taxes									355.1	349.7
Deferred Tax (recovery) expense									81.1	—
Income and comprehensive income									274.0	349.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

For the Six Months Ended June 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate and Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Segment revenues										
Oil and natural gas sales	1,015.9	1,266.5	884.6	494.4	258.4	363.3	1.6	(18.3)	2,160.5	2,105.9
Sales of purchased product	—	—	—	—	—	—	27.8	42.6	27.8	42.6
Royalties	(115.4)	(255.7)	(78.3)	(65.3)	(25.6)	(40.2)	—	—	(219.3)	(361.2)
Oil and natural gas revenues	900.5	1,010.8	806.3	429.1	232.8	323.1	29.4	24.3	1,969.0	1,787.3
Segmented expenses										
Purchased product	—	—	—	—	—	—	29.4	43.3	29.4	43.3
Blending costs	442.9	449.1	92.1	103.2	—	—	—	(19.0)	535.0	533.3
Production and operating	192.9	175.4	169.8	67.3	32.5	29.5	—	—	395.2	272.2
Transportation and processing	37.7	31.7	156.4	9.8	38.6	38.0	—	—	232.7	79.5
	673.5	656.2	418.3	180.3	71.1	67.5	29.4	24.3	1,192.3	928.3
Operating income	227.0	354.6	388.0	248.8	161.7	255.6	—	—	776.7	859.0
(Gain) loss on risk management contracts	—	—	—	—	—	—	(206.3)	294.4	(206.3)	294.4
Other income	—	—	—	—	—	—	(0.2)	(2.6)	(0.2)	(2.6)
General and administrative	—	—	—	—	—	—	46.7	28.4	46.7	28.4
Interest	—	—	—	—	—	—	104.4	31.2	104.4	31.2
Transaction related costs	—	—	—	—	—	—	1.6	2.9	1.6	2.9
Finance costs (Restated - Note 2)	—	—	—	—	—	—	35.6	12.8	35.6	12.8
Depletion, depreciation and amortization (Restated - Note 2)	66.8	56.3	214.9	51.8	45.4	34.6	6.7	12.1	333.8	154.8
Foreign exchange loss (gain)	—	—	—	—	—	—	(18.1)	11.8	(18.1)	11.8
Unrealized (gain) loss on Sable remediation fund	—	—	—	—	—	—	(0.1)	0.7	(0.1)	0.7
Share of equity investment income	—	—	—	—	—	—	—	(11.3)	—	(11.3)
Gain on step acquisitions of equity method investees	—	—	—	—	—	—	—	(132.1)	—	(132.1)
Loss on termination of lease liability	—	—	—	—	—	—	—	1.4	—	1.4
Income before deferred taxes									479.3	466.6
Current tax expense (recovery)									(46.9)	—
Deferred Tax (recovery) expense									161.6	(223.1)
Income and comprehensive income									364.6	689.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in Cdn\$ millions unless otherwise noted (unaudited)

For the Three Months Ended June 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate and Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Capital expenditures	79.3	60.8	80.1	23.4	69.6	50.9	2.7	1.7	231.7	136.8
Abandonment and reclamation ⁽¹⁾	0.4	0.2	2.7	1.5	1.5	0.5	—	0.5	4.6	2.7

(1) Decommissioning costs include amounts granted to the Company through the Site Rehabilitation Program (Alberta), Dormant Sites Reclamation Program (British Columbia) and the Accelerated Site Closure Program (Saskatchewan) to pay service companies to complete abandonment and reclamation work.

For the Six Months Ended June 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate and Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Capital expenditures	158.3	103.3	165.1	35.7	131.0	93.7	6.0	2.2	460.4	234.9
Abandonment and reclamation ⁽¹⁾	1.3	0.7	5.7	1.6	10.0	9.1	—	1.3	17.0	12.7

(1) Decommissioning costs include amounts granted to the Company through the Site Rehabilitation Program (Alberta), Dormant Sites Reclamation Program (British Columbia) and the Accelerated Site Closure Program (Saskatchewan) to pay service companies to complete abandonment and reclamation work.

Geographical information

Revenues from external customers

For the Three and Six Months Ended June 30,	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Sales to Canadian customers	883.5	1,331.4	1,667.2	2,105.9
Sales to foreign customers	229.3	—	493.3	—
Total	1,112.8	1,331.4	2,160.5	2,105.9

Non-current assets

The Company's non-current assets are located entirely in Canada.

19. SUBSEQUENT EVENT

On July 31, 2023, Strathcona entered into an arrangement agreement to acquire Pipestone Energy Corp. ("**Pipestone**") for all share consideration (the "**Arrangement**"). Upon completion of the Arrangement, Strathcona will become a public reporting issuer in Canada. The Arrangement requires the approval of at least 66 2/3% of the votes cast by Pipestone shareholders at a special meeting to consider the transaction. The Arrangement provides for mutual break fees of \$25.0 million in the event the transaction is not completed or is terminated by either party in certain circumstances.

SCHEDULE C

SERAFINA FINANCIAL STATEMENTS

(See attached).



SERAFINA
ENERGY LTD.

Annual Financial Statements (audited)

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December 31, 2021

Independent Auditor's Report

To the Shareholders of
Serafina Energy Ltd.

Opinion

We have audited the financial statements of Serafina Energy Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2021, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management's Discussion & Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
March 16, 2022



Balance Sheets

As at

(CAD\$000's)	December 31, 2021	December 31, 2020
	\$	\$
ASSETS		
CURRENT		
Accounts receivable (Note 18)	18,660	24,767
Inventory (Note 3)	13,706	-
Risk management contracts (Note 18)	17,042	-
Deposits and prepaid expenses	1,905	1,666
Income tax receivable	36,086	-
	87,399	26,433
Risk management contracts (Note 18)	10,344	-
Exploration and evaluation assets (Note 4)	67,439	60,557
Property and equipment (Note 5)	989,398	822,703
	1,154,580	909,693
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	116,591	46,878
Income tax payable (Note 11)	17,271	36,134
Deferred revenue (Note 7)	14,684	16,232
Risk management contracts (Note 18)	5,618	15,790
	154,164	115,034
Risk management contracts (Note 18)	7,554	1,464
Debt facilities (Note 8)	200,092	68,826
Lease liabilities (Note 9)	8,481	4,352
Decommissioning liabilities (Note 10)	71,313	64,109
Deferred income taxes (Note 11)	125,942	83,541
	567,546	337,326
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	305,111	305,111
Contributed surplus	70,848	68,476
Retained earnings	211,075	198,780
	587,034	572,367
	1,154,580	909,693
Commitments (Note 20)		

The notes are an integral part of these financial statements.

Approved by the Board

"M. Scott Bratt"

M. Scott Bratt, Chairman

"Ted Maa"

Ted Maa, Director



Statements of Income and Comprehensive Income

For the year ended December 31

(CAD\$000's)	2021	2020
	\$	\$
REVENUES AND OTHER INCOME (EXPENSE)		
Oil sales (Note 13)	535,913	221,896
Royalties	(44,449)	(9,805)
REVENUE, NET OF ROYALTIES	491,464	212,091
Realized gain (loss) on risk management contracts (Note 18)	(195,166)	213,655
Unrealized gain on risk management contracts (Note 18)	31,469	5,547
	327,767	431,293
EXPENSES		
Blending and transportation	37,854	47,032
Operating	115,547	73,140
General and administrative	24,435	21,788
Finance costs (Note 14)	6,790	3,763
Depletion, depreciation and amortization (Note 5)	119,327	97,948
Share-based payments (Note 15)	2,372	1,693
Other (Note 16)	2,880	6,612
	309,205	251,976
INCOME BEFORE INCOME TAXES	18,562	179,317
Income tax expense (Note 11)	(6,267)	(47,130)
NET INCOME AND COMPREHENSIVE INCOME	12,295	132,187

The notes are an integral part of these financial statements.



Statements of Changes in Equity

For the year ended December 31

(CAD\$000's)	2021	2020
	\$	\$
SHARE CAPITAL (Note 12)		
Balance, beginning and end of year	305,111	305,111
CONTRIBUTED SURPLUS		
Balance, beginning of year	68,476	66,783
Share-based payments (Note 15)	2,372	1,693
Balance, end of year	70,848	68,476
RETAINED EARNINGS		
Balance, beginning of year	198,780	66,593
Net income and comprehensive income	12,295	132,187
Balance, end of year	211,075	198,780
TOTAL EQUITY	587,034	572,367

The notes are an integral part of these financial statements.

Statements of Cash Flows

For the year ended December 31

(CAD\$000's)	2021	2020
	\$	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income	12,295	132,187
Adjustments for:		
Accretion expense (Note 10)	1,158	654
Unrealized gain on risk management contracts	(31,469)	(5,547)
Depletion, depreciation and amortization	119,327	97,948
Share-based payments	2,372	1,693
Deferred income tax expense (Note 11)	42,401	10,996
Decommissioning costs incurred (Note 10)	-	(136)
Net change in non-cash working capital (Note 21)	(11,912)	51,004
	134,172	288,799
INVESTING		
Property and equipment expenditures (Note 5)	(276,433)	(168,034)
Exploration and evaluation assets expenditures (Note 4)	(6,812)	(5,101)
Net change in non-cash working capital (Note 21)	18,239	(7,959)
	(265,006)	(181,094)
FINANCING		
Proceeds from debt facilities	186,621	83,845
Repayment of debt facilities	(55,355)	(192,018)
Payments of principal portion of lease liabilities (Note 9)	(432)	(317)
	130,834	(108,490)
NET DECREASE IN CASH	-	(785)
CASH, BEGINNING OF YEAR	-	785
CASH, END OF YEAR	-	-
SUPPLEMENTARY INFORMATION		
Income taxes paid	19,064	-
Interest paid	5,200	4,435

The notes are an integral part of these financial statements.

Notes to the Financial Statements

As at December 31, 2021 and December 31, 2020 and for the years ended December 31, 2021 and 2020
(All figures expressed in thousands of Canadian dollars, except per share amounts unless otherwise noted)

1. Nature and description of the Company

Serafina Energy Ltd. (the “Company” or “Serafina”) is a privately owned company incorporated April 10, 2013 under the laws of Alberta. Serafina is engaged in the acquisition, exploration and production of oil and natural gas reserves in Western Canada. More specifically, Serafina is pursuing development of certain heavy oil properties in Saskatchewan and Alberta through steam assisted gravity drainage (“SAGD”) technology. The registered office of the Company is located at Suite 3700, 400 – 3rd Ave. SW, Calgary, Alberta, T2P 4H2.

These financial statements (the “financial statements”) include all assets, liabilities, revenues and expenses of Serafina Energy Ltd.

2. Significant accounting policies

Statement of compliance and authorization

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements were authorized for issue by the Company’s board of directors on March 16, 2022.

Basis of presentation

These financial statements have been prepared on a going concern basis, using historical costs (except for certain items recorded at fair value as required by IFRS), and have been presented in Canadian dollars, which is also the Company’s functional currency, rounded to the nearest thousand unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the balance sheet at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Company has made the following classifications:

- Cash, accounts receivable, deposits and prepaid expenses (if refundable in cash), income tax receivable, accounts payable and accrued liabilities, income tax payable and debt facilities are classified as amortized cost and are initially measured at fair value plus directly attributable transaction costs.
- Derivative instruments that do not qualify as hedges, or are not designated as hedges for accounting purposes, including risk management contracts, are classified as fair value through profit or loss and are recorded and measured at fair value with changes in fair value recognized in the statement of income and comprehensive income. Derivative instruments are used by the Company to manage economic exposure to market risks relating to commodity prices. Serafina’s policy is that derivative instruments are not utilized for speculative purposes.



Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements (such as physical delivery commodity contracts) do not qualify as financial instruments and thus, are accounted for in accordance with other applicable standards and are not recorded as assets or liabilities.

Impairment of financial assets

An expected credit loss impairment model is applied to financial assets measured at amortized cost. The credit loss impairment model is based on changes in credit quality since initial recognition.

Inventory

Inventory consists of heavy oil volumes produced that are in transit and not sold in the current period. Inventory is recorded at the lower of cost, determined on a weighted-average basis, and net realizable value. Cost components of inventory include royalties, operating expenses, directly attributable transportation expenses, and an estimated capital component based on depletion and depreciation rates which are incurred in the normal course of business to bring the product to its existing condition and location. Net realizable value is the estimated selling price less any expected selling expenses and is determined by reference to current market prices. If the inventory carrying value exceeds its net realizable value, a write-down is recognized in the statement of income and comprehensive income.

Property and equipment and exploration and evaluation assets

Recognition and measurement

Exploration and evaluation expenditures

Pre-license costs are costs incurred prior to obtaining the legal right to explore for hydrocarbon resources and are recognized in the statement of income and comprehensive income as incurred.

Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, drilling exploratory wells and other directly attributable costs, are initially capitalized. E&E costs also include the cost of tangible equipment and other activities required to preserve mineral rights in order to pursue further E&E activities.

E&E costs are accumulated by project or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be achieved when probable reserves are determined to exist which are capable of economic production and regulatory and board of director approvals of the related project have been received. Prior to being transferred to property and equipment, E&E assets are first tested for impairment.

Development and production assets

Items of property and equipment, which include oil and gas development, production and transportation assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, net of any reversals.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of the related property and equipment and are recognized net in the statement of income and comprehensive income.



Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Such costs may include the cost of maintaining properties while a SAGD project is under construction, as well as the cost of commissioning and starting up the Company's SAGD facilities. Capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a project area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment and all other expenditures are recognized in the statement of income and comprehensive income as incurred.

Depletion and depreciation

The net carrying value of development and production assets plus future development costs on proved plus probable reserves is depleted using the unit of production method based on proved plus probable reserves, gross of royalties, as determined by independent engineers, on a project by project basis. For the purpose of this calculation, production and reserves of petroleum and natural gas are converted to a common unit of measurement on the basis of their relative energy content, where six thousand cubic feet of natural gas equates to one barrel of oil. Costs are depleted once a given asset is operating in the manner intended by management.

Assets under construction included in property and equipment are transferred to oil and gas properties or transportation assets, and are subject to depletion or depreciation once the asset is operating in the manner intended by management.

Serafina depletes separately, where applicable, any significant components within oil and gas property assets, such as processing facilities and pipelines, which are significant in relation to the total cost of a development and production asset and have a different useful life than such assets.

Other property and equipment, including transportation assets, are amortized over 2 to 20 years on a straight-line basis.

Impairment

The carrying amounts of all assets, other than financial assets and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of an impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

Development and production assets are grouped into Cash Generating Units ("CGUs") for impairment testing. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. Based on this assessment, Serafina's CGUs will generally be composed of SAGD project areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required considering new facts and circumstances.

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs. If the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is written down.

Exploration and evaluation assets

E&E assets are assessed for impairment at the segment level when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverability of the carrying amount of an E&E asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest. Where a potential impairment is indicated, an assessment is performed for each project area to which the E&E expenditure is attributed. To the extent that capitalized expenditures are not expected to be recovered, the excess of the carrying amount over the recoverable amount is recognized immediately in the statement of income and comprehensive income.

Development and production and other assets

The recoverable amount of a development and production or other asset (or CGU) or intangible asset (or CGU) is determined as the higher of its value in use and fair value less costs of disposal. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset (or group of assets within a CGU) and discounting them to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by external valuation metrics or other available fair value indicators wherever possible.

Where the carrying amount of a development and production or other asset (or CGU) or intangible asset (or CGU) exceeds its recoverable amount, the excess is recognized immediately in the statement of income and comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion, if no impairment loss had been recognized.

Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the lease commencement date, a lease liability is recognized at the present value of future lease payments, typically using the rate implicit in the lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used. A corresponding right-of-use asset is recognized at the amount of the lease liability adjusted for lease incentives, lease payments made in advance of lease commencement, initial direct costs, and asset restoration costs. Lease payments are applied against the lease liabilities and interest expense is recognized on the lease liabilities using the effective interest method. In accordance with IFRS 16, short-term leases (less than 12 months) and leases of low-value assets are not recognized on the balance sheet. Depreciation is recognized on the right-of-use assets on a straight-line basis over the shorter of the asset's economic life and the lease term.

Borrowing costs

A qualifying asset is defined under International Accounting Standards ("IAS") 23, Borrowing Costs, as an asset that necessarily takes a substantial period of time, which the Company considers to be greater than one year, to get ready for its intended use or sale. The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during the period of time that is necessary to complete and prepare such assets for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in the statement of income and comprehensive income.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event that can be estimated with reasonable certainty. To the extent that provisions are estimated using a present value technique, such amounts are determined by discounting the expected future cash flows at a risk-free, pre-tax rate and adjusting the liability for the risks specific to the liability.



Decommissioning liabilities

The Company records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. A provision is made for the estimated cost of restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation as well as changes to the discount rate. The increase in the provision due to the passage of time is recognized as accretion expense whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the decommissioning liabilities.

Share-based payments

Compensation costs attributable to stock options ("Stock Options") and warrants ("Warrants") granted are measured at fair value at the date of grant and are expensed over the vesting period, using a graded vesting schedule, with a corresponding increase to contributed surplus. When Stock Options and Warrants are exercised, the cash proceeds, together with the amount previously recorded as contributed surplus, are recorded as share capital. The Company incorporates an estimated forfeiture rate for Stock Options and Warrants that will not vest, and subsequently adjusts for actual forfeitures as they occur.

Revenue recognition

Revenue from the sale of Serafina's oil is calculated by reference to consideration specified in contracts with customers and recognized when control of the product is transferred to the buyer. Revenue from contracts with customers is recognized when or as it satisfies a performance obligation by transferring a promised good or service to a customer. Serafina recognizes revenue when the control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method or location agreed upon.

Risk management contracts

The Company enters into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices and foreign exchange. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all derivative contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recognized at fair value with changes in fair value recognized in the statement of income and comprehensive income. Transaction costs are recognized in income and comprehensive income when incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the eligibility criteria for the grant and that the grant will be received. Government grants are recognized in income and comprehensive income over the periods in which the Company recognizes, as an expense, the related costs for which the grants are intended to compensate. Government grants are recognized in income and comprehensive income net of the related expense for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in income and comprehensive income in the period in which they become receivable.

Finance costs

The Company's finance costs include interest expense, transaction costs related to the issuance and maintenance of its debt facilities, interest expense on lease liabilities, and accretion of decommissioning liabilities. Interest is recognized using the effective interest method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax as a result of transactions in the year.

Current tax

The tax currently payable is based on taxable income (loss) for the year. Taxable income (loss) differs from income as reported in the statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible. The Company's liability or receivable for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income.

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor the accounting income.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period

Current and deferred income tax are recognized as an expense or recovery in the statement of income and comprehensive income, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.



Significant accounting judgments, estimates and assumptions

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements are described in the following notes:

Note 3: Inventory

Note 4: Exploration and evaluation assets

Note 5: Property and equipment

Note 9: Lease liabilities

Note 10: Decommissioning liabilities

Note 11: Income taxes

Note 15: Share-based payments

Note 18: Financial instruments and risk management

Impact of COVID-19 pandemic

The COVID-19 pandemic, and actions taken in response, have resulted in a significant contraction in the global economy, including disruption to the oil and gas industry. There are no recent comparable events that provide guidance as to the effect the COVID-19 pandemic may have, and as such, it is not possible to precisely estimate the impact of the COVID-19 pandemic on the Company's operations and financial condition; there may also be effects that are not currently known as the full impact of the COVID-19 pandemic is still uncertain. The continued impact of the COVID-19 pandemic on capital and financial markets presents uncertainty with respect to the Company's performance, and management's judgments, estimates and assumptions used in the preparation of its financial results and application of its accounting policies.

Inventory

The carrying value of inventory includes costs incurred in the normal course of business to bring the product to its existing condition and location. The Company evaluates the carrying value of its inventory at the lower of cost and net realizable value at each reporting period. Net realizable value is the estimated selling price less any expected selling expenses and is determined by reference to current market prices.

Exploration and evaluation assets

Costs associated with acquiring oil and natural gas licenses and exploratory drilling are accumulated as E&E assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgement, which management has determined to be based on the attribution of probable reserves to the exploration area and the receipt of regulatory and board of director approvals of the related project. Upon achievement of technical feasibility and commercial viability, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to assets under construction or oil and gas properties included in property and equipment.



Oil and gas reserves

Estimates of recoverable quantities of proved plus probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs affecting future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for decommissioning liabilities and the recognition of deferred income tax assets, due to changes in expected future cash flows. Reserve estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and are evaluated at least annually by third party reservoir engineers.

The amounts recorded for the provision for decommissioning liabilities, depletion, and the valuation of property and equipment are based on estimates of proved plus probable reserves, production rates, future petroleum and natural gas prices, future costs and the remaining lives and period of future benefit of the related assets.

Identification of CGUs

The Company makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations, which are based on estimates of reserves. Based on this assessment, Serafina's CGUs are generally composed of SAGD project areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required considering new facts and circumstances.

Impairment

The Company's non-financial assets are reviewed at each reporting date for indicators of impairment. When indicators of impairment are identified, the recoverable amount of the assets or CGU are compared to their carrying value. The recoverable amount of individual assets and CGUs is the greater of their fair value less costs of disposal and their value in use. These calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Changes in circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying value to be written down to its recoverable amount. Evaluating whether an asset is impaired requires a high degree of judgment in estimating relevant future cash flows, based on assumptions about the future market prices, production rates, and discount rates.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a CGU. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Leases

The measurement of lease liabilities is subject to management's judgments of the applicable discount rate and the expected lease term. Applicable discount rates are based on judgments of the economic environment, term, and the underlying risk inherent to the asset. Lease terms are based on assumptions regarding cancellation and extension terms.

Decommissioning liabilities

The amount recorded as decommissioning liabilities is based on current legal and constructive requirements, technology, price levels, discount rates, expected plans for remediation, and inflation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

Income taxes

Tax provisions are based on enacted or substantively enacted tax laws. The amounts recorded for current income tax expense (recovery) are based on management's judgement of the utilization of certain tax pools, and the timing and extent thereof, and other allowable tax deductions to determine net income for tax purposes. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations may result in a material increase or decrease to the provision for income taxes.

The amounts recorded for deferred income tax assets and liabilities and deferred income tax expense (recovery) are based on estimates of the probability of the Company utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved plus probable reserves, production rates, future petroleum and natural gas prices, and changes in legislation, tax rates and interpretations by taxation authorities.

Risk management contracts

The fair value of derivative contracts is estimated, wherever possible, based on quoted market prices, and if not available, on estimates from third-party brokers. Another significant assumption used by the Company in determining the fair value of derivatives is market data or assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The actual settlement of derivatives could differ materially from the amounts recorded and could impact future results.

The above judgments, estimates and assumptions relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ from these estimates and the differences could be material.

3. Inventory

Cost	
Balance at January 1, 2020 and December 31, 2020	-
Heavy oil volumes	13,706
Balance at December 31, 2021	13,706

During the year ended December 31, 2021, \$1,828 of inventory product costs were recognized in the statement of income and comprehensive income (year ended December 31, 2020 - \$nil).

4. Exploration and Evaluation assets ("E&E assets")

Cost	
Balance at January 1, 2020	55,322
Additions	5,101
Change in decommissioning obligation estimates	134
Balance at December 31, 2020	60,557
Additions	6,812
Change in decommissioning obligation estimates	70
Balance at December 31, 2021	67,439

E&E assets are not subject to depletion as they are in the exploration and evaluation stage. E&E assets are reviewed for indications of impairment at each reporting period, and when reclassified from E&E assets to property and equipment.

As at December 31, 2021 and December 31, 2020, the Company reviewed its E&E assets for indicators of impairment and found none.

5. Property and equipment

Cost	Oil and gas properties	Transportation Assets	Assets under construction	Right-of-use assets	Total
Balance at January 1, 2020	637,467	-	309,694	3,727	950,888
Additions	16,259	-	151,775	1,523	169,557
Transfers	246,889	-	(246,889)	-	-
Change in decommissioning obligation estimates	8,001	-	12,221	-	20,222
Balance at December 31, 2020	908,616	-	226,801	5,250	1,140,667
Additions	194,803	1,021	80,609	7,611	284,044
Transfers	241,541	58,643	(300,184)	-	-
Change in decommissioning obligation estimates	763	5,213	-	-	5,976
Balance at December 31, 2021	1,345,723	64,877	7,226	12,861	1,430,687
Depletion and depreciation					
Balance at January 1, 2020	(219,720)	-	-	(296)	(220,016)
Depletion and depreciation	(97,545)	-	-	(403)	(97,948)
Balance at December 31, 2020	(317,265)	-	-	(699)	(317,964)
Depletion and depreciation	(122,618)	(259)	-	(448)	(123,325)
Balance at December 31, 2021	(439,883)	(259)	-	(1,147)	(441,289)
Carrying amounts					
At December 31, 2020	591,351	-	226,801	4,551	822,703
At December 31, 2021	905,840	64,618	7,226	11,714	989,398

During the year ended December 31, 2021, the Company transferred \$241,541 from assets under construction to oil and gas properties related to the Company's fourth SAGD project at Meota West 2 (the "Meota West 2 Project"). Prior to the transfer, the Meota West 2 Project assets were considered to be assets under construction and were not subject to depletion. When the Meota West 2 Project began operating in the manner intended by management ("Commercial Production") in May 2021, these assets were transferred to oil and gas properties and became subject to depletion.

During the year ended December 31, 2021, the Company transferred \$58,643 from assets under construction to transportation assets related to the Company's crude-by-rail facility located in Hamlin, Saskatchewan (the "Hamlin CBR Project"). Prior to the transfer, the Hamlin CBR Project assets were considered to be assets under construction and were not subject to depreciation. When the Hamlin CBR Project began operating in the manner intended by management in December 2021, these assets were transferred to transportation assets and became subject to depreciation.

During the year ended December 31, 2021, borrowing costs of \$939 (December 31, 2020 - \$2,759) were capitalized to property and equipment related to the development of the Meota West 2 Project, which was under construction.

Capitalized borrowing costs were comprised of interest expense and fees related to the debt facilities. The Company ceased capitalization of borrowing costs related to the Meota West 2 Project once it had achieved Commercial Production in May 2021.

During the year ended December 31, 2021, the Company capitalized \$3,441 in net operating expense (December 31, 2020 - \$1,346). These amounts included costs required to maintain mineral leases and pre-production and pre-start-up costs related to the Meota West 2 Project and the Hamlin CBR Project.

Production Curtailment

In late March 2020, as a result of the significant oil price deterioration during the first quarter of 2020, in part caused by material demand reduction due to the COVID-19 pandemic, Serafina commenced an immediate, voluntary production curtailment at all operating projects. In late May 2020, management determined the oil price environment had recovered sufficiently to return production to normalized rates.

Temporary Construction Suspension and Resumption

In April 2020, Serafina issued a suspension of work notice to the major contractors at the Meota West 2 Project. Fabrication and construction at the project was temporarily suspended until the economic environment improved. The suspension of fabrication and construction was permitted within Serafina's construction contracts. Serafina ceased capitalization of borrowing costs related to the Meota West 2 Project while construction was suspended.

In August 2020, management determined the economic environment had recovered sufficiently and issued a resumption of work notice to the major contractors at the Meota West 2 Project. Fabrication and construction at the project restarted in the third quarter of 2020 and Serafina resumed capitalization of borrowing costs related to the Meota West 2 Project.

Impairment

As at December 31, 2021, the Company reviewed its property and equipment for indicators of impairment and found none.

For the year ended December 31, 2020, due to the significant decrease in future benchmark commodity prices at December 31, 2020 compared to December 31, 2019, an impairment test on each CGU was performed. As at December 31, 2020, at the CGU level, the estimated recoverable amount was determined as the fair value less cost of disposal using a 12 percent after-tax discount rate. The estimated recoverable amount calculated exceeded the respective carrying amount of each CGU and, therefore, no impairment was recorded.

6. Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
Accounts payable	16,553	15,070
Accrued liabilities	96,658	31,478
Lease liabilities (Note 9)	3,380	330
Total accounts payable and accrued liabilities	116,591	46,878

7. Deferred revenue

Changes to deferred revenue during the year ended December 31, 2021 and December 31, 2020 were as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Deferred revenue, beginning of year	16,232	3,580
Receipt of funds	209,708	38,290
Refund of customer payments	(12,701)	(2,045)
Recognition of deferred revenue	(198,555)	(23,593)
Deferred revenue, end of year	14,684	16,232

As part of its ongoing credit assessment process, the Company requires certain customers to prepay in advance of Serafina's heavy oil deliveries. Prepayments are included in deferred revenue upon receipt and are recognized as revenue when control of the product transfers to the customer.

8. Debt facilities

The following table outlines the amounts available under the Company's debt facilities as at December 31, 2021 and December 31, 2020:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Total debt facilities available, beginning of year	200,000	260,000
Change due to amendment of debt facilities	75,000	(60,000)
Total debt facilities available, end of year	275,000	200,000
Amounts drawn under the debt facilities	200,092	68,826
Letters of credit issued	2,020	412
Amounts available for draw under the debt facilities, end of year	72,888	130,762

As at December 31, 2021, the Company's debt facilities were comprised of a \$255,000 (December 31, 2020 - \$180,000) extendible revolving term credit facility with a syndicate of Canadian financial institutions and a \$20,000 (December 31, 2020 - \$20,000) non-syndicated operating line of credit (the "debt facilities"). The maturity date of the revolving period is May 31, 2022.

Advances under the debt facilities are available by way of prime loans, U.S. Base Rate Loans, Bankers' Acceptances, and letters of credit and bear interest at the lenders' prime rate, U.S. Base Rate, Bankers' Acceptance rate, or letter of credit rate, plus applicable margins, as applicable. The debt facilities are available for a revolving period of 364 days, maturing on May 31, 2022, and may be extended annually at the request of the Company for a further 364 days, subject to approval of the lenders. If the debt facilities are not extended at the end of the revolving period (the "extension date"), they will cease to revolve, the margins thereunder will increase by 50 basis points, and all outstanding advances will become repayable one year from the extension date. At the beginning of each revolving period, the debt facilities are effectively a two year arrangement.

The debt facilities are subject to a semi-annual review and re-determination of the borrowing base by May 31 and November 30 of each year. The borrowing base is primarily based on the Company's oil and gas reserves, the lending institutions' forecast commodity prices, the current economic environment and other factors as determined by the lending institutions. Any re-determination of the borrowing base is effective immediately; if the borrowing base is reduced, the Company has 60 days to repay the excess of any borrowings over the re-determined borrowing base. The debt facilities are also subject to annual reviews by the lenders. The next annual review and the next scheduled semi-annual borrowing base re-determination are to be completed by May 31, 2022.

As at December 31, 2021, the debt facilities are secured by a \$500,000 demand debenture with a first ranking charge over all assets of the Company. Under the debt facilities, the Company is required to comply with certain non-financial covenants. As at December 31, 2021, the Company was in compliance with all covenants. The effective annualized interest rate, including standby fees, for the year ended December 31, 2021 was 4.63 percent (year ended December 31, 2020 – 4.13 percent).

9. Lease liabilities

The Company incurs lease payments related to corporate offices, vehicles, surface and transportation leases. Leases are entered into and exist in conjunction with specific business requirements which includes the assessment of the appropriate durations for the related lease assets. Serafina has recognized lease liabilities in relation to all lease arrangements measured at the fair value of the remaining lease payments, except for short-term leases and leases of low-value assets. During the year ended December 31, 2021, Serafina recognized \$322 (December 31, 2020 - \$236) of short-term leases and leases of low-value assets in the statement of income and comprehensive income.

Changes to lease liabilities during the year ended December 31, 2021 and December 31, 2020 were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year	4,682	3,476
Additions	7,611	1,523
Interest expense	205	213
Lease payments	(637)	(530)
Balance, end of year	11,861	4,682
Current portion of lease liabilities	3,380	330
Long-term portion of lease liabilities	8,481	4,352

The Company had the following future commitments associated with lease liabilities during the year ended December 31, 2021:

	Year ended December 31, 2021
Less than one year	3,775
One to five years	4,822
More than five years	5,787
Total undiscounted lease liability payments	14,384
Amounts representing interest	(2,523)
Present value of lease liability payments	11,861



10. Decommissioning liabilities

Changes to decommissioning liabilities during the year ended December 31, 2021 and December 31, 2020 were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year	64,109	43,235
Accretion expense	1,158	654
Liabilities incurred	12,194	15,589
Decommissioning costs incurred	-	(136)
Revisions in estimated cash flows	(962)	(711)
Revisions due to change in discount rates	(5,186)	5,478
Balance, end of year	71,313	64,109

The Company's decommissioning liabilities result from its ownership in oil and natural gas assets including well sites, gathering systems and facilities for all of the Company's operating locations. The total estimated, undiscounted cash flows, inflated at 2 percent, required to settle the obligations were \$102,510 at December 31, 2021 (December 31, 2020 - \$83,099). These cash flows have been discounted using a risk-free interest rate of 1.68 percent (December 31, 2020 - 1.21 percent) based on Government of Canada long-term benchmark bond yields. The Company expects these obligations to be settled in approximately 17 to 23 years (2020 - 19 to 23 years).

11. Income Taxes

The following table sets forth the components of the Company's deferred income tax liability as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Excess of net book value of assets and liabilities over related tax pools	(128,751)	(83,790)
Other tax assets	341	249
Non-capital loss carry-forwards	2,468	-
	(125,942)	(83,541)

As at December 31, 2021, Serafina had total tax pools of \$510,607 (December 31, 2020 - \$476,163).



Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial tax rates of 26.16 percent (2020 - 26.27 percent) to income before income taxes as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Income before income taxes	18,562	179,317
Tax rate	26.16%	26.27%
Expected income tax expense	4,856	47,098
Effect of share-based payments	621	445
Effect of change in tax rate	448	(443)
Other	342	30
Total income tax expense	6,267	47,130
Current income tax expense (recovery)	(36,134)	36,134
Deferred income tax expense	42,401	10,996

Movements in deferred income tax balances are as follows:

	Balance December 31, 2020	Recognized in comprehensive income	Recognized directly in equity	Balance December 31, 2021
Property and equipment and decommissioning liabilities	(89,489)	(37,549)	-	(127,038)
Unrealized loss (gain) on risk management contracts	4,490	(8,208)	-	(3,718)
Non-capital loss carry-forwards	-	2,468	-	2,468
Lease liabilities	1,219	1,883	-	3,102
Other	239	(995)	-	(756)
Total	(83,541)	(42,401)	-	(125,942)

	Balance December 31, 2019	Recognized in comprehensive loss	Recognized directly in equity	Balance December 31, 2020
Property and equipment and decommissioning liabilities	(85,238)	(4,251)	-	(89,489)
Unrealized loss (gain) on risk management contracts	6,053	(1,563)	-	4,490
Non-capital loss carry-forwards	5,630	(5,630)	-	-
Lease liabilities	911	308	-	1,219
Other	99	140	-	239
Total	(72,545)	(10,996)	-	(83,541)

12. Share Capital

Serafina's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. No Preferred Shares have been issued. A summary of the Common Shares and changes during the year ended December 31, 2021 and December 31, 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number	Stated Value	Number	Stated Value
	(000's)	(\$000's)	(000's)	(\$000's)
Balance, beginning and end of year	305,563	305,111	305,563	305,111

13. Oil sales

The Company sells its heavy oil pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. The Company's oil is sold under contracts for varying price and fixed volume terms of up to 24 months.

Included in accounts receivable at December 31, 2021 is \$18,660 of accrued oil sales related to December 2021 production (December 31, 2020 - \$22,994).

14. Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense	4,547	2,373
Debt issuance and maintenance costs	880	523
Interest expense on lease liabilities (note 9)	205	213
Accretion of decommissioning liabilities (note 10)	1,158	654
Finance costs	6,790	3,763

15. Share-based payments

Stock options

The Company has a Stock Option plan for directors, officers, employees and consultants of the Company. The number of Common Shares granted with respect to Stock Options may not exceed a rolling maximum of 10 percent of the Company's outstanding Common Shares. Options typically vest over a three-year period and typically expire five years from the date of grant and are settled by issuing shares of the Company.



A summary of the inputs used to value Stock Options is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Risk-free interest rate	0.4% - 1.5%	0.3% - 1.6%
Expected life of Stock Options	5 - 10 years	5 - 10 years
Expected dividend rate	0%	0%
Expected forfeiture rate	0%	0%
Weighted average fair value	\$0.51	\$0.48

A summary of the Company's Stock Options and changes during the year ended December 31, 2021 and December 31, 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of Options (000's)	Weighted Average Exercise Price \$	Number of Options (000's)	Weighted Average Exercise Price \$
Outstanding, beginning of year	32,889	1.21	30,372	1.09
Granted	1,710	2.41	2,550	1.81
Forfeited	(287)	1.86	(33)	1.50
Outstanding, end of year	34,312	1.32	32,889	1.21

The following table summarizes information about stock options outstanding at December 31, 2021:

Range of Exercise Price	Weighted Average Exercise Price	Options Outstanding		Options Exercisable	
		Number of Options Outstanding	Weighted Average Contractual Life Remaining (Years)	Number of Options	Weighted Average Exercise Price
\$	\$	(000's)	(Years)	(000's)	\$
1.08 - 1.35 ⁽¹⁾	1.15	26,609	2.00	26,609	1.15
1.50	1.50	1,915	2.00	1,915	1.50
1.75	1.75	1,895	3.65	632	1.75
2.00	2.00	2,843	2.99	1,453	2.00
2.25	2.25	245	4.36	-	2.25
2.75	2.75	710	4.64	-	2.75
3.00	3.00	95	4.86	-	3.00
	1.32	34,312	2.25	30,609	1.23

(1) Certain stock options are subject to an eight percent escalation of the original exercise price per year commencing on the later of January 1, 2020 or the fifth anniversary of the grant date of the respective stock option.

During the year ended December 31, 2021, the Company recognized \$1,857 of share-based payments expense related to equity-settled Stock Options in the statement of income and comprehensive income with a corresponding increase to contributed surplus (December 31, 2020 - \$1,135).

Warrants

The Company issues Warrants to directors, officers, employees and consultants of the Company. Warrants typically vest over a three-year period and typically expire five years from the date of grant and are settled by issuing shares of the Company.

A summary of the inputs used to value Warrants is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Risk-free interest rate	0.4% - 1.3%	0.4% - 1.6%
Expected life of Warrants	5 - 10 years	5 - 10 years
Expected dividend rate	0%	0%
Expected forfeiture rate	0%	0%
Weighted average fair value	\$0.28	\$0.28

A summary of the Company's Warrants and changes during the year ended December 31, 2021 and December 31, 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(000's)	\$	(000's)	\$
Outstanding, beginning of year	60,500	2.00	60,120	2.00
Granted	690	2.47	380	2.10
Forfeited	(80)	2.15	-	-
Outstanding, end of year	61,110	2.01	60,500	2.00

The following table summarizes information about Warrants outstanding at December 31, 2021:

Range of Exercise Price	Weighted Average Exercise Price	Warrants Outstanding		Warrants Exercisable	
		Number of Warrants Outstanding	Weighted Average Contractual Life Remaining	Number of Warrants	Weighted Average Exercise Price
\$	\$	(000's)	(Years)	(000's)	\$
1.50	1.50	11,752	1.99	11,752	1.50
1.75	1.75	11,824	2.02	11,776	1.75
2.00	2.00	12,784	2.12	12,402	2.00
2.25	2.25	12,280	2.02	11,977	2.25
2.50	2.50	12,160	2.02	11,977	2.50
2.75	2.75	280	4.66	-	2.75
3.00	3.00	30	4.79	-	3.00
	2.01	61,110	2.05	59,884	2.00

During the year ended December 31, 2021, the Company recognized \$515 of share-based payments expense related to equity-settled Warrants in the statement of income and comprehensive income with a corresponding increase to contributed surplus (December 31, 2020 - \$558).

16. Other Expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue contract settlement fees	1,368	6,662
Realized foreign exchange loss	1,452	71
Interest and other expense (income)	60	(121)
Other expenses	2,880	6,612

During the year ended December 31, 2021 and December 31, 2020, the Company recognized revenue contract settlement fees which were the result of settling a portion of the Company's revenue contracts financially due to under-delivery of certain heavy oil sales volume commitments.

17. Compensation of Key Management Personnel

Key management personnel are defined as the Company's chief executive officer, president and chief financial officer, chief operating officer, executive vice-president land and business development, vice-president engineering, vice-president exploration, vice-president marketing and the Company's board of directors.

Total wages, salaries, benefits and other personnel costs included in general and administrative expense for the year ended December 31, 2021 were \$14,308 (December 31, 2020 - \$15,285).

18. Financial instruments and risk management

The Company's financial instruments recognized in the balance sheet consist of accounts receivable, deposits and prepaid expenses (if refundable in cash), income tax receivable, accounts payable and accrued liabilities, income tax payable, risk management contracts and debt facilities.

The Company's accounts receivable, deposits and prepaid expenses, income tax receivable, accounts payable and accrued liabilities and income tax payable approximate their carrying values due to their short terms to maturity. The fair value of the Company's debt facilities approximates its carrying value as the interest rates charged are based on market interest rates.

The Company's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2021 comprises risk management contracts, which are considered level 2 financial instruments. The fair value of Serafina's risk management contracts are determined through the use of estimates of the amounts that would be received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. As at December 31, 2021, the Company had no level 1 or level 3 financial instruments, and there were no transfers between any levels throughout the year.

The Company's risk management contracts are subject to a master agreement that creates a legally enforceable right to offset, by counterparty, the related financial assets and financial liabilities for those contracts denominated in the same currency and with the same settlement date. Where applicable, the Company presents its risk management contract assets or liabilities on a net basis on the balance sheet.

The nature of these financial instruments and the Company's operations exposes the Company to market risk, credit risk and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes these risks. Management employs risk management strategies and policies to ensure that any exposure to risk complies with the Company's business objectives and risk tolerance levels. The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's statement of income and comprehensive income to the extent the Company has outstanding financial instruments. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The Company is exposed to commodity price risk due to potential changes in the market price of oil and natural gas. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate in accordance with policies approved by the board of directors. As a means of managing commodity price volatility, the Company enters into certain risk management contracts.

The Company has not designated its risk management contracts as effective accounting hedges, and thus has not applied hedge accounting.

The following is a summary of the Company's outstanding positions for commodity risk management contracts at December 31, 2021:

Term	Product	Contract	Reference	Volume	Average Price	
January 2022 - December 2022	Oil	Swap	WTI/ARV ⁽¹⁾	(18,000) bbl/d	USD	\$(5.75)/bbl
January 2022 - December 2022	Gas	Swap	AECO ⁽²⁾	(40,500) GJ/d	CAD	\$2.23/GJ
January 2023 - March 2023	Gas	Swap	AECO ⁽²⁾	(42,000) GJ/d	CAD	\$2.20/GJ
April 2023 - December 2023	Gas	Swap	AECO ⁽²⁾	(34,000) GJ/d	CAD	\$2.14/GJ

(1) WTI/ARV differential contracts fix the price differential between Argus WCS Houston ("ARV") and WTI.

(2) AECO refers to the monthly average of AECO Daily (5A) index price.

The fair value of the derivative commodity contracts outstanding as at December 31, 2021 was \$26,718 (December 31, 2020 - \$(17,254)). As at December 31, 2021, a 10 percent decrease to the reference commodity price used to calculate the fair value of these contracts would result in a net decrease in their fair value of approximately \$(3,645).

During the year ended December 31, 2020, the Company monetized certain WTI risk management contracts via early settlement and realized a gain on risk management contracts of \$130,750 which was recognized in the statement of income and comprehensive income.

Subsequent event

Subsequent to December 31, 2021, the Company entered into the following risk management contracts:

Term	Product	Contract	Reference	Volume	Average Price	
April 2022 - June 2022	Oil	Swap	WTI	29,400 bbl/d	USD	\$89.38/bbl
July 2022 - September 2022	Oil	Swap	WTI	31,650 bbl/d	USD	\$84.75/bbl
October 2022 - December 2022	Oil	Swap	WTI	29,900 bbl/d	USD	\$81.98/bbl
January 2023 - June 2023	Oil	Swap	WTI	30,400 bbl/d	USD	\$77.09/bbl



Term	Product	Contract	Reference	Volume	Strike Price	Premium ⁽¹⁾
April 2022 - June 2022	Oil	Call	WTI	29,400 bbl/d	USD \$115.19/bbl	USD \$7.95/bbl
July 2022 - September 2022	Oil	Call	WTI	31,650 bbl/d	USD \$105.57/bbl	USD \$10.39/bbl
October 2022 - December 2022	Oil	Call	WTI	29,900 bbl/d	USD \$104.46/bbl	USD \$10.55/bbl
January 2023 - March 2023	Oil	Call	WTI	30,400 bbl/d	USD \$99.46/bbl	USD \$11.45/bbl
April 2023 - June 2023	Oil	Call	WTI	30,400 bbl/d	USD \$99.07/bbl	USD \$11.45/bbl

(1) Premium relates to the deferred cost of the call options noted above, payable at the time of execution.

In addition to the contracts noted above, subsequent to December 31, 2021, the Company entered into certain US dollar WTI risk management contracts which were then monetized via early settlement resulting in a net realized loss of \$22,990.

Foreign exchange risk

The Company is exposed to foreign exchange risk because North American crude oil prices are denominated in US dollars. The Company is exposed to fluctuations in the CAD/USD foreign exchange rate as a result of crude oil sales. In addition, the settlement of the Company's risk management contracts is directly impacted by the exchange rate on the repayment date. To manage the impact of currency exchange fluctuations, the Company may enter into agreements to fix the foreign exchange rate.

The following is a summary of the Company's outstanding positions for foreign exchange risk management contracts at December 31, 2021:

Term	Currency	Contract Type	Value /month	Collar Floor (CAD/USD)	Collar Ceiling (CAD/USD)
January 2022 – December 2022	US Dollars	Collar	USD\$35,000	1.2301	1.2706
January 2023 – December 2023	US Dollars	Collar	USD\$30,500	1.2285	1.2707

The fair value of the foreign exchange contracts outstanding as at December 31, 2021 was \$(12,504). There were no foreign exchange contracts outstanding in the prior year. As at December 31, 2021, a \$0.05 increase to the CAD/USD exchange rate used to calculate the fair value of these contracts would result in a decrease in their fair value of approximately \$(28,697) whereas a \$0.05 decrease to the CAD/USD exchange rate used to calculate the fair value would result in an increase in their fair value of approximately \$30,027.

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates impact its borrowings under its debt facilities. The debt facilities are subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market interest rates. Increasing or decreasing interest rates by 1 percent would result in a change in the Company's income and comprehensive income for the twelve months ended December 31, 2021 of \$535 (December 31, 2020 - \$240). The Company had no interest rate swaps or financial contracts in place during the year ended December 31, 2021 (year ended December 31, 2020 - none).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its accounts receivable and risk management contracts.

As at December 31, 2021 and December 31, 2020, the majority of the Company's accounts receivable were due from marketers of the Company's crude oil production. Receivables from marketers are generally collected on the 25th day of the month following production. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit positions and by reviewing its exposure to individual counterparties on a regular basis.

As at December 31, 2021, three customers individually accounted for more than 10 percent of the Company's accounts receivable balance. Individually, Customer A represented 50 percent, Customer B represented 33 percent and Customer C represented 13 percent of the outstanding accounts receivable balance at December 31, 2021. In addition, during the year ended December 31, 2021, the Company had three customers which individually accounted for more than 10 percent of its total oil sales and these customers represented 91 percent of the Company's total oil sales.

When determining whether amounts that are past due are collectible, the Company assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Serafina considers all amounts greater than 90 days to be past due. At December 31, 2021, there were no accounts considered to be past due.

As at December 31, 2021, the accounts receivable balance was aged as follows:

Current	30 - 60 days	60 - 90 days	90+ days	Total
18,660	-	-	-	18,660

The Company had an allowance for doubtful accounts of \$nil at December 31, 2021 (December 31, 2020 - \$nil) and there were no accounts receivable written off during the year ended December 31, 2021 (year ended December 31, 2020 - none).

To the extent that Serafina enters into financial derivative contracts to manage commodity price risk, the Company is exposed to credit risk associated with counterparties. The Company enters into derivative contracts with reputable institutions with strong credit ratings to mitigate this credit risk.

The maximum exposure to credit risk as at December 31, 2021 was \$82,132 being the carrying value of the Company's accounts receivable, income tax receivable and risk management contract assets (December 31, 2020 \$24,767, being the carrying value of the Company's accounts receivable).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The nature of the oil and gas industry is capital intensive and the Company believes that it has a sufficient amount of debt facilities and expected cash flows from operations to finance operating and capital expenditures. Management believes that these sources will be adequate to settle the Company's financial liabilities and commitments as they come due.

As at December 31, 2021, the Company had \$72,888 undrawn on its debt facilities.

The expected timing of cash flows relating to financial liabilities as at December 31, 2021 are as follows:

	Total	< 1 year	1 - 2 years	2 - 5 years	Thereafter
Accounts payable and accrued liabilities	113,211	113,211	-	-	-
Income tax payable	17,271	17,271	-	-	-
Risk management contracts	13,172	5,618	7,554	-	-
Debt facilities	200,092	-	200,092	-	-
Lease liabilities	11,861	3,380	3,238	738	4,505
	355,607	139,480	210,884	738	4,505

To the extent that Serafina enters into financial derivative contracts to manage its exposure to commodity price risk, it may be subject to liquidity risk as derivative liabilities become due. Derivative instruments are not entered into for speculative purposes and management closely monitors commodity risk exposure in comparison to forecasted sales volumes. Liquidity risk is partially mitigated as losses realized on derivative contracts due to high commodity prices are generally accompanied by increased cash flows from sales in a high commodity price environment. Conversely, when commodity prices are low, gains realized on derivative contracts can partially offset reduced cash flow.

19. Capital Management

Serafina's objectives are to maintain a flexible capital structure in order to meet its financial obligations and to execute on strategic opportunities throughout the business cycle. The Company's capital comprises share capital, debt facilities and working capital (excluding risk management contracts and deferred revenue). Serafina manages the capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, Serafina may issue new share capital, issue new debt, hedge future revenues and costs, settle risk management contracts, adjust production levels, adjust capital expenditures and acquire or dispose of assets.

As at December 31, 2021, Serafina had \$200,092 drawn on its debt facilities. The amount available under the debt facilities is subject to review and re-determination by the lenders at scheduled intervals (Note 8).

The Company evaluates its capital structure based on debt facilities available and expected operating cash flows compared to its budgeted capital expenditures. Based on debt facilities in place at December 31, 2021 (Note 8), and the Company's ability to manage cash flow and working capital levels, Serafina believes that it has sufficient debt facilities available to fund planned capital expenditures, meet its current and future obligations and fund other needs of the business for at least the next 12 months. However, no assurance can be given that this will be the case or that additional sources of capital will not be necessary.

20. Commitments

The Company has the following commitments as at December 31, 2021 in addition to those disclosed in Note 9:

	2022	2023	2024	2025	2026+	Total
Office space	503	-	-	-	-	503
Gas transportation agreements	9,043	8,159	7,988	5,422	9,850	40,462
Transportation leases	4,555	3,575	-	-	-	8,130
Electrical services	1,348	1,061	835	511	159	3,914
Other	353	6	-	-	-	359
Total	15,802	12,801	8,823	5,933	10,009	53,368

Gas transportation commitments typically relate to firm service agreements for the future delivery of natural gas to the Company's projects which vary in length from one to ten years. Transportation lease commitments typically relate to rail car lease agreements for rail cars contracted but not yet made available for use by the Company at each reporting date and to rail car lease agreements that are short-term in nature. Electrical services commitments typically relate to five-year firm service agreements for the future delivery of electricity to the Company's projects.

In addition to the above, the Company has the following US dollar commitments:

Expressed in thousands of US Dollars	2022	2023	2024	2025	2026+	Total
Oil transportation agreement	10,000	10,000	10,000	-	-	30,000

During the year ended December 31, 2021, Serafina entered into a three-year contract with a carrier for transportation of a portion of its heavy oil sales. Transportation under the contract commences January 1, 2022 and the Company is subject to a volume commitment equal to US\$10,000 in each of the three contracted years.

21. Changes in non-cash working capital

	Year ended December 31,	
	2021	2020
Accounts receivable	6,107	(4,663)
Inventory	(9,708)	-
Deposits and prepaid expenses	(239)	393
Income tax receivable	(36,086)	-
Accounts payable and accrued liabilities	66,664	(1,471)
Income tax payable	(18,863)	36,134
Deferred revenue	(1,548)	12,652
Net change in non-cash working capital	6,327	43,045
Allocated to:		
Operating activities	(11,912)	51,004
Investing activities	18,239	(7,959)
	6,327	43,045



SERAFINA
ENERGY LTD.

Condensed Interim Financial Statements (unaudited)

.....

June 30, 2022



Condensed Interim Balance Sheets (unaudited)

As at

(CAD\$000's)	June 30, 2022	December 31, 2021
	\$	\$
ASSETS		
CURRENT		
Cash	5,625	-
Accounts receivable (Note 10)	35,331	18,660
Inventory (Note 3)	33,647	13,706
Risk management contracts (Note 10)	-	17,042
Deposits and prepaid expenses	5,460	1,905
Income tax receivable and prepaid income taxes	3,774	36,086
	83,837	87,399
Risk management contracts (Note 10)	10,753	10,344
Exploration and evaluation assets (Note 4)	68,335	67,439
Property and equipment (Note 5)	977,647	989,398
	1,140,572	1,154,580
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	129,183	116,591
Income tax payable	-	17,271
Deferred revenue	22,642	14,684
Risk management contracts (Note 10)	216,196	5,618
	368,021	154,164
Risk management contracts (Note 10)	5,835	7,554
Debt facilities (Note 6)	50,000	200,092
Lease liabilities (Note 7)	10,177	8,481
Decommissioning liabilities (Note 8)	55,357	71,313
Deferred income taxes (Note 11)	68,773	125,942
	558,163	567,546
SHAREHOLDERS' EQUITY		
Share capital	305,303	305,111
Contributed surplus	71,733	70,848
Retained earnings	205,373	211,075
	582,409	587,034
	1,140,572	1,154,580
Commitments (Note 12)		
Subsequent event (Note 14)		

The notes are an integral part of these financial statements.

Approved by the Board

"M. Scott Bratt"

M. Scott Bratt, Chairman

"Ted Maa"

Ted Maa, Director



Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited)

For the three and six months ended June 30

	Three months ended		Six months ended	
(CAD\$000's)	2022	2021	2022	2021
	\$	\$	\$	\$
REVENUES AND OTHER INCOME (EXPENSE)				
Oil sales	428,031	128,806	689,462	222,397
Royalties	(40,021)	(10,618)	(67,149)	(19,099)
REVENUE, NET OF ROYALTIES	388,010	118,188	622,313	203,298
Realized loss on risk management contracts (Note 10)	(74,386)	(31,082)	(87,652)	(47,575)
Unrealized loss on risk management contracts (Note 10)	(79,586)	(10,650)	(225,492)	(96,602)
	234,038	76,456	309,169	59,121
EXPENSES				
Blending and transportation	68,645	9,846	107,766	17,873
Operating	55,475	25,295	98,989	47,035
General and administrative	7,167	4,547	14,331	9,945
Finance costs	3,039	2,287	5,989	2,783
Depletion, depreciation and amortization (Note 5)	50,031	29,775	88,487	55,079
Share-based payments (Note 9)	480	607	947	1,154
Other	(1,272)	505	(42)	505
	183,565	72,862	316,467	134,374
INCOME (LOSS) BEFORE INCOME TAXES	50,473	3,594	(7,298)	(75,253)
Income tax recovery (expense) (Note 11)	(13,336)	(1,189)	1,596	19,131
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	37,137	2,405	(5,702)	(56,122)

The notes are an integral part of these financial statements.



Condensed Interim Statements of Changes in Equity

(unaudited)

For the six months ended June 30

(CAD\$000's)	2022	2021
	\$	\$
SHARE CAPITAL		
Balance, beginning of period	305,111	305,111
Share issuance	192	-
Balance, end of period	305,303	305,111
CONTRIBUTED SURPLUS		
Balance, beginning of period	70,848	68,476
Share-based payments	885	1,154
Balance, end of period	71,733	69,630
RETAINED EARNINGS		
Balance, beginning of period	211,075	198,780
Net loss and comprehensive loss	(5,702)	(56,122)
Balance, end of period	205,373	142,658
TOTAL EQUITY	582,409	517,399

The notes are an integral part of these financial statements.



Condensed Interim Statements of Cash Flows

(unaudited)

For the three and six months ended June 30

	Three months ended		Six months ended	
(CAD\$000's)	2022	2021	2022	2021
	\$	\$	\$	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net income (loss)	37,137	2,405	(5,702)	(56,122)
Adjustments for:				
Accretion expense (Note 8)	435	263	809	549
Unrealized loss on risk management contracts	79,586	10,650	225,492	96,602
Depletion, depreciation and amortization	50,031	29,775	88,487	55,079
Share-based payments	480	607	947	1,154
Deferred income tax expense (recovery) (Note 11)	(22,537)	2,569	(57,169)	(15,687)
Decommissioning costs incurred (Note 8)	(204)	-	(426)	-
Net change in non-cash working capital (Note 13)	63,123	(4,930)	22,194	14,631
	208,051	41,339	274,632	96,206
INVESTING				
Property and equipment expenditures (Note 5)	(34,552)	(76,279)	(85,297)	(122,426)
Exploration and evaluation assets expenditures (Note 4)	(161)	(900)	(1,247)	(6,592)
Net change in non-cash working capital (Note 13)	(20,024)	19,771	(29,048)	28,960
	(54,737)	(57,408)	(115,592)	(100,058)
FINANCING				
Proceeds from share issuance	57	-	132	-
Proceeds from debt facilities	4,804	22,838	35,170	36,529
Repayment of debt facilities	(153,803)	(6,692)	(185,262)	(32,518)
Payments of principal portion of lease liabilities (Note 7)	(1,812)	(77)	(3,455)	(159)
	(150,754)	16,069	(153,415)	3,852
NET INCREASE IN CASH	2,560	-	5,625	-
CASH, BEGINNING OF PERIOD	3,065	-	-	-
CASH, END OF PERIOD	5,625	-	5,625	-
SUPPLEMENTARY INFORMATION				
Income tax paid	25,300	-	76,369	-
Interest paid	1,527	796	4,438	1,444

The notes are an integral part of these financial statements.

Notes to the Condensed Interim Financial Statements

As at June 30, 2022 and December 31, 2021 and for the three and six months ended June 30, 2022 and 2021
(All figures expressed in thousands of Canadian dollars, except per share amounts unless otherwise noted)

1. Nature and description of the Company

Serafina Energy Ltd. (the “Company” or “Serafina”) is a privately owned company incorporated April 10, 2013 under the laws of Alberta. Serafina is engaged in the acquisition, exploration and production of oil and natural gas reserves in Western Canada. More specifically, Serafina is pursuing development of certain heavy oil properties in Saskatchewan and Alberta through steam assisted gravity drainage (“SAGD”) technology. The registered office of the Company is located at Suite 3700, 400 – 3rd Ave. SW, Calgary, Alberta, T2P 4H2.

These condensed interim financial statements (the “financial statements”) include all assets, liabilities, revenues and expenses of Serafina Energy Ltd.

2. Significant accounting policies

Statement of compliance and authorization

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and the International Accounting Standard 34, “Interim Financial Reporting”. Accordingly, certain information or footnote disclosure normally included in annual financial statements have been condensed or omitted.

These financial statements should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended December 31, 2021.

These financial statements were authorized for issue by the Company’s board of directors on August 17, 2022.

Basis of presentation

These financial statements have been prepared using the same accounting policies and methods as those used in the audited annual financial statements for the year ended December 31, 2021.

These financial statements have been presented in Canadian dollars, which is Serafina’s functional currency, rounded to the nearest thousand unless otherwise indicated.



Use of estimates and judgments

Impact of COVID-19 pandemic

The COVID-19 pandemic, and actions taken in response thereto, have significantly impacted the global economy, including the oil and gas industry. There are no recent comparable events that provide guidance as to the effect the COVID-19 pandemic may have, and as such, it is not possible to precisely estimate the impact of the COVID-19 pandemic on the Company's operations and financial condition; there may also be effects that are not currently known as the full impact of the COVID-19 pandemic is still uncertain. The continued impact of the COVID-19 pandemic on capital and financial markets presents uncertainty with respect to the Company's performance, and management's judgments, estimates and assumptions used in the preparation of its financial results and application of its accounting policies. Further information on the Company's use of estimates and judgments can be found in the notes to the annual audited financial statements for the year ended December 31, 2021.

3. Inventory

Cost	
Balance at January 1, 2021	-
Change in heavy oil volumes	13,706
Balance at December 31, 2021	13,706
Change in heavy oil volumes	19,941
Balance at June 30, 2022	33,647

4. Exploration and Evaluation assets ("E&E assets")

Cost	
Balance at January 1, 2021	60,557
Additions	6,812
Change in decommissioning obligation estimates	70
Balance at December 31, 2021	67,439
Additions	1,247
Change in decommissioning obligation estimates	(351)
Balance at June 30, 2022	68,335

E&E assets are not subject to depletion as they are in the exploration and evaluation stage. E&E assets are reviewed for indications of impairment at each reporting period, and when reclassified from E&E assets to property and equipment.

As at June 30, 2022, the Company reviewed its E&E assets for indicators of impairment and found none.



5. Property and equipment

Cost	Oil and gas properties	Transportation Assets	Assets under construction	Right-of-use assets	Total
Balance at January 1, 2021	908,616	-	226,801	5,250	1,140,667
Additions	194,803	1,021	80,609	7,611	284,044
Transfers	241,541	58,643	(300,184)	-	-
Change in decommissioning obligation estimates	763	5,213	-	-	5,976
Balance at December 31, 2021	1,345,723	64,877	7,226	12,861	1,430,687
Additions	81,028	1,019	3,250	10,721	96,018
Change in decommissioning obligation estimates	(14,489)	(1,499)	-	-	(15,988)
Balance at June 30, 2022	1,412,262	64,397	10,476	23,582	1,510,717
Depletion and depreciation					
Balance at January 1, 2021	(317,265)	-	-	(699)	(317,964)
Depletion and depreciation	(122,618)	(259)	-	(448)	(123,325)
Balance at December 31, 2021	(439,883)	(259)	-	(1,147)	(441,289)
Depletion and depreciation	(86,573)	(1,551)	-	(3,657)	(91,781)
Balance at June 30, 2022	(526,456)	(1,810)	-	(4,804)	(533,070)
Carrying amounts					
At December 31, 2021	905,840	64,618	7,226	11,714	989,398
At June 30, 2022	885,806	62,587	10,476	18,778	977,647

As at June 30, 2022, the Company reviewed its property and equipment for indicators of impairment and found none.

6. Debt facilities

The following table outlines the amounts available under the Company's debt facilities as at June 30, 2022 and December 31, 2021:

	Six months ended June 30, 2022	Year ended December 31, 2021
Total debt facilities available, beginning of period	275,000	200,000
Change due to amendment of debt facilities	-	75,000
Total debt facilities available, end of period	275,000	275,000
Amounts drawn under the debt facilities	50,000	200,092
Letters of credit issued	2,020	2,020
Amounts available under the debt facilities, end of period	222,980	72,888

During the six months ended June 30, 2022, the Company completed the semi-annual review and re-determination of its debt facilities which resulted in the maturity date of the revolving period being extended to May 31, 2023. As at June 30, 2022, the Company's debt facilities were comprised of a \$255,000 (December 31, 2021 - \$255,000) extendible revolving term credit facility with a syndicate of Canadian financial institutions and a \$20,000 (December 31, 2021 - \$20,000) non-syndicated operating line of credit (the "debt facilities"). The next scheduled borrowing base re-determination is to occur by November 30, 2022.

As at June 30, 2022, the debt facilities are secured by a \$500,000 demand debenture with a first ranking charge over all assets of the Company.

Under the debt facilities, the Company is required to comply with certain non-financial covenants. As at June 30, 2022, the Company was in compliance with all covenants. The effective annualized interest rate, including standby fees, for the six months ended June 30, 2022 was 4.85 percent (year ended December 31, 2021 – 4.63 percent).

7. Lease liabilities

The Company incurs lease payments related to corporate offices, vehicles, surface and transportation leases. Leases are entered into and exist in conjunction with specific business requirements which includes the assessment of the appropriate durations for the related lease assets. Serafina has recognized lease liabilities in relation to all lease arrangements measured at the fair value of the remaining lease payments, except for short-term leases and leases of low-value assets. During the six months ended June 30, 2022, Serafina recognized \$2,001 (June 30, 2021 - \$159) of short-term leases and leases of low-value assets in the statement of income (loss) and comprehensive income (loss).

Changes to lease liabilities during the six months ended June 30, 2022 and the year ended December 31, 2021 were as follows:

	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period	11,861	4,682
Additions	10,721	7,611
Interest expense	340	205
Lease payments	(3,795)	(637)
Balance, end of period	19,127	11,861
Current portion of lease liabilities	8,950	3,380
Long-term portion of lease liabilities	10,177	8,481



The Company had the following future commitments associated with lease liabilities during the six months ended June 30, 2022 and the year ended December 31, 2021:

	Six months ended June 30, 2022	Year ended December 31, 2021
Less than one year	9,547	3,775
One to five years	6,575	4,822
More than five years	5,622	5,787
Total undiscounted lease liability payments	21,744	14,384
Amounts representing interest	(2,617)	(2,523)
Present value of lease liability payments	19,127	11,861

8. Decommissioning liabilities

Changes to decommissioning liabilities during the six months ended June 30, 2022 and the year ended December 31, 2021 were as follows:

	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period	71,313	64,109
Accretion expense	809	1,158
Liabilities incurred	1,924	12,194
Decommissioning costs incurred	(426)	-
Revisions in estimated cash flows	1,229	(962)
Revisions due to change in discount rates	(19,492)	(5,186)
Balance, end of period	55,357	71,313

In calculating the decommissioning liability, the estimated future cash flows have been discounted using a risk-free interest rate of 3.14 percent (December 31, 2021 – 1.68 percent).

9. Share-based payments

Stock options

The Company has a Stock Option plan for directors, officers, employees and consultants of the Company. The number of Common Shares granted with respect to Stock Options may not exceed a rolling maximum of 10 percent of the Company's outstanding Common Shares. Options typically vest over a three-year period and typically expire five years from the date of grant and are settled by issuing shares of the Company.

A summary of the Company's Stock Options and changes during the six months ended June 30, 2022 and the year ended December 31, 2021 is as follows:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of Options (000's)	Weighted Average Exercise Price \$	Number of Options (000's)	Weighted Average Exercise Price \$
Outstanding, beginning of period	34,312	1.32	32,889	1.21
Granted	255	4.21	1,710	2.41
Exercised	(78)	1.68	-	-
Forfeited	(269)	2.20	(287)	1.86
Outstanding, end of period	34,220	1.41	34,312	1.32

The following table summarizes information about stock options outstanding at June 30, 2022:

Range of Exercise Price	Weighted Average Exercise Price	Options Outstanding		Options Exercisable	
		Number of Options Outstanding (000's)	Weighted Average Contractual Life Remaining (Years)	Number of Options (000's)	Weighted Average Exercise Price \$
\$	\$	(000's)	(Years)	(000's)	\$
1.16 - 1.62 ⁽¹⁾	1.25	28,474	1.27	28,474	1.25
1.75	1.75	1,895	3.16	632	1.75
2.00	2.00	2,636	2.48	1,783	2.00
2.25	2.25	215	3.85	72	2.25
2.75	2.75	650	4.15	-	2.75
3.00	3.00	145	4.48	-	3.00
4.50	4.50	205	4.89	-	4.50
	1.41	34,220	1.72	30,961	1.31

(1) Certain stock options are subject to an eight percent escalation of the original exercise price per year commencing on the later of January 1, 2020 or the fifth anniversary of the grant date of the respective stock option.

During the six months ended June 30, 2022, the Company recognized \$708 of share-based payments expense related to equity-settled Stock Options in the statement of income (loss) and comprehensive income (loss) with a corresponding increase to contributed surplus (June 30, 2021 - \$940).

Warrants

The Company issues Warrants to directors, officers, employees and consultants of the Company. Warrants typically vest over a three-year period and typically expire five years from the date of grant and are settled by issuing shares of the Company.

A summary of the Company's Warrants and changes during the six months ended June 30, 2022 and the year ended December 31, 2021 is as follows:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(000's)	\$	(000's)	\$
Outstanding, beginning of period	61,110	2.01	60,500	2.00
Granted	30	4.50	690	2.47
Forfeited	(113)	2.41	(80)	2.15
Outstanding, end of period	61,027	2.01	61,110	2.01

The following table summarizes information about Warrants outstanding at June 30, 2022:

Range of Exercise Price	Weighted Average Exercise Price	Warrants Outstanding		Warrants Exercisable	
		Number of Warrants Outstanding	Weighted Average Contractual Life Remaining	Number of Warrants	Weighted Average Exercise Price
\$	\$	(000's)	(Years)	(000's)	\$
1.50	1.50	11,752	1.50	11,752	1.50
1.75	1.75	11,824	1.51	11,776	1.75
2.00	2.00	12,752	1.56	12,536	2.00
2.25	2.25	12,245	1.55	12,067	2.25
2.50	2.50	12,144	1.53	12,033	2.50
2.75	2.75	280	4.16	-	2.75
4.50	4.50	30	4.80	-	4.50
	2.01	61,027	1.54	60,164	2.00

During the six months ended June 30, 2022, the Company recognized \$239 of share-based payments expense related to equity-settled Warrants in the statement of income (loss) and comprehensive income (loss) with a corresponding increase to contributed surplus (June 30, 2021 - \$214).

10. Financial instruments and risk management

The Company's financial instruments recognized on the balance sheet consist of cash, accounts receivable, deposits and prepaid expenses (if refundable in cash), income tax receivable and prepaid income taxes, accounts payable and accrued liabilities, income tax payable, risk management contracts and debt facilities.

The Company's cash, accounts receivable, deposits and prepaid expenses, income tax receivable and prepaid income taxes, accounts payable and accrued liabilities and income tax payable approximate their carrying values due to their short terms to maturity. The fair value of the Company's debt facilities approximates its carrying value as the interest rates charged are based on market interest rates.

The Company's fair value hierarchy for those assets and liabilities measured at fair value as of June 30, 2022 comprises risk management contracts, which are considered level 2 financial instruments. The fair value of Serafina's risk management contracts is determined through the use of estimates of the amounts that would be received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. As at June 30, 2022, the Company had no level 1 or level 3 financial instruments, and there were no transfers between any levels throughout the year.

The Company's risk management contracts are subject to a master agreement that creates a legally enforceable right to offset, by counterparty, the related financial assets and financial liabilities for those contracts denominated in the same currency and with the same settlement date. Where applicable, the Company presents its risk management contract assets or liabilities on a net basis on the balance sheet.

The nature of these financial instruments and the Company's operations exposes the Company to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's statement of income (loss) and comprehensive income (loss) to the extent the Company has outstanding financial instruments. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The Company is exposed to commodity price risk due to potential changes in the market price of oil and natural gas. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate in accordance with policies approved by the board of directors. As a means of managing commodity price volatility, the Company enters into certain risk management contracts.

The following is a summary of the Company's outstanding positions for commodity risk management contracts at June 30, 2022:

Term	Product	Contract	Reference	Volume	Average Price	
July 2022 - September 2022	Oil	Swap	WTI ⁽¹⁾	31,650 bbl/d	USD	\$84.75/bbl
October 2022 - December 2022	Oil	Swap	WTI ⁽¹⁾	29,900 bbl/d	USD	\$81.98/bbl
January 2023 - June 2023	Oil	Swap	WTI ⁽¹⁾	30,400 bbl/d	USD	\$77.09/bbl
July 2022 - December 2022	Oil	Swap	ARV/WTI ⁽²⁾	(18,000) bbl/d	USD	\$(5.75)/bbl
July 2022 - December 2022	Gas	Swap	AECO ⁽³⁾	(40,500) GJ/d	CAD	\$2.23/GJ
January 2023 - March 2023	Gas	Swap	AECO ⁽³⁾	(42,000) GJ/d	CAD	\$2.20/GJ
April 2023 - December 2023	Gas	Swap	AECO ⁽³⁾	(34,000) GJ/d	CAD	\$2.14/GJ

(1) West Texas Intermediate ("WTI") refers to the calendar monthly average based on the daily settlement of the New York Mercantile Exchange prompt month contract.

(2) ARV/WTI differential contracts fix the price differential between Argus WCS Houston ("ARV") and WTI.

(3) AECO refers to the monthly average of AECO Daily (5A) index price.



Term	Product	Contract	Reference	Volume (bbl/d)	Strike Price (USD/bbl)	Premium ⁽¹⁾ (USD/bbl)
July 2022 - September 2022	Oil	Call	WTI	31,650	\$105.57/bbl	\$10.39/bbl
October 2022 - December 2022	Oil	Call	WTI	29,900	\$104.46/bbl	\$10.55/bbl
January 2023 - March 2023	Oil	Call	WTI	30,400	\$99.46/bbl	\$11.45/bbl
April 2023 - June 2023	Oil	Call	WTI	30,400	\$99.07/bbl	\$11.45/bbl

(1) Premium relates to the deferred cost of the call options noted above, payable at the time of settlement.

The fair value of the derivative commodity contracts outstanding as at June 30, 2022 was \$(194,683) (December 31, 2021 – \$26,718). As at June 30, 2022, a 10 percent decrease to the reference commodity price used to calculate the fair value of these contracts would result in an increase in their fair value of approximately \$73,995.

During the six months ended June 30, 2022, the Company entered into certain US dollar WTI risk management contracts which were then monetized via early settlement resulting in a realized net loss of \$22,990 which was recognized in the statement of income (loss) and comprehensive income (loss).

Foreign exchange risk

The Company is exposed to foreign exchange risk because North American crude oil prices are denominated in US dollars. The Company is exposed to fluctuations in the CAD/USD foreign exchange rate as a result of crude oil sales. In addition, the settlement of the Company's risk management contracts is directly impacted by the exchange rate on the repayment date. To manage the impact of currency exchange fluctuations, the Company may enter into agreements to fix the foreign exchange rate.

The following is a summary of the Company's outstanding positions for foreign exchange risk management contracts at June 30, 2022:

Term	Currency	Contract Type	Value /month	Collar Floor (CAD/USD)	Collar Ceiling (CAD/USD)
July 2022 – December 2022	US Dollars	Collar	USD\$35,000	1.2301	1.2706
January 2023 – December 2023	US Dollars	Collar	USD\$30,500	1.2285	1.2707

The fair value of the foreign exchange contracts outstanding as at June 30, 2022 was \$(16,595) (December 31, 2021 - \$(12,504)). As at June 30, 2022, a \$0.05 increase to the CAD/USD exchange rate used to calculate the fair value of these contracts would result in a decrease in their fair value of approximately \$(20,668) whereas a \$0.05 decrease to the CAD/USD exchange rate used to calculate the fair value would result in an increase in their fair value of approximately \$18,736.

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates impact its borrowings under its debt facilities. The debt facilities are subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market interest rates. Increasing or decreasing interest rates by 1 percent would result in a change in the Company's income (loss) and comprehensive income (loss) for the six months ended June 30, 2022 of \$645 (June 30, 2021 – \$81). The Company had no interest rate swaps or financial contracts in place as at or during the six months ended June 30, 2022 (year ended December 31, 2021 – none).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its accounts receivable and risk management contracts.

As at June 30, 2022 and December 31, 2021, the majority of the Company's accounts receivable were due from purchasers of the Company's crude oil sales. Receivables from purchasers are generally collected on the 25th day of the month following sales. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit positions and by reviewing its exposure to individual counterparties on a regular basis.

To the extent that Serafina enters into financial derivative contracts to manage commodity price risk, the Company is exposed to credit risk associated with counterparties. The Company enters into derivative contracts with reputable institutions with strong credit ratings to mitigate this credit risk.

The maximum exposure to credit risk as at June 30, 2022 was \$49,858 being the carrying value of the Company's accounts receivable, income tax receivable and prepaid income taxes and risk management contract assets (December 31, 2021 - \$82,132).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The nature of the oil and gas industry is capital intensive and the Company believes that it has a sufficient amount of debt facilities and expected cash flows from operations to finance operating and capital expenditures. Management believes that these sources will be adequate to settle the Company's financial liabilities and commitments as they come due.

As at June 30, 2022, the Company had \$222,980 undrawn on its debt facilities.

The expected timing of cash flows relating to financial liabilities as at June 30, 2022 are as follows:

	Total	< 1 year	1 - 2 years	2 - 5 years	Thereafter
Accounts payable and accrued liabilities	120,233	120,233	-	-	-
Risk management contracts	222,031	216,196	5,835	-	-
Debt facilities	50,000	-	50,000	-	-
Lease liabilities	19,127	8,950	4,991	753	4,433
	411,391	345,379	60,826	753	4,433

To the extent that Serafina enters into financial derivative contracts to manage its exposure to commodity price risk, it may be subject to liquidity risk as derivative liabilities become due. Derivative instruments are not entered into for speculative purposes and management closely monitors commodity risk exposure in comparison to forecasted sales volumes. Liquidity risk is partially mitigated as losses realized on derivative contracts due to high commodity prices are generally accompanied by increased cash flows from sales in a high commodity price environment. Conversely, when commodity prices are low, gains realized on derivative contracts can partially offset reduced cash flow.

11. Income taxes

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Current income tax expense (recovery)	35,873	(1,380)	55,573	(3,444)
Deferred income tax expense (recovery)	(22,537)	2,569	(57,169)	(15,687)
Income tax expense (recovery)	13,336	1,189	(1,596)	(19,131)

During the three and six months ended June 30, 2022, the Company recognized current income tax expense of \$35,873 and \$55,573, respectively, as net income for tax purposes exceeded available tax deductions for the periods. During the three and six months ended June 30, 2021, the Company recognized a current income tax recovery of \$1,380 and \$3,444, respectively, as available tax deductions exceeded net income for tax purposes for the periods.

12. Commitments

The Company has the following commitments as at June 30, 2022 in addition to those disclosed in Note 7:

	2022	2023	2024	2025	2026+	Total
Office space	229	-	-	-	-	229
Gas transportation agreements	4,691	8,490	8,303	5,687	10,540	37,711
Transportation leases	1,152	-	-	-	-	1,152
Electrical services	689	1,061	835	511	159	3,255
Other	95	36	-	-	-	131
Total	6,856	9,587	9,138	6,198	10,699	42,478

Gas transportation commitments typically relate to firm service agreements for the future delivery of natural gas to the Company's projects which vary in length from one to ten years. Transportation lease commitments typically relate to rail car lease agreements that are short-term in nature. Electrical services commitments typically relate to five-year firm service agreements for the future delivery of electricity to the Company's projects.

In addition to the above, the Company has the following US dollar commitments:

Expressed in thousands of US Dollars	2022	2023	2024	2025	2026+	Total
Oil transportation agreement	5,000	10,000	10,000	-	-	25,000

During the six months ended June 30, 2021, Serafina entered into a three-year contract with a carrier for transportation of a portion of its oil sales. Transportation under the contract commenced January 1, 2022 and the Company is subject to a volume commitment equal to US\$10,000 in each of the three contracted years.

13. Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Accounts receivable	(12,192)	6,466	(16,671)	17,895
Inventory	(7,095)	-	(16,648)	-
Deposits and prepaid expenses	(3,298)	(289)	(3,556)	(195)
Income tax receivable and prepaid income taxes	43,628	(1,332)	32,312	(3,396)
Accounts payable and accrued liabilities	27,876	26,119	7,022	44,954
Income tax payable	-	406	(17,271)	565
Deferred revenue	(5,820)	(16,529)	7,958	(16,232)
Net change in non-cash working capital	43,099	14,841	(6,854)	43,591
Allocated to:				
Operating activities	63,123	(4,930)	22,194	14,631
Investing activities	(20,024)	19,771	(29,048)	28,960
	43,099	14,841	(6,854)	43,591

14. Subsequent event

Subsequent to June 30, 2022, Serafina and a private oil and gas company (the “Purchaser”) entered into a definitive agreement under which the Purchaser will acquire securities which will result in Serafina becoming a wholly owned subsidiary of the Purchaser. The transaction was valued at \$2.3 billion and was unanimously approved by the Boards of Directors of Serafina and the Purchaser and the Serafina shareholders. The transaction is expected to close on or about August 29, 2022.

SCHEDULE D

PRO FORMA FINANCIAL STATEMENTS

(See attached).



STRATHCONA

RESOURCES LTD

**PRO FORMA CONSOLIDATED STATEMENT OF INCOME AND
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(Unaudited)**

Unaudited Pro Forma Consolidated Statement of Income and Comprehensive Income

The accompanying unaudited pro forma consolidated statement of income and comprehensive income for the year ended December 31, 2022 gives effect to the transaction between Strathcona Resources Ltd. (the "**Company**" or "**Strathcona**") and Serafina Energy Ltd. ("**Serafina**") under the acquisition method of accounting. On August 29, 2022, Strathcona acquired all the issued and outstanding common shares of Serafina for an aggregate purchase price of \$2.3 billion, comprised of a cash payment of \$1.9 billion on closing of the transaction and the issuance of \$400.0 million principal amount of non-interest bearing senior unsecured notes, which were paid in full as of December 30, 2022 (the "**Acquisition**"). The unaudited pro forma consolidated statement of income and comprehensive income for the year ended December 31, 2022, gives effect to the Acquisition as if it had closed on January 1, 2022.

The unaudited pro forma consolidated statement of income and comprehensive income is presented for informational purposes only. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma consolidated statement of income and comprehensive income. The unaudited pro forma consolidated statement of income and comprehensive income does not give effect to potential cost savings, operating synergies, and revenue enhancements, if any, that resulted from the Acquisition or the costs to achieve these cost savings, operating synergies, and revenue enhancements.

STRATHCONA RESOURCES LTD.

Pro Forma Consolidated Statement of Income and Comprehensive Income

In Canadian \$millions, except per share amounts (unaudited)

For the Year Ended December 31, 2022	Strathcona Resources Ltd. ⁽¹⁾	Serafina Energy Ltd. ⁽²⁾	Serafina Energy Ltd. ⁽³⁾	Presentation Adjustments ⁽⁴⁾	Income Adjustments ⁽⁵⁾	Combined
				Note	Note	
Revenues and other income						
Oil and natural gas sales	4,343.4	689.5	242.0	-	-	5,274.9
Sales of purchased products	64.7	-	-	-	-	64.7
Royalties	(666.8)	(67.2)	(22.5)	-	-	(756.5)
Oil and natural gas revenues	3,741.3	622.3	219.5	-	-	4,583.1
Loss on risk management contracts	(188.2)	(313.1)	(13.6)	-	-	(514.9)
Other income	5.3	-	(0.9)	-	-	4.4
	3,558.4	309.2	205.0	-	-	4,072.6
Expenses						
Purchased product	64.3	-	-	-	-	64.3
Blending costs	1,037.9	-	0.2	12.5 2(a)	-	1,050.6
Blending and transportation	-	107.8	-	(107.8) 2(a)	-	-
Production and operating	640.2	99.0	30.3	-	-	769.5
Transportation and processing	258.2	-	47.9	95.3 2(a)	-	401.4
Acquired inventory	54.2	-	-	-	-	54.2
General and administrative	68.8	14.3	3.5	-	-	86.6
Interest	109.4	-	-	5.2 2(b)	70.4 3(a)	185.0
Transaction related costs	11.2	-	23.0	-	-	34.2
Finance costs	29.8	6.0	1.1	(5.2) 2(b)	2.6 3(b)	34.3
Depletion, depreciation and amortization	395.7	88.5	34.9	-	21.0 3(c)	540.1
Foreign exchange loss	43.7	-	-	-	-	43.7
Unrealized loss on Sable remediation fund	0.7	-	-	-	-	0.7
Share based compensation	-	0.9	-	-	-	0.9
	2,714.1	316.5	140.9	-	94.0	3,265.5
Share of equity investment income	11.3	-	-	-	-	11.3
Gain on step acquisition of equity method investee	132.1	-	-	-	-	132.1
Loss on termination of lease liability	(1.4)	-	-	-	-	(1.4)
Income (loss) before taxes	986.3	(7.3)	64.1	-	(94.0)	949.1
Deferred tax (recovery) expense	(371.9)	(1.6)	16.5	-	(22.9) 3(d)	(379.9)
Income (loss) and comprehensive income (loss)	1,358.2	(5.7)	47.6	-	(71.1)	1,329.0
Net income per share						
Basic and Diluted ⁽⁶⁾	\$0.63					\$0.62

See accompanying notes to the pro forma consolidated statement of income and comprehensive income

(1) For the year ended December 31, 2022

(2) For the six months ended June 30, 2022

(3) For the period July 1, 2022 to August 28, 2022, being the day prior to closing of the Acquisition. Upon closing of the Acquisition, Strathcona and Serafina amalgamated and the results of the combined entities for August 29, 2022 to December 31, 2022 are reflected in the audited consolidated financial statements of Strathcona for the year ended December 31, 2022.

(4) Refer to Note 2 to this pro forma consolidated statement of comprehensive income.

(5) Refer to Note 3 to this pro forma consolidated statement of comprehensive income.

(6) Refer to Note 4 to this pro forma consolidated statement of comprehensive income.

STRATHCONA RESOURCES LTD.

Notes to the Pro Forma Consolidated Statement of Income and Comprehensive Income (unaudited)

1. BASIS OF PRESENTATION

The historical audited consolidated financial statements of the Company for the year ended December 31, 2022 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The historical unaudited financial statements of Serafina as at and for the three and six months ended June 30, 2022 and the historical unaudited statement of operations of Serafina for the period July 1, 2022 to August 28, 2022 were prepared in accordance with IFRS. The accompanying unaudited pro forma consolidated statement of income and comprehensive income utilizes accounting policies that are consistent with those disclosed in the audited consolidated financial statements of the Company for the year ended December 31, 2022 and were prepared in accordance with recognition and measurement principles of IFRS.

The unaudited pro forma consolidated statement of income and comprehensive income reflects the Acquisition as if it had closed on January 1, 2022 and has been prepared from:

- a. Strathcona's audited Consolidated Annual Financial Statements for the year ended December 31, 2022 and 2021;
- b. Serafina's unaudited Interim Financial Statements for the three and six months ended June 30, 2022 and 2021; and
- c. Serafina's unaudited Interim Statement of Operations for the period July 1, 2022 to August 28, 2022.

The accompanying unaudited pro forma consolidated statement of income and comprehensive income may not be indicative of the results that would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results which may be obtained in the future.

The accompanying unaudited pro forma consolidated statement of income and comprehensive income should be read in conjunction with the description of the Acquisition included in the Information Circular and the audited consolidated financial statements of the Company for the year ended December 31, 2022 attached as Schedule "A" to Appendix "H" of the Information Circular and the unaudited financial statements of Serafina as at and for the three and six months ended June 30, 2022 attached as Schedule "C" to Appendix "H" of the Information Circular.

2. PRO FORMA PRESENTATION ADJUSTMENTS

Certain reclassification adjustments have been made to the pro forma statement of income and comprehensive income to make the financial statement presentation of Serafina consistent to that of Strathcona including:

- a. \$107.8 million of Serafina's blending and transportation expense to blending costs in the amount of \$12.5 million and transportation and processing expense in the amount of \$95.3 million.
- b. \$5.2 million of Serafina's interest expense from finance costs to interest.

3. PRO FORMA INCOME ADJUSTMENTS

The pro forma income adjustments conform the financial statement amounts of Serafina to Strathcona's accounting policies and adjust to reflect that the Acquisition occurred on January 1, 2022.

- a. Interest expense has been adjusted upwards by \$70.4 million based on the net new debt incurred pursuant to the Acquisition. Incremental new debt was determined as new debt assumed by Strathcona less any debt of Serafina that was extinguished at the acquisition date. Interest on this incremental new debt was calculated based on the interest rate first in effect for the new debt and applied for the period of 2022 prior to closing of the Acquisition.
- b. Finance costs have been adjusted upwards by \$2.6 to conform Serafina's accounting policy with Strathcona's to utilize a credit adjusted discount rate to determine the discounted amount of decommissioning liabilities and associated accretion expense.
- c. Depletion expense was adjusted upwards to reflect an increase in the carrying value of property, plant and equipment assumed in the Acquisition to the fair value at the acquisition date.

STRATHCONA RESOURCES LTD.

Notes to the Pro Forma Consolidated Statement of Income and Comprehensive Income (unaudited)

Depletion expense was adjusted downwards to reflect the inclusion of present value future development costs in the determination of depletable base for purposes of depletion calculations to conform Serafina's accounting policy to Strathcona's.

The combined impact of these adjustments is an increase to depletion expense of \$21.0 million.

- d. Income tax – No adjustments for income taxes have been made outside of tax effecting the pro-forma adjustments described above at 24.4%, which was Strathcona's effective income tax rate in 2022. Deferred tax recovery was increased by \$22.9 million.

4. PRO FORMA NET INCOME PER SHARE

Net income per share is based on 2,140.8 million weighted average shares outstanding. No incremental shares were issued in connection with the Acquisition.

SCHEDULE E

STRATHCONA ANNUAL MD&A

(See attached).



STRATHCONA

RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations for Strathcona Resources Ltd. (the "**Company**" or "**Strathcona**"), formerly Cona Resources Ltd. ("**Cona**"), is dated August 24, 2023 and should be read in conjunction with the Company's audited consolidated financial statements (and related notes) as at December 31, 2022 and 2021 and January 1, 2021 and for the years ended December 31, 2022, 2021 and 2020. (the "**financial statements**"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), in Canadian dollars, except where indicated otherwise. The financial statements and this MD&A of Strathcona have been prepared by management and were approved by the Company's Board of Directors. This MD&A contains forward looking information; see "Forward-Looking Information and Statements" at the end of this MD&A for further information. The following MD&A also contains financial measures that do not have a standardized meaning under IFRS; see "Specified Financial Measures" at the end of this MD&A for further information.

All dollar amounts are referenced in Canadian dollars and, in the case of amounts presented in tabular form, in millions of Canadian dollars, in each case except when noted otherwise.

All per unit figures are based on commodity sales volumes, net of blending unless otherwise indicated. Sales volumes differ from production volumes as a result of changes in oil inventory and inter-segment eliminations. Refer to the "Segment Results" section of this MD&A for additional information.

DESCRIPTION OF BUSINESS

Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in western Canada, focused on thermal oil, enhanced heavy oil recovery and condensate-rich natural gas. The Company is privately owned by the limited partnerships forming Waterous Energy Fund and its affiliates (collectively, "**WEF**"), and management and employees of the Company.

The Company's long-term focus is growth in its intrinsic value per share. The Company pursues this via a combination of development of its existing oil and gas properties, and by acquiring new assets which are complimentary to the existing asset base.

CORPORATE TRANSACTIONS

2020

On January 7, 2020, Cona acquired Pengrowth Energy Corporation ("**Pengrowth**") for total consideration of \$731.2 million. The assets acquired are predominantly located in Alberta and British Columbia and include the Lindbergh thermal oil property located in Cold Lake, Alberta and the Groundbirch natural gas property located in Northeast British Columbia in the Montney region.

On August 14, 2020, the Company acquired and amalgamated with Strath Resources Ltd. ("**Strath**") and changed its name to Strathcona Resources Ltd. Strath was a private company with assets located in Northwest Alberta targeting liquids rich natural gas. At that time certain limited partnerships comprising of WEF and its affiliates held a majority interest in Strath and a 100% interest in the Company. The Company was considered the acquirer with total consideration paid being \$248.1 million (the "**Strath Combination**").

2021

On June 11, 2021, the Company acquired Osum Oil Sands Corp. ("**Osum**") for \$672.4 million of non-cash consideration satisfied by the issuance of common shares. Osum was a private company with bitumen assets located in Cold Lake, Alberta (the "**Osum Acquisition**").

On November 30, 2021, an affiliate of WEF ("**WEF Fund II**") and Strathcona jointly acquired Caltex Resources Ltd. ("**Caltex**") for total consideration of \$635.7 million. Immediately after closing, Strathcona held a 50.0% economic interest and a 44.4% voting interest in Caltex.

2022

On January 31, 2022, Stickney Resources Ltd. ("**Stickney**") was formed by Strathcona and WEF Fund II for the purpose of acquiring the Tucker asset. Stickney acquired the Tucker asset for cash consideration of \$800.0 million, before purchase price adjustments. Strathcona held a 65.6% economic interest and a 44.4% voting interest in Stickney immediately following the Tucker acquisition.

Also on January 31, 2022, immediately following the Tucker acquisition by Stickney, Strathcona exchanged \$30.9 million of its shares in Stickney with WEF Fund II in exchange for shares of Caltex (the "**Share Exchange**"). Following the Share Exchange, Strathcona held a 57.0% economic interest and a 44.4% voting interest in both Stickney and Caltex.

On March 11, 2022, Strathcona acquired the remaining 43.0% interest in Caltex for \$295.8 million of Class A common shares (the "**Caltex Acquisition**"). Strathcona's pre-existing equity investment was fair valued at \$392.1 million resulting in a total acquisition value of \$687.9 million.

Also on March 11, 2022, Strathcona acquired the remaining 43.0% interest in Stickney from WEF Fund II in exchange for \$242.0 million of Class A common shares (the "**Stickney Acquisition**"). Strathcona's pre-existing equity investment was valued at \$209.8 million resulting in a total acquisition value of \$451.8 million.

On August 29, 2022, Strathcona acquired all the issued and outstanding shares of Serafina Energy Ltd. ("**Serafina**") for aggregate consideration of \$2.3 billion, comprising a cash payment of \$1.9 billion and the issuance of \$400.0 million in non-interest bearing senior unsecured notes (the "**Serafina Acquisition**").

Collectively, all the above corporate transactions are referred to as the "**Acquisitions**" throughout this MD&A. Refer to Note 4 of the financial statements for further detail regarding Acquisitions and their values.

PRODUCTION VOLUMES

	Years Ended December 31		
	2022	2021	2020
Bitumen (bbl/d)	46,552	24,166	14,917
Heavy oil (bbl/d)	33,685	12,277	10,662
Condensate and light oil (bbl/d)	8,453	6,109	2,471
Total oil production (bbl/d)	88,690	42,552	28,050
Other NGLs (bbl/d)	7,329	6,428	2,313
Natural gas (mcf/d)	110,308	115,785	45,804
Total (boe/d)	114,404	68,278	37,997
% liquids	84%	72%	80%

Production volumes increased from 114,404 boe per day in 2022 from 68,278 boe per day in 2021 primarily because of the assets acquired through the Caltex Acquisition, the Stickney Acquisition, and the Serafina Acquisition.

Production volumes increased to 68,278 boe per day in 2021 from 37,997 boe per day in 2020 primarily because of the assets acquired through the Strath Combination and the Osum Acquisition.

BUSINESS ENVIRONMENT

	Years Ended December 31,		
	2022	2021	2020
Benchmark Pricing			
<i>US\$/bbl unless otherwise indicated</i>			
WTI ⁽¹⁾	94.23	67.91	39.40
WCS Hardisty ⁽²⁾	76.01	54.87	26.81
WCS USGC ⁽³⁾	85.80	64.11	35.85
WTI-WCS Hardisty differential	(18.22)	(13.04)	(12.60)
WTI-WCS USGC differential	(8.43)	(3.80)	(3.55)
AECO-NYMEX differential (US\$/MMbtu) ⁽⁴⁾	6.54	3.72	2.13
Condensate differential ⁽⁵⁾	(0.45)	0.29	(2.24)
Average FX rate (C\$/US\$)	1.3015	1.2536	1.3413
<i>CAD\$/bbl unless otherwise indicated</i>			
WTI ⁽¹⁾	122.38	85.11	52.53
WCS Hardisty ⁽²⁾	98.51	68.73	35.59
WCS USGC ⁽³⁾	111.27	80.23	45.34
AECO 5A (C\$/mcf) ⁽⁶⁾	5.31	3.62	2.23
Condensate par at Edmonton	121.78	85.47	49.84
AESO weighted average pool price (C\$/MWh) ⁽⁷⁾	162.46	101.93	46.72

(1) Calendar month average of West Texas Intermediate ("WTI") oil.

(2) Western Canadian Select ("WCS").

(3) United States Gulf Coast ("USGC").

(4) Relates to the Alberta Energy Company ("AECO") 7A Index / New York Mercantile Exchange ("NYMEX") Futures Last Day differential.

(5) Relates to the condensate / WTI differential at Edmonton.

(6) AECO hub pricing.

(7) Alberta Electric System Operator ("AESO") weighted average pool prices.

WTI has strengthened from 2020 to 2022 due to global demand recovery following the COVID-19 pandemic and the impact of the Russian invasion of Ukraine in February 2022. These increases were offset by the widening of the WTI-WCS differentials year-over-year due largely to outages at key refineries for Canadian crude oil and the increased competition from competitive crudes including the release of volumes from the US strategic petroleum reserves, which have similar characteristics to Canadian WCS crude oil.

For 2022, average natural gas prices increased 138% to CAD\$5.31 per mcf from CAD\$2.23 per mcf in 2020. The increases are primarily attributable to the need for and increased reliance on North American natural gas resulting from lower Russian exports, geopolitical unrest in eastern Europe and the continuing economic recovery from the COVID-19 pandemic which began in 2021.

REVENUE AND REALIZED PRICES

Oil and Natural Gas Sales – Net of Blending

(\$ millions, unless otherwise indicated)	Years Ended December 31		
	2022	2021	2020
Bitumen blend	2,358.8	864.2	277.2
Heavy oil, blended and raw	1,326.5	373.4	169.8
Condensate and light oil	341.3	147.0	45.5
Other natural gas liquids	96.8	64.6	14.4
Natural gas	220.0	123.1	31.9
Oil and natural gas sales	4,343.4	1,572.3	538.8
Gain (loss) on purchased product ⁽¹⁾	0.4	(1.0)	—
Bitumen – blending cost	(859.6)	(276.6)	(128.4)
Heavy oil – blending cost	(178.3)	(87.8)	(36.6)
Oil and natural gas sales – net of blending ⁽¹⁾	3,305.9	1,206.9	373.8

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A.

Through the three-year period presented, the primary driver of the increase in each of the revenue categories is the production added through the Acquisitions augmented by the increase in average benchmark commodity prices for both oil and natural gas over the same period. Blending costs have increased as a result of more diluent used to blend increased production, and the increase in the cost of condensate.

Realized Prices

	Years Ended December 31,		
	2022	2021	2020
Bitumen blend (\$/bbl) ⁽¹⁾⁽²⁾	89.39	66.45	26.92
Heavy oil, blended and raw (\$/bbl) ⁽¹⁾⁽²⁾	92.99	63.78	34.15
Condensate and light oil (\$/bbl)	116.32	81.39	49.59
Realized oil sales (\$/bbl)	93.25	67.45	31.66
Other natural gas liquids (\$/bbl)	36.19	27.50	17.13
Natural gas (\$/mcf)	5.46	3.64	2.92
Combined (\$/boe)	79.77	52.28	28.74

(1) Realized prices are calculated using oil and natural gas sales, net of blending.

(2) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A.

Strathcona's combined realized price increased to \$79.77 per boe in 2022 from \$52.28 in 2021 and \$28.74 per boe in 2020. These increases are consistent with changes in benchmark commodity prices as previously discussed.

ROYALTIES

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Crown royalties	444.3	103.3	11.1
Freehold royalties	38.2	9.4	3.3
Gross overriding royalties	169.8	28.6	6.6
Other royalties	14.5	6.4	3.5
Royalties	666.8	147.7	24.5
Royalty rate (%) ⁽¹⁾	20.2%	12.2%	6.6%

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

Royalties increased to \$666.8 million in 2022 from \$147.7 million in 2021 and \$24.5 million in 2020 due to increased production from the Acquisitions as well as increased royalty rates year over year. For the year ended December 31, 2022, the average effective royalty rate was 20.2%, compared to 12.2% in 2021 and 6.6% in 2020. These percentage increases are primarily due to higher commodity prices year over year as well as certain of its thermal oil properties in Cold Lake transitioning to "post-payout" royalty status.

PRODUCTION AND OPERATING EXPENSES

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Production and operating – Energy	330.2	59.8	33.4
Production and operating – Non-energy	310.0	171.8	110.9
Production and operating expenses	640.2	231.6	144.3
Production and operating – Energy (\$/boe)	7.97	2.59	2.57
Production and operating – Non-energy (\$/boe)	7.48	7.43	8.52
Production and operating expenses (\$/boe)	15.45	10.02	11.09

Production and operating expenses increased to \$640.2 million in 2022 from \$231.6 million in 2021 and \$144.3 million in 2020 as a result of the Acquisitions.

Energy production and operating expenses per boe increased to \$7.97 per boe in 2022 compared to \$2.59 per boe in 2021 and \$2.57 per boe in 2020. This increase is a function of both higher utility costs for natural gas and power and the corporate production profile being more heavily weighted towards thermal production as a result of the Osum Acquisition, the Stickney Acquisition, and the Serafina Acquisition, which were completed in 2021 and 2022.

Non-energy production and operating expenses remained consistent at \$7.48 per boe in 2022 compared to \$7.43 per boe in 2021, however decreased from \$8.52 per boe in 2020. The decrease from 2020 is primarily attributable to the production acquired through the Strath Combination which increased the Company's gas weighting as gas properties carry a lower operating cost structure compared to the Company's legacy heavy oil properties.

TRANSPORTATION AND PROCESSING EXPENSES

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Transportation	232.5	79.8	49.7
Processing	25.7	23.9	8.2
Transportation and processing expenses	258.2	103.7	57.9
\$ per boe	6.23	4.49	4.45

Transportation and processing expenses increased to \$258.2 million in 2022 from \$103.7 million in 2021 and \$57.9 million in 2020 primarily due to increased production volumes from the properties acquired in the Acquisitions.

Transportation and processing expenses per boe increased to \$6.23 per boe in 2022 from \$4.49 per boe in 2021 and \$4.45 per boe in 2020. The increase in 2022 is primarily due to the addition of production acquired through the Caltex Acquisition and the Serafina Acquisition which are transported by truck and rail resulting in a higher transportation cost per barrel than legacy Strathcona production, which is primarily transported by pipeline.

ACQUIRED INVENTORY

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Acquired inventory	54.2	—	—
\$ per boe	1.31	—	—

Acquired inventory represents the cost paid by Strathcona through the Serafina Acquisition for oil inventory in transit at the close date of the acquisition. These volumes were sold in the month following and recorded as sales with no associated gain or loss.

DEPLETION, DEPRECIATION AND AMORTIZATION (“DD&A”) AND IMPAIRMENT EXPENSES

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Depletion ⁽¹⁾	380.5	171.9	75.0
Depreciation and amortization	15.2	12.5	8.9
DD&A	395.7	184.4	83.9
\$ per boe	9.55	\$7.98	6.45
(Reversal of Impairment) Impairment ⁽¹⁾	—	(161.1)	80.1

(1) Effective December 31, 2022 Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted rate, which was applied retrospectively. As a result, certain figures have been restated. Refer to “Voluntary Change in Accounting Policy and Reclassification” section of this MD&A.

DD&A expense increased to \$395.7 million (\$9.55 per boe) in 2022 from \$184.4 million in 2021 (\$7.98 per boe) and \$83.9 million (\$6.45 per boe) in 2020 due to increased sales volumes as a result of the Acquisitions and an increased weighting to properties with higher depletion rates. At December 31, 2022, the Company evaluated its cash generating units (“CGUs”) for indicators of impairment and determined that no indicators were present.

At September 30, 2021, the Company evaluated its CGUs for indicators of impairment or reversal of previously recognized impairment and determined that no indicators of impairment were present. As a result of an increase in forward benchmark commodity prices at September 30, 2021 compared to December 31, 2020 as well as increases to proved plus probable reserves within certain CGUs, the Company conducted a test for reversal of impairment for its Lloydminster Heavy Oil CGU. The Company recorded impairment reversals for the Lloydminster Heavy Oil CGU in the amount of \$71.2 million (total recoverable amount of \$1.0 billion), which was recognized in the reversals of impairment in the Consolidated Statement of Comprehensive Income in the Company's financial statements.

The impairment test of property, plant and equipment ("PP&E") at December 31, 2021 concluded that the fair value less costs of disposal of the Lloydminster Heavy Oil and Cold Lake Thermal CGUs exceeded their respective carrying amounts. As a result, the Company recorded impairment reversals for the Lloydminster Heavy Oil CGU in the amount of \$76.7 million (total estimated recoverable amount of \$1.1 billion) and the Cold Lake Thermal CGU in the amount of \$13.2 million (total estimated recoverable amount of \$2.3 billion) which was recognized in the Consolidated Statement of Comprehensive Income in the Company's financial statements. Discounted future cash flows were determined using a pre-tax rate of 20%. This represents the full amount of previous impairment charges eligible to recover in the Lloydminster Heavy Oil and Cold Lake Thermal CGUs.

At December 31, 2020, the Company completed impairment tests over all of its CGUs. In estimating the recoverable amount of each CGU, the Company incorporated the net present value of the before-tax cash flows from proved plus probable reserves of each CGU based on reserves estimated by the Company's independent reserve evaluator at December 31, 2020. As a result of its impairment test at December 31, 2020, the Company recognized a total impairment loss of \$80.1 million with respect to its Lloydminster Heavy Oil CGU (\$93.9 million) partially offset by a reversal of impairment at its Cold Lake Thermal CGU (\$13.8 million). The \$13.8 million in impairment reversals increased the carrying value of the Cold Lake Thermal CGU to its recoverable amount of \$629.8 million. The \$93.9 million in impairment reduced the carrying value of the Lloydminster Heavy Oil CGU to its recoverable amount of \$883.8 million.

GENERAL AND ADMINISTRATION EXPENSES ("G&A")

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
G&A expenses	68.8	43.9	27.7
\$ per boe	1.66	1.90	2.13

G&A expenses increased to \$68.8 million (\$1.66 per boe) in 2022 from \$43.9 million (\$1.90 per boe) in 2021 and \$27.7 million (\$2.13 per boe in 2020) primarily due to higher staffing levels, consultant fees and information technology costs incurred following the Acquisitions. The G&A expenses on a per boe basis decreased over the same period as the Company was able to capture cost efficiencies over a larger production base.

INTEREST

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Interest expense	109.4	37.3	26.1
Weighted average interest rate (%)	5.5%	5.3%	4.8%

Interest expense increased to \$109.4 million (5.5%) in 2022 from \$37.3 million in 2021 (5.3%) in 2021 and \$26.1 million (4.8%) in 2020 due to higher debt levels as a result of the Acquisitions, increased interest rates resulting from the issuance of US\$500 million of high yield bonds in 2021 and the term loan entered into as part the Serafina Acquisition in 2022.

FINANCE COSTS

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Accretion of lease obligations	11.4	12.1	8.3
Accretion of decommissioning provision ⁽¹⁾	9.5	7.1	6.6
Amortization of debt issuance costs	8.9	4.2	2.8
Write-off of debt issuance costs	—	3.4	1.4
Finance costs	29.8	26.8	19.1

(1) Effective December 31, 2022 Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted rate, which was applied retrospectively. As a result, certain figures have been restated. Refer to "Voluntary Change in Accounting Policy and Reclassification" section of this MD&A.

Finance costs increased to \$29.8 million in 2022 from \$26.8 million in 2021 and \$19.1 million in 2020 due to higher accretion on a larger leased asset portfolio, increased decommissioning liabilities assumed through the Acquisitions, and higher amortization of debt issuance costs related to incremental costs associated with entering new and amended debt agreements. The write-off of debt issuance costs in 2021 and 2020 relate to the derecognition of debt issuance costs incurred on lending agreements terminated in the respective periods.

INCOME TAX AND TAX POOLS

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Deferred tax expense (recovery)	(371.9)	—	—
Income tax expense (recovery)	(371.9)	—	—

Tax assets cannot be recognized unless the Company is reasonably certain of realization. The Company had unrecognized tax assets at the end of 2021 and 2020 that were able to be recognized during 2022 as a result of the Acquisitions.

Tax Pools

The Company had the following tax pools available for deduction in future periods:

(\$ millions, unless otherwise indicated)	Annual Pool Deduction Rate	As at December 31,		
		2022	2021	2020
Canadian oil and gas property expenditures	10 %	955.4	559.0	470.6
Canadian development expenditures ⁽¹⁾	30 %	731.0	436.1	381.2
Canadian exploration expenditures ⁽¹⁾	100 %	8.8	0.1	81.8
Undepreciated capital costs ⁽²⁾	4 % - 55 %	1,178.9	516.4	513.0
Non-capital losses	100 %	2,711.7	3,339.4	2,738.8
Other ⁽³⁾		452.3	427.2	237.5
Total tax pools		6,038.1	5,278.2	4,422.9

(1) Amount is net of tax pools where deductibility is uncertain.

(2) Approximately 97% (2021 – 95%, 2020 – 96%) of costs in this pool have an annual deduction rate of 25%.

(3) Other tax deductions include scientific research and experimental development costs and credits and financing costs. Approximately 86% (2021 – 91%, 2020 – 94%) of these deductions have an annual deduction rate of 100%.

RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities. These risks include credit risk, liquidity risk and market risk. There have been no significant changes in the Company's risk management policies or exposures during the year ended December 31, 2022.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This will arise principally from outstanding receivables related to oil and natural gas customers, counterparties related to financial derivative contracts and joint interest partners.

On entering into any business contract, the extent to which the arrangement exposes the Company to credit risk is considered. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with reputable counterparties, review the financial capacity of its counterparties, request prepayment as deemed advisable and, in certain circumstances, the Company may seek enhanced credit protection from a counterparty or purchase accounts receivable insurance.

Market risk

Market risk is the risk that the future fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is composed of commodity price risk, foreign exchange risk and interest rate risk. The Company uses financial risk management contracts to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects.

Commodity price risk

The Company's operational results and financial condition are largely dependent on the commodity price received for oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors. The Company uses financial derivative instruments and other commodity derivative mechanisms to help limit the adverse effects of commodity price volatility. However, the Company does not have commodity contracts in place for all its production and expects there will always be a portion that remains unhedged. Furthermore, the Company may use financial derivative instruments that offer only limited protection within selected price ranges. To the extent price exposure is hedged, the Company may forego the benefits that would otherwise be experienced if commodity prices increase.

The following table summarizes the Company's risk management contracts outstanding as of the date of this MD&A:

Term	Contract ⁽¹⁾	Index	Currency	Volume	Units	Price
Jul 1, 2023 - Sep 30, 2023	Swap	WTI	USD	76,000	bbl/d	\$76.21
Oct 1, 2023 - Dec 31, 2023	Swap	WTI	USD	77,000	bbl/d	\$77.77
Jan 1, 2024 - Jan 31, 2024	Swap	WTI	USD	80,000	bbl/d	\$76.77
Feb 1, 2024 - Feb 29, 2024	Collar	WTI	USD	80,000	bbl/d	\$60.00/\$93.00
Mar 1, 2024 - May 31, 2024	Swap	WTI	USD	5,000	bbl/d	\$48.10
Mar 1, 2024 - Aug 31, 2024	Bought Call ⁽²⁾	WTI	USD	15,739	bbl/d	\$165.00
Jul 1, 2023 - Sep 30, 2023	Sold Put	WTI	USD	76,000	bbl/d	\$60.00
Oct 1, 2023 - Dec 31, 2023	Sold Put	WTI	USD	77,000	bbl/d	\$60.00
Jan 1, 2024 - Jan 31, 2024	Sold Put	WTI	USD	80,000	bbl/d	\$60.00
Sept 1, 2023 - Jan 31, 2024	Swap	WCS	USD	3,000	bbl/d	(\$15.45)
Sept 1, 2023 - Dec 31, 2024	Swap	WCS	USD	10,000	bbl/d	(\$14.25)

(1) For swap contracts, Strathcona receives the fixed price and pays the index. Call options are in-the-money if the index price is above the strike price. For sold calls, Strathcona receives the strike price, and for bought calls, Strathcona pays the strike price. Put options are in-the-money if the index price is below the strike price. For sold puts, Strathcona pays the strike price. For collars, Strathcona receives the floor price if the index is below the floor and the cap price if the index is above the cap.

(2) This contract has a premium of US\$13.35/bbl payable over the term of the contract.

(3) The Company has a premium of US\$14.45/bbl on expired contracts of 14,400 bbl/d which is payable from March 1, 2024 to August 31, 2024.

The following table summarizes the Company's gains and losses on risk management contracts:

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Realized (loss) gain on risk management contracts	(278.6)	(279.6)	4.0
Unrealized gain (loss) on risk management contracts	90.4	(40.8)	(27.2)
Total (loss) gain on risk management contracts	(188.2)	(320.4)	(23.2)
Realized (loss) gain on risk management contracts per boe	(6.72)	(12.10)	0.31

Realized gains and losses on risk management contracts represent the cash settlement of gain or loss positions on WTI crude oil contracts, WCS crude oil contracts, AECO natural gas contracts and foreign exchange contracts. The realized hedging loss on commodity contracts for the periods ended December 31, 2022 and 2021 were due to higher realized prices in comparison to contracted hedge pricing. Unrealized gains and losses represent the change in the mark-to-market values of these contracts period-over-period due to the fluctuation of forward commodity prices and exchange rates. As at December 31, 2022, the mark-to-market value of risk management contracts was a net liability of \$212.6 million (2021 – net liability of \$119.2 million, 2020 – net liability of \$27.5 million). The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 16 to the financial statements.

Foreign exchange risk

The Company is exposed to fluctuations of the CAD to USD exchange rate given commodity pricing is directly influenced by USD denominated benchmark pricing. In addition, the Company periodically borrows from its Credit Facilities in USD and the Senior Notes are denominated in USD. The Company actively manages foreign exchange risk using foreign exchange derivatives.

The following table summarizes the Company's foreign exchange contracts on revenues as at December 31, 2022:

Term	Contract	USD per Month	CAD/USD Floor	CAD/USD Ceiling
Mar 1, 2024 - Feb 28, 2025	Collar	30.5 million	1.2081	1.2410

Refer to the "Capital Resources" section of this MD&A for information on the Company's cross-currency interest rate swaps related to debt.

Interest rate risk

The Company is exposed to movements in floating interest rates on the Credit Facilities and other liabilities. At December 31, 2022, an increase or decrease to interest rates of 50 basis points would result in a \$12.7 million impact on annualized interest expense (December 31, 2021 – \$1.5 million, December 31, 2020 – \$2.5 million). The Company is not exposed to interest rate risk on the Senior Notes as they bear a fixed interest rate.

TRANSACTION RELATED COSTS

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Transaction related costs	11.2	7.1	6.3

Transaction related costs primarily relate to the legal and consulting costs associated with corporate transactions, as well as consulting fees for the post acquisition integration of the Acquisitions into Strathcona's operations and systems.

CAPITAL EXPENDITURES

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Operating Segment			
Cold Lake Thermal	256.2	100.2	33.8
Lloydminster Heavy Oil	160.2	59.1	32.9
Montney	201.5	122.3	32.5
Corporate	3.0	0.9	1.6
Capital expenditures	620.9	282.5	100.8

Capital expenditures increased over the three-year period due to increased activity levels on the Company's growing asset base as a result of the Acquisitions.

For the year ended December 31, 2022, drilling, completion, and equipping activities accounted for \$375.8 million of capital expenditures as the Company drilled 135 wells in the year. The remainder of the capital program was allocated as: facilities and pipeline \$205.1 million; recompletions and workovers \$21.5 million; and other of \$18.5 million.

For the year ended December 31, 2021, drilling, completion and equipping activities accounted for \$190.6 million of capital expenditures as the Company drilled 78 wells in the year. The remainder of the capital program was allocated as: facilities and pipelines \$69.7 million; recompletions and workovers \$11.8 million; and other \$10.4 million.

For the year ended December 31, 2020, drilling, completion and equipping activities accounted for \$66.0 million of capital expenditures as the Company drilled 46 wells in the year. The remainder of the capital program was allocated as: facilities and pipelines \$23.2 million; recompletions and workovers \$4.8 million; and other \$6.8 million.

FOREIGN EXCHANGE

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Realized loss (gain) loss	(5.7)	(0.1)	—
Unrealized loss – Senior Notes	45.9	0.1	—
Unrealized loss (gain) – Credit Facilities	10.1	(0.2)	(4.1)
Unrealized (gain) loss – cross-currency swaps	(8.1)	0.2	3.7
Unrealized loss (gain) – other	1.5	0.1	—
Foreign exchange loss (gain)	43.7	0.1	(0.4)

Foreign exchange for the year ended December 31, 2022 resulted in a loss of \$43.7 million, compared to a loss of \$0.1 million in 2021 and a gain of \$0.4 million in 2020. The foreign exchange loss in 2022 was driven by unrealized losses on US denominated debt.

SEGMENT RESULTS

As a result of the anticipated filing of the financial statements with a regulator for the purpose of issuing shares in a public market, commencing in 2022, the Company became subject to the scope of IFRS 8, Operating Segments, refer to “Adoption of New Accounting Policies” section of this MD&A for additional information.

Strathcona has three operating segments:

- Cold Lake Thermal which includes three bitumen producing assets in the Cold Lake region of Northern Alberta: Lindbergh, Orion and Tucker;
- Lloydminster Heavy Oil which produces heavy oil and has multiple large oil-in-place reservoirs accessed through enhanced oil recovery techniques, primarily located in Southwest Saskatchewan; and
- Montney which includes assets in the Northwest Alberta Kakwa region and the Northeast British Columbia, Groundbirch region which produce natural gas, natural gas liquids, light oil and condensate.

All amounts not attributable to an operating segment are captured in “Corporate and Eliminations”.

(\$ millions) For the Year Ended December 31,	Cold Lake Thermal			Lloydminster Heavy Oil			Montney			Corporate and Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Production volumes (boe/d)	46,552	24,166	14,917	33,975	12,355	10,758	33,877	31,757	12,322	—	—	—	114,404	68,278	37,997
Sales volumes (boe/d)	45,947	24,226	15,101	34,118	12,345	10,792	33,877	31,757	12,418	(414)	(5,023)	(2,776)	113,528	63,305	35,535
Oil and natural gas sales	2,358.6	863.3	278.1	1,331.4	375.0	173.6	672.8	403.3	97.9	(19.4)	(69.3)	(10.8)	4,343.4	1,572.3	538.8
Sales of purchased products	—	—	—	—	—	—	—	—	—	64.7	44.6	—	64.7	44.6	—
Blending costs	(878.6)	(312.2)	(128.4)	(178.3)	(87.8)	(36.6)	—	—	—	19.0	35.6	—	(1,037.9)	(364.4)	(165.0)
Purchased product	—	—	—	—	—	—	—	—	—	(64.3)	(45.6)	—	(64.3)	(45.6)	—
Oil and natural gas sales, net of blending costs⁽⁴⁾	1,480.0	551.1	149.7	1,153.1	287.2	137.0	672.8	403.3	97.9	—	(34.7)	(10.8)	3,305.9	1,206.9	373.8
Royalties	(419.0)	(78.7)	(8.7)	(151.1)	(39.5)	(15.6)	(96.7)	(29.5)	(0.2)	—	—	—	(666.8)	(147.7)	(24.5)
Production and operating – Energy	(246.3)	(72.2)	(27.5)	(80.6)	(19.9)	(15.4)	(3.3)	(2.4)	(1.3)	—	34.7	10.8	(330.2)	(59.8)	(33.4)
Production and operating – Non-energy	(132.2)	(56.3)	(32.3)	(123.8)	(70.2)	(58.3)	(54.0)	(45.3)	(20.3)	—	—	—	(310.0)	(171.8)	(110.9)
Transportation and processing	(69.2)	(34.2)	(25.4)	(114.4)	(9.6)	(12.0)	(74.6)	(59.9)	(20.5)	—	—	—	(258.2)	(103.7)	(57.9)
Acquired inventory	—	—	—	(54.2)	—	—	—	—	—	—	—	—	(54.2)	—	—
Field Operating Income⁽⁴⁾	613.3	309.7	55.8	629.0	148.0	35.7	444.2	266.2	55.6	—	—	—	1,686.5	723.9	147.1
DD&A	(120.8)	(52.5)	(26.6)	(191.2)	(58.7)	(38.5)	(72.6)	(62.5)	(18.7)	(11.1)	(10.7)	(0.1)	(395.7)	(184.4)	(83.9)
Reversal of impairment (Impairment)	—	13.2	13.8	—	147.9	(93.9)	—	—	—	—	—	—	—	161.1	(80.1)
General and administrative	—	—	—	—	—	—	—	—	—	(68.8)	(43.9)	(27.7)	(68.8)	(43.9)	(27.7)
Other income	—	—	—	—	—	—	—	—	—	5.3	11.0	15.9	5.3	11.0	15.9
Interest	—	—	—	—	—	—	—	—	—	(109.4)	(37.3)	(26.1)	(109.4)	(37.3)	(26.1)
Finance costs	—	—	—	—	—	—	—	—	—	(29.8)	(26.8)	(19.1)	(29.8)	(26.8)	(19.1)
Operating Earnings before Income Tax Expense⁽⁴⁾	492.5	270.4	43.0	437.8	237.2	(96.7)	371.6	203.7	36.9	(213.8)	(107.7)	(57.1)	1,088.1	603.6	(73.9)
Deferred tax recovery	—	—	—	—	—	—	—	—	—	371.9	—	—	371.9	—	—
Operating Earnings⁽⁴⁾										158.1	(107.7)	(57.1)	1,460.0	603.6	(73.9)
Gain (loss) on risk management contracts – realized	—	—	—	—	—	—	—	—	—	(278.6)	(279.6)	4.0	(278.6)	(279.6)	4.0
Gain (loss) on risk management contracts – unrealized	—	—	—	—	—	—	—	—	—	90.4	(40.8)	(27.2)	90.4	(40.8)	(27.2)
Foreign exchange gain (loss) – realized	—	—	—	—	—	—	—	—	—	5.7	0.1	—	5.7	0.1	—
Foreign exchange gain (loss) – unrealized	—	—	—	—	—	—	—	—	—	(49.4)	(0.2)	0.4	(49.4)	(0.2)	0.4
Transaction related costs	—	—	—	—	—	—	—	—	—	(11.2)	(7.1)	(6.3)	(11.2)	(7.1)	(6.3)
Unrealized loss on Sable remediation fund	—	—	—	—	—	—	—	—	—	(0.7)	(3.2)	3.2	(0.7)	(3.2)	3.2
Revaluation of share purchase liability	—	—	—	—	—	—	—	—	—	—	(18.0)	—	—	(18.0)	—
Gain on disposal of oil and natural gas properties	—	—	—	—	—	—	—	—	—	—	7.5	—	—	7.5	—
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	(2.2)	—	—	(2.2)
Share of equity investment income	—	—	—	—	—	—	—	—	—	11.3	2.2	—	11.3	2.2	—
Gain on step acquisition of equity method investee	—	—	—	—	—	—	—	—	—	132.1	—	—	132.1	—	—
Loss on termination of lease liability	—	—	—	—	—	—	—	—	—	(1.4)	—	—	(1.4)	—	—
Income (loss) and comprehensive income (loss)													1,358.2	264.5	(102.0)

(4) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A

(\$/boe) For the Year Ended December 31,	Cold Lake Thermal			Lloydminster Heavy Oil			Montney			Corporate and Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Oil and natural gas sales	98.31	67.84	35.93	98.51	74.07	40.09	54.41	34.79	21.54	(0.47)	(3.00)	(0.83)	87.36	57.12	34.53
Sales of purchased products	—	—	—	—	—	—	—	—	—	1.56	1.93	—	1.56	1.93	—
Blending costs	(10.06)	(5.51)	(8.84)	(5.91)	(10.33)	(5.41)	—	—	—	0.46	1.54	—	(7.60)	(4.80)	(5.79)
Purchased product	—	—	—	—	—	—	—	—	—	(1.55)	(1.97)	—	(1.55)	(1.97)	—
Oil and natural gas sales, net of blending costs⁽¹⁾	88.25	62.33	27.09	92.60	63.74	34.68	54.41	34.79	21.54	—	(1.50)	(0.83)	79.77	52.28	28.74
Royalties	(24.98)	(8.90)	(1.57)	(12.13)	(8.77)	(3.95)	(7.82)	(2.55)	(0.04)	—	—	—	(16.09)	(6.39)	(1.88)
Production and operating – Energy	(14.69)	(8.17)	(4.98)	(6.47)	(4.42)	(3.90)	(0.27)	(0.21)	(0.29)	—	1.50	0.83	(7.97)	(2.59)	(2.57)
Production and operating – Non-energy	(7.88)	(6.37)	(5.84)	(9.94)	(15.58)	(14.76)	(4.37)	(3.91)	(4.47)	—	—	—	(7.48)	(7.44)	(8.52)
Transportation and processing	(4.13)	(3.87)	(4.60)	(9.19)	(2.13)	(3.04)	(6.03)	(5.17)	(4.51)	—	—	—	(6.23)	(4.49)	(4.45)
Acquired inventory	—	—	—	(4.35)	—	—	—	—	—	—	—	—	(1.31)	—	—
Field Operating Netback⁽¹⁾	36.57	35.02	10.10	50.52	32.84	9.03	35.92	22.95	12.23	—	—	—	40.69	31.37	11.32
DD&A	(7.20)	(5.94)	(4.81)	(15.35)	(13.03)	(9.75)	(5.87)	(5.39)	(4.11)	(0.27)	(0.46)	(0.01)	(9.55)	(7.98)	(6.45)
Reversal of impairment (Impairment)	—	1.49	2.50	—	32.82	(23.77)	—	—	—	—	—	—	—	6.97	(6.16)
General and administrative	—	—	—	—	—	—	—	—	—	(1.66)	(1.90)	(2.13)	(1.66)	(1.90)	(2.13)
Other income	—	—	—	—	—	—	—	—	—	0.13	0.48	1.22	0.13	0.48	1.22
Interest	—	—	—	—	—	—	—	—	—	(2.64)	(1.61)	(2.01)	(2.64)	(1.61)	(2.01)
Finance costs	—	—	—	—	—	—	—	—	—	(0.72)	(1.16)	(1.47)	(0.72)	(1.16)	(1.47)
Operating Earnings before Income Tax Expense⁽¹⁾	29.37	30.57	7.79	35.17	52.63	(24.49)	30.05	17.56	8.12	(5.16)	(4.65)	(4.40)	26.25	26.17	(5.68)
Deferred tax recovery	—	—	—	—	—	—	—	—	—	—	—	—	8.97	—	—
Operating Earnings⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	35.22	26.17	(5.68)
Royalty Rate (%) ⁽¹⁾	28.3%	14.3%	5.8%	13.1%	13.8%	11.4%	14.4%	7.3%	0.2%	—	—	—	20.2%	12.2%	6.5%

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

Cold Lake Thermal

The production profile in the Cold Lake Thermal segment increased to 46,552 boe per day in 2022 from 24,166 boe per day in 2021 and 14,917 boe per day in 2020 primarily due to the addition of the Orion property, acquired through the Osum Acquisition in June 2021, and the Tucker property, acquired through the Stickney Acquisition in March 2022. The increasing production profile generally resulted in increased revenues and expenses over the three-year period.

Oil and natural gas sales in the Cold Lake Thermal segment increased to \$2,358.6 million in 2022 from \$863.3 million in 2021 and \$278.1 million in 2020 due to higher sales volumes and increasing benchmark commodity prices over the three-year period due to global demand recovery following the COVID-19 pandemic and the impact of the Russian invasion of Ukraine in February 2022.

Royalties as a percentage of sales increased to 28.3% in 2022 from 14.3% in 2021 and 5.8% in 2020 primarily due to a combination of higher commodity prices, the acquisition of the Tucker and Orion thermal properties which were post-payout upon acquisition, as well as Lindbergh reaching post-payout status in the third quarter of 2022.

Energy related production and operating costs per boe increased to \$14.69 per boe in 2022 from \$8.17 per boe in 2021 and \$4.98 per boe in 2020 primarily due to increased electricity and natural gas prices over the three-year period. Non-energy related production and operating costs per boe increased to \$7.88 per boe in 2022 from \$6.37 per boe in 2021 and \$5.84 per boe in 2020 primarily due to inflationary pressures on maintenance and other costs.

Lloydminster Heavy Oil

The production profile in the Lloydminster Heavy Oil segment increased to 33,975 boe per day in 2022 from 12,355 boe per day in 2021 and 10,758 boe per day in 2020 primarily due to the addition of the properties acquired through the Caltex Acquisition in March 2022, and the Saskatchewan Thermal properties, acquired through the Serafina Acquisition in August 2022. The increasing production profile generally resulted in increased revenues and expenses over the three-year period.

Oil and natural gas sales in the Lloydminster Heavy Oil segment increased to \$1,331.4 million in 2022 from \$375.0 million in 2021 and \$173.6 million in 2020 due to higher sales volumes and increasing benchmark commodity prices over the three-year period due to global demand recovery following the COVID-19 pandemic and the impact of the Russian invasion of Ukraine in February 2022.

Royalties as a percentage of sales decreased from 13.8% in 2021 to 13.1% in 2022 due to certain properties acquired through the Serafina Acquisition which carry a lower royalty rate compared to legacy Strathcona heavy oil production. Royalties as a percentage of sales increased from 11.4% in 2020 to 13.8% in 2021 primarily due to higher commodity prices.

Energy related production and operating costs per boe increased to \$6.47 per boe in 2022 from \$4.42 per boe in 2021 and \$3.90 per boe in 2020 primarily due to increased electricity and natural gas prices over the three-year period and the addition of the properties acquired through the Serafina Acquisition which have higher energy demands as part of normal steam-assisted gravity drainage operations. Non-energy related production and operating costs per boe decreased to \$9.94 per boe in 2022 from \$15.58 per boe in 2021 due to the addition of the properties acquired in the Caltex and Serafina Acquisitions which carry a lower operating cost structure as a result of newer wells and infrastructure compared to the Companies legacy heavy oil properties. Non-energy operating costs per boe remained relatively unchanged from 2020 to 2021.

Transportation and processing costs increased to \$9.94 per boe in 2022 from \$2.13 per boe in 2021 and \$3.04 per boe in 2020. The increases are primarily due to the addition of legacy Serafina and Caltex oil volumes which are transported to their respective sales points by rail and truck resulting in higher transportation costs per barrel than legacy Strathcona heavy oil volumes which are transported by pipeline.

Acquired inventory represents the cost paid by Strathcona through the Serafina Acquisition for oil inventory in transit at the close date of the acquisition. These volumes were sold in the month following and recorded as sales with no associated gain or loss.

Montney

Production in the Montney segment increased to 33,877 boe per day in 2022 compared to 31,757 boe per day in 2021 primarily due to strong well results from the 2021 and 2022 drilling programs at Kakwa and Groundbirch. Production increased from 12,322 boe per day in 2020 to 31,757 boe per day in 2021 due to the properties acquired through the Strath Combination. The increasing production profile generally resulted in increased revenues and expenses over the three-year period.

Oil and natural gas sales in the Montney segment increased to \$672.8 million in 2022 from \$403.3 million in 2021 and \$97.9 million in 2020 due to higher sales volumes and increasing benchmark commodity prices over the three-year period due to global demand recovery following the COVID-19 pandemic and the impact of the Russian invasion of Ukraine in February 2022.

Royalties as a percentage of sales increased to 14.4% in 2022 from 7.3% in 2021 due to increased commodity prices as well as an increased weighting to production from wells that no longer qualify for provincial incentive royalty rates.

On a per boe basis energy related operating costs and non-energy related operating remained relatively unchanged over the three-year period.

Transportation and processing costs increased to \$6.03 per boe in 2022 from \$5.17 per boe in 2021 and \$4.51 per boe in 2020. The increases are primarily the result of higher volumes of condensate resulting from a successful drilling program that had to be trucked to sales points prior to the completion of additional pipeline capacity expected to be completed in 2023.

Corporate and Eliminations

Natural gas and condensate produced from Strathcona's Montney segment economically offsets consumption at the Cold Lake Thermal and Lloydminster Heavy Oil segments. Strathcona utilizes Company production internally when it is economically beneficial to do so as compared to purchasing third party production. Average daily sales volumes, oil and natural gas sales, blending costs, and production and operating – energy amounts represent the elimination of these intersegment transactions.

CAPITAL RESOURCES

Bank Credit Facilities

Covenant-Based Revolving Credit Facility

At December 31, 2022 the Company had a covenant-based revolving credit facility of \$2.0 billion with a syndicate of Canadian, U.S. and international banks (the “**Revolving Credit Facility**”).

The Revolving Credit Facility has a maturity date of February 27, 2026. There are no mandatory payments on the Revolving Credit Facility. In addition, the covenant-based Revolving Credit Facility is not a borrowing base facility and does not require annual or semi-annual reviews.

The Revolving Credit Facility bears interest at the applicable prime lending rate, base rate, bankers' acceptance or Secured Overnight Financing Rate (“**SOFR**”) plus applicable margins. The applicable margin charged by the lenders is dependent on the Company's Senior Debt to Adjusted EBITDA ratio (as defined below) for the most recently completed quarter. The Revolving Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

At December 31, 2022 the Company had letters of credit outstanding under the Revolving Credit Facility of \$12.5 million.

Term Credit Facility

At December 31, 2022 the Company had a \$700 million term loan with a syndicate of Canadian banks (the “**Term Credit Facility**” and together with the Revolving Credit Facility, the “**Credit Facilities**”). The Term Credit Facility has a maturity date of February 29, 2024 and bears interest at the applicable prime rate lending or base rates plus 2.75%, or the applicable bankers’ acceptance or SOFR rates plus 3.75%. A duration fee of 0.25% is due on August 29, 2023 if the aggregate amount outstanding under the Term Credit Facility is greater than or equal to \$350.0 million.

The Term Credit Facility requires quarterly excess cash flow sweeps calculated based on the Company’s quarterly financial results. Excess cash flow sweeps are due within 10 days of the delivery of the financial statements to lenders. Excess cash flow is calculated as Adjusted EBITDA (as defined below) less cash capital and decommissioning expenditures, lease payments (to the extent not already deducted), taxes, interest expense and any extraordinary and non-recurring losses added back in the determination of Adjusted EBITDA. Payments on the Acquisition Notes (as defined below) are also deducted in the calculation of excess cash flow. A 100% excess cash flow sweep is required for the period commencing with the fiscal quarter ended December 31, 2022, and ending on the earlier of four fiscal quarters and the date on which the outstanding balance under the Term Credit Facility is less than \$350.0 million. Thereafter, the excess cash flow sweep is the greater of 50% of excess cash flow and \$116.7 million. The Revolving Credit Facility may be used for excess cash flow sweeps if there is availability of \$150.0 million after such payment. Mandatory prepayments are also required using 50% of the net cash proceeds from the issuance of hybrid securities or preferred shares (excludes common shares), certain debt issuances and certain asset sales. Payments made immediately reduce the Term Credit Facility.

An estimate of the excess cash flow sweep payments to be made over the next 12 months is recorded on the Company’s Consolidated Statement of Financial Position in the annual financial statements as a current liability. The estimated amount of \$295.0 million includes payments in respect of the quarters ending March 31, 2023, June 30, 2023 and September 30, 2023. There was no excess cash flow sweep for the quarter ending December 31, 2022 due to the repayment of the Acquisition Notes (as defined below). The estimate of excess cash flow is based on information from the Company’s budget process such as forecast commodity prices, forecast foreign exchange rates and planned capital expenditures. The provisions of the Term Credit Facility do not restrict the Company from making payments in excess of the cash flow sweep amounts.

The Term Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

While the Term Credit Facility is in place, the Company is required to maintain commodity hedges on at least 50% of forecast production (before royalties) on a rolling six-month basis.

Foreign Exchange Risk Management on US Denominated Debt

Strathcona periodically borrows in US dollars and concurrently enters into cross-currency interest rate swap contracts to take advantage of an interest rate arbitrage that results from the relationship between Canadian and US dollar interest rates and forward foreign exchange curves.

Foreign currency risk associated with these borrowings is eliminated at the time of borrowing as cross-currency interest rate swap contracts fix the principal and interest payments due at maturity. The terms of the Revolving Credit Facility and the Term Credit Facility allow the Canadian dollar equivalent of US borrowings to exceed contracted amounts due to fluctuations in foreign exchange, provided that settlement amounts have been fixed upfront using cross-currency interest rate swap contracts. Debt on the balance sheet includes the Canadian dollar equivalent of US borrowings translated at the period end exchange rate, which does not include the offsetting impact of cross-currency interest rate swaps. As at December 31, 2022 the cross-currency swap asset was \$4.3 million (December 31, 2021 – \$3.9 million liability, December 31, 2020 \$3.7 million liability) and total debt includes an unrealized loss of \$5.9 million (December 31, 2021 – unrealized gain of \$4.2 million, December 31, 2020 – unrealized gain of \$4.0 million) related to US borrowings on the Credit Facilities. Unrealized gains or losses on US borrowings and offsetting unrealized gains or losses on cross-currency swap assets are included in foreign exchange gains or losses in the annual financial statements.

As at December 31, 2022, the Company had the following cross-currency interest rate swap contracts outstanding:

Notional (US\$)	Maturity Date	Contract Price
1,776.8 million	January 6, 2023	CAD/USD 1.3521

Financial Covenants

At December 31, 2022, the Revolving Credit Facility and Term Credit Facility had three financial covenants which are calculated quarterly (as set out below). The financial covenant calculations under the Revolving Credit Facility and Term Credit Facility credit agreements (the “**Credit Agreements**”) are identical.

- (i) Total Debt to Adjusted EBITDA Ratio – All debt excluding the Financing Agreement, capital leases and letters of credit constituting debt (“**Total Debt**”), each as defined in the Credit Agreements shall not exceed 4.0 times trailing 12-month net income before non-cash items, income taxes, interest expense and extraordinary and non-recurring losses, adjusted for material acquisitions or dispositions as if they occurred on the first day of the calculation period (“**Adjusted EBITDA**”). For the purposes of Adjusted EBITDA, lease payments are deducted from the calculation if a lease would have been considered an operating lease before the adoption of IFRS 16. Total Debt may include the value of the Company’s undiscounted inactive abandonment and reclamation obligations for a material jurisdiction if the liability management ratio in that jurisdiction falls below the minimum maintenance level required under the Credit Agreements (1.0 in British Columbia and 2.0 in all other material jurisdictions). Liability management ratios are calculated by provincial regulators based on deemed asset and deemed liability values determined by the respective regulator, other than for British Columbia, which is calculated by the Company based on past practice of the BC Oil and Gas Commission.
- (ii) Senior Debt to Adjusted EBITDA Ratio – Total Debt excluding permitted junior debt (e.g. Senior Notes), as defined in the Credit Agreements, shall not exceed 3.5 times trailing 12-month Adjusted EBITDA.
- (iii) Interest Coverage Ratio – Trailing 12-month Adjusted EBITDA, shall not be less than 3.5 times cash interest expense, as defined in the Credit Agreements.

At December 31, 2022, the Company was in compliance with its financial covenants, summarized in the following table:

As at	December 31, 2022
Total Debt to Adjusted EBITDA ratio (≤ 4.00) ⁽¹⁾	1.67
Senior Debt to Adjusted EBITDA ratio (≤ 3.50) ⁽¹⁾	1.30
Interest coverage ratio (≥ 3.50) ⁽¹⁾	14.34

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A.

Acquisition Notes

Concurrent with the Acquisition of Serafina, Strathcona issued \$400.0 million principal of non-interest bearing senior unsecured notes (the “**Acquisition Notes**”). The Acquisition Notes were due in \$100.0 million installments, with the first installment made on October 3, 2022. As of December 31, 2022, the Acquisition Notes had been paid in full.

Senior Notes

At December 31, 2022, Strathcona had \$677.7 million (December 31, 2021 – \$631.9 million) of senior unsecured notes outstanding, in aggregate principal amount of US\$500.0 million, due August 1, 2026 (the “**Senior Notes**”). The Senior Notes bear interest at 6.875% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2022.

The Senior Notes are redeemable at Strathcona’s option, in whole or in part, commencing August 1, 2023 at the following redemption prices:

Date	Price
August 1, 2023	105.156%
August 1, 2024	101.719%
August 1, 2025 and thereafter	100.000%

The Senior Notes have no financial maintenance covenants.

Demand Letter of Credit Facility

The Company has a \$60.0 million demand letter of credit facility with a financial institution (the “**LC Facility**”) which is supported by an account performance security guarantee issued by Export Development Canada. The letters of credit outstanding under the LC Facility do not impact the Company’s borrowing capacity under the Credit Facility. At December 31, 2022, the Company had letters of credit in the amount of \$52.6 million (December 31, 2021 - \$47.8 million) outstanding under the LC Facility.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company’s policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include equity, long-term debt and working capital.

The Company generally relies on funds from operations and its Revolving Credit Facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds from operations, availability on the Revolving Credit Facility and the ability to access debt and equity markets. The Term Credit Facility has quarterly excess cash flow sweeps commencing with the quarter ended December 31, 2022. The amount due over the twelve months ending December 31, 2023 are estimated to be \$295.0 million. Excess cash flow sweeps are due within 10 days of the delivery of the quarterly financial statements to lenders. The Revolving Credit Facility may be used for excess cash flow sweeps if there is at least \$150.0 million of unutilized credit after such payment. All repayments of principal on the Revolving Credit Facility are due at its maturity date in February 2026.

The availability under credit facilities, net of cash, is summarized in the following table:

As at	December 31, 2022
Credit capacity	2,700.0
Credit facilities debt at period end exchange rate	(2,408.3)
Unrealized (gain) loss on US borrowings	5.9
Letters of credit outstanding	(12.5)
Availability	285.1
Cash	34.3
Availability under Credit Facilities, net of cash	319.4

The Company carries a working capital deficiency as part of its capital structure. As at December 31, 2022, the working capital deficiency was \$295.3 million (a non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A). Management believes current capital resources and the Company’s ability to manage cash flow and working capital levels will be sufficient to meet current and future obligations, including scheduled principal and interest payments, when they become due, fund currently planned capital expenditures, and satisfy other cash flow requirements for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary. The Company’s cash flow and the development of projects are dependent on factors discussed in the “Risk Factors” section of this MD&A.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The oil and natural gas industry is cyclical and commodity prices can be volatile both of which are expected to impact the Company’s future revenue and profitability. A sustained decline in commodity prices and increased inflation and interest rates could adversely affect our business, financial condition and results of operations, liquidity and ability to meet financial commitments when due or delay planned capital expenditures.

The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants under the Credit Facilities.

LEASE AND OTHER OBLIGATIONS

At December 31, 2022, Strathcona’s lease and other obligations totaled \$256.5 million (\$112.7 million at December 31, 2021). The increase is primarily attributable to leases acquired through the Serafina Acquisition and costs associated with the Financing Agreement (described below).

On December 29, 2022, the Company entered into an asset-backed financing agreement (the “**Financing Agreement**”) to sell certain processing facilities for total proceeds of \$137.0 million. Under the terms of the Financing Agreement, the Company retains legal title to the processing facilities but holds the beneficial interest in trust for the purchaser. The Company has recorded a corresponding financial liability in accordance with IFRS 9 – Financial Instruments for the Financing Agreement. The Financing Agreement has a maturity date of January 1, 2031 and bears interest at the applicable lending rate plus 7.00%. Interest payments are made on a monthly basis with principal payments beginning on August 1, 2023. The Company has the option to reduce principal payments and make interest and principal payments in kind until August 1, 2024. In addition, the Company may repurchase the processing facilities interest (the “**Repurchase Option**”) at any time at specified prices set out in the Financing Agreement. The Repurchase Option is a combination of the remaining principal balance and a varying option premium that is dependent on the time of exercise.

DECOMMISSIONING LIABILITY

At December 31, 2022, Strathcona’s discounted decommissioning provision balance was \$291.5 million (\$106.1 million at December 31, 2021) for future abandonment and reclamation of the Company’s oil and natural gas properties. The increase is primarily attributed to the changes in estimates, as well as the addition of decommissioning provisions related to the Acquisitions. During the year ended December 31, 2022, Strathcona reviewed and updated its cost and timing assumptions based on newly available information and recent changes to legislation. Strathcona recorded changes in estimates of \$104.4 million relating to changes in costs of future obligations and anticipated settlement dates of decommissioning liability.

Effective December 31, 2022, Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted discount rate. As a result, certain comparative figures have been restated. Refer to “Voluntary Change in Accounting Policy and Reclassification” section of this MD&A.

During the year ended December 31, 2022, the Company incurred \$23.2 million of decommissioning expenditures.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Strathcona has contractual obligations in the normal course of business which may include purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations, employee agreements and debt. These obligations are of a recurring, consistent nature and impact Strathcona's cash flows in an ongoing manner.

The following tables detail the undiscounted cash flows and contractual maturities of the Company's financial liabilities as at December 31, 2022:

	Total	<1 year	1-3 years	3-5 years	> 5 years
Revolving Credit Facility ⁽¹⁾	1,702.4	-	-	1,702.4	-
Term Credit Facility ⁽²⁾	761.6	350.1	411.5	-	-
Senior Notes ⁽³⁾	864.1	46.6	46.6	46.6	724.3
Accounts payable and accrued liabilities	652.9	652.9	-	-	-
Risk management liability	222.1	108.6	113.5	-	-
Lease and other obligations ⁽⁴⁾	433.3	41.9	87.8	82.0	221.6
Total	4,636.4	1,200.1	659.4	1,831.0	945.9

(1) Contractual amount reflects contracted settlement price on cross-currency interest rate swaps and excludes future interest payments on borrowings.

(2) Contractual amount reflects contracted settlement price on cross-currency interest rate swaps and includes interest payments and duration fee based on estimated excess cash flow sweeps.

(3) Amounts represent repayment of the Senior Notes and associated interest payments based on foreign exchange rates in effect on December 31, 2022.

(4) Amounts relate to undiscounted payments for lease and other obligations. The estimation of future cash payments related to other obligations are subject to forecast lending rates and timing of exercise of the Repurchase Option as defined and described in note 8 of the financial statements. The Repurchase Option under the Financing Agreement is assumed to be exercised on January 1, 2029.

As at December 31, 2022, the Company was committed to the following non-cancellable payments:

	Total	< 1 year	1-3 years	3-5 years	> 5 years
Transportation and processing commitments	1,266.1	168.3	300.5	229.0	568.3
Capital commitments	136.7	133.4	3.3	-	-
Other	11.5	4.4	5.6	1.5	-
Office lease ⁽¹⁾	3.0	0.7	1.0	1.0	0.3
Total	1,417.3	306.8	310.4	231.5	568.6

(1) Represents lease commitments where the lease term has not yet commenced.

Funding for payment of future commitments is anticipated to come through a combination of revenues from oil and natural gas sales, working capital and debt.

As a result of the Osum Acquisition, certain Osum shareholders exercised their rights of dissent under section 191 of the Business Corporations Act (Alberta) ("ABCA") in respect of the amount offered to be paid to acquire all of the Osum shares. As a result, the dissenting shareholders' shares were not converted into Strathcona shares and were not reflected in the share consideration for the transaction. During the year ended December 31, 2021, the Company paid the dissenting shareholders an interim payment of \$10.2 million. The dissent process is ongoing. Any difference between any final settlement amount and the interim payment made will be recorded upon completion of the dissent process.

Strathcona does not maintain off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources which are not disclosed in the notes to the annual financial statements.

SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of voting Class A common shares, an unlimited number of voting Class B common shares and an unlimited number of preferred shares. Each Class A common share is convertible at the option of the holder into one Class B common share and each Class B common share is convertible at the option of the holder into one Class A common share. The following table summarizes the number of shares outstanding:

Share Class	Shares outstanding as at August 24, 2023
Preferred shares	nil
Class A Common Shares	932,573,693
Class B Common Shares	1,254,131,751

The Company has no other outstanding securities which are convertible into shares.

RELATED PARTY TRANSACTIONS

On December 30, 2022, Strathcona amalgamated with one of its shareholders, WEF II Holdco Corp. ("**WEF II Holdco**") pursuant to the ABCA. Immediately prior to the amalgamation, WEF II Holdco was wholly-owned by one of WEF's limited partnerships, and had no liabilities or assets, other than its ownership of Strathcona shares. As part of the amalgamation, the 241.1 million Class A common shares held by WEF II Holdco were cancelled and 87.2 million Class A common shares and 153.9 million Class B common shares of Strathcona were reissued to one of WEF's limited partnerships.

Prior to the Caltex and Stickney Amalgamation, the Company provided management and administrative services to Caltex and Stickney. The fees received pursuant to this agreement from January 1, 2022 to March 11, 2022 totaled \$0.6 million for Stickney and \$1.3 million for Caltex. On March 11, 2022, the Company acquired the remaining interests in Caltex and Stickney from WEF Fund II as disclosed in the "Corporate Transactions" section of this MD&A.

On January 31, 2022, Strathcona issued an unsecured, interest-bearing loan in the amount of \$25.0 million to Stickney. The loan was extinguished when Stickney was amalgamated with Strathcona on March 11, 2022.

On January 31, 2022, the Share Exchange was completed whereby Strathcona exchanged \$30.9 million of its shares in Stickney with WEF Fund II for shares of Caltex. Immediately following the Share Exchange, Strathcona held a 57.0% economic interest and a 44.4% voting interest in both Stickney and Caltex. The remaining interests were held by WEF Fund II.

In December 2021, the Company provided an unsecured, interest-bearing loan to Caltex in the amount of \$10.0 million. This loan was repaid in full by December 31, 2021.

SUBSEQUENT EVENT

On July 31, 2023, Strathcona entered into an arrangement agreement to acquire Pipestone Energy Corp. ("**Pipestone**") for all share consideration (the "**Arrangement**"). Upon completion of the Arrangement, Strathcona will become a public reporting issuer in Canada. The Arrangement requires the approval of at least 66 2/3% of the votes cast by Pipestone shareholders at a special meeting to consider the transaction. The Arrangement provides for mutual break fees of \$25.0 million in the event the transaction is not completed or is terminated by either party in certain circumstances.

CRITICAL ACCOUNTING ESTIMATES

A summary of Strathcona's significant accounting policies can be found in Note 2 to the financial statements. The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are summarized below.

The evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels could change assumptions used to determine the recoverable amount of the Company's PP&E and exploration and evaluation ("E&E") assets and could affect the carrying value of those assets, may affect future development or viability of exploration prospects, may curtail the expected useful lives of oil and gas assets thereby accelerating depreciation charges and may accelerate decommissioning obligations increasing the present value of the associated provisions. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain. Environmental considerations are built into the Company's estimates through the use of key assumptions used to estimate fair value including forward commodity prices and discount rates. The energy transition could impact the future prices of commodities. Pricing assumptions used in the determination of recoverable amounts incorporate market expectations and the evolving worldwide demand for energy. Changes to assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Oil and natural gas reserves

Proved and probable reserves have been estimated by external experts and are based on a number of underlying assumptions including oil and natural gas prices, future costs, oil and natural gas in place and reservoir performance, all of which are inherently uncertain. Established industry techniques are used to generate these estimates, however, the reserves that are ultimately recovered from any field cannot be known with certainty until the end of the field's life. Changes in reserves estimates could have a material impact on unit-of-production rates used for depletion, timing of decommissioning obligations and impairment of oil and natural gas properties. The Company's reserves are evaluated annually and reported to the Company by its independent qualified reserves evaluator.

Identification of CGUs

For the purpose of the calculation of depletion and impairment testing, assets that cannot be tested individually are grouped together into CGUs, which are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Determination of what constitutes a CGU is subject to management's judgment. Factors considered in the classification include the integration between assets, shared infrastructure, the existence of common sales points, geography, geological structure and the manner in which management monitors and makes decisions about its operations. As such, the determination of a CGU can have a significant impact on impairment losses and reversals.

Recoverability of PP&E

The Company has significant investments in PP&E. Changes in circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the carrying value to be written down to its recoverable amount. Evaluating whether an asset is impaired requires a high degree of judgment in estimating relevant future cash flows, based on assumptions about the future market prices, production output and discount rates.

E&E assets

The accounting for E&E assets requires management to make judgments as to whether E&E investments have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such reserves to be estimated and could be impacted by a shift in demand as global energy markets transition to a lower carbon-based economy. Previous estimates are sometimes revised as new information becomes available.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the reserves is technically feasible and commercially viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have E&E assets remain classified as such for several years while additional E&E activities are carried out or the Company seeks government, regulatory, or internal approval for development plans. E&E assets are subject to ongoing management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. When management is making this assessment, changes to project economics, expected capital investments and production costs, results of other operators in the region, and access to infrastructure and potential infrastructure expansions are important factors considered.

Decommissioning provision

The Company has obligations in respect of decommissioning its oil and natural gas properties. The present value of the obligation is calculated based on estimated future cash flows, timing of remediation activities, estimated inflation rate and the credit adjusted discount rate applied. Assumptions, based on current economic factors which management believes are reasonable, have been made to estimate the future liability. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration.

Business combinations

Management is required to exercise judgment in determining whether assets acquired and liabilities assumed constitute a business. A business consists of an integrated set of assets and activities, comprised of inputs and processes, that is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method of accounting, whereby the net identifiable assets acquired are recorded at fair value. The fair value of individual assets is often required to be estimated, which may involve estimating the fair values of proved plus probable reserves, contingent resources, tangible assets, undeveloped land, intangible assets and other assets. These estimates incorporate assumptions using indicators of fair value, as determined by management. Changes in any of the estimates or assumptions used in determining the fair value of the net identifiable assets acquired may impact the carrying values assigned to assets acquired and liabilities assumed and could have a material impact on earnings.

Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Company's financial statements.

Valuation of derivative financial instruments

The calculation of the fair value of derivative financial instruments is estimated by discounting the difference between the contractual price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on Government of Canada bonds). Estimated amounts may differ from what will eventually be realized based on subsequent fluctuations in commodity prices.

Control assessment

A significant judgment relates to the consideration of control, joint control and significant influence in the Company's acquisitions and investments. This requires management to apply significant judgment to assess whether the investment structure results in the Company having control, joint control or significant influence over the investee, and to determine the classification of any non-controlling interest. The assessment of whether the Company has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as voting and liquidity rights.

Income taxes

The calculation of deferred income tax assets and liabilities is based on management's interpretation of applicable laws, regulations, relevant court decisions and estimates regarding the timing of reversals of temporary differences.

Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16 - Leases ("**IFRS 16**"). Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. The estimates and assumptions related to the application of IFRS 16 include:

Incremental borrowing rates are based on judgments including economic environment, term, currency and the underlying risk inherent to the asset. The carrying balance of the right-of-use ("**ROU**") assets, lease obligations and the resulting accretion and depreciation expense, may differ due to changes in the market conditions and lease term.

Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Financial Instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward curves for commodity prices and foreign exchange rates. A change in these factors could result in a change to the overall estimated valuation of the instrument.

Liquidity

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company.

ADOPTION OF NEW ACCOUNTING POLICIES

Segment Reporting

Commencing the second quarter of 2022 and upon integration of Stickney and Caltex, senior management including the chief operating decision maker are now analyzing the results of operations and performance on a segment basis. In conjunction, the Company adopted IFRS 8 – Operating Segments. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The reportable segments of the Company have been derived because: (a) they engage in business activities from which revenues are earned and expenses are incurred; (b) their operating results are regularly reviewed by the Company's chief operating decision maker, identified as the Company's President and Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) discrete financial information is available. The Company evaluates the financial performance and allocates resources to its operating segments primarily based on operating income. Operating income is defined as oil and natural gas sales less royalties, production and operating expenses, blending costs, transportation and processing expenses, and acquired inventory.

The Company has identified three operating segments through examination of the Company's performance which is based on the similarity of services and goods provided and economic characteristics exhibited by the operating segments. The three operating segments are: (1) Cold Lake Thermal; (2) Lloydminster Heavy Oil; and (3) Montney. See "Segment Results" in this MD&A for additional details on each operating segment.

The Company reports activities not directly attributable to an operating segment under Corporate and Eliminations. All inter-segment transactions are eliminated on consolidation.

VOLUNTARY CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION

Decommissioning Provision

Effective December 31, 2022, the Company voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit adjusted discount rate to determine the discounted amount of the liability presented at each balance sheet date. The Company previously utilized a risk-free discount rate to determine the discounted amount of its decommissioning liability. The Company believes that discounting the decommissioning provision using a credit adjusted discount rate more closely approximates the value at which such liabilities could be transferred to a third party, increases the comparability of its financial statements to peer companies, and results in more relevant information to the users of the consolidated financial statements. Concurrent with the voluntary accounting policy change, there was also an impact to depletion expense recorded in the respective periods due to change in estimated present value of future development costs at each period end for purposes of unit-of-production calculation.

This voluntary change in accounting policy was applied retrospectively. The effect of this change is described in Note 2 of the financial statements and below:

Reconciliation of the Consolidated Statements of Financial Position

As at	December 31, 2022	December 31, 2021			January 1, 2021		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Property, plant and equipment	120.4	3,383.8	(39.1)	3,344.7	2,188.2	(120.8)	2,067.4
Decommissioning provision	(26.7)	392.3	(286.2)	106.1	353.1	(315.5)	37.6
Deferred tax liability	34.4	—	—	—	—	—	—
Retained earnings (deficit)	112.7	(505.8)	247.1	(258.7)	(717.9)	194.7	(523.2)

Reconciliation of the Consolidated Statements of Comprehensive Income

For the year ended	2022	2021			2020		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Depletion, depreciation and amortization	(146.6)	267.4	(83.0)	184.4	169.0	(85.1)	83.9
Finance costs	(0.5)	25.1	1.7	26.8	16.7	2.4	19.1
Reversal of impairment	—	(190.0)	28.9	(161.1)	110.3	(30.2)	80.1
Deferred tax recovery	34.4	—	—	—	—	—	—
Net income (loss)	112.7	212.1	52.4	264.5	(214.9)	112.9	(102.0)
Net income (loss) per share							
Basic and Diluted	0.05	0.12	0.03	0.15	(0.20)	0.11	(0.09)

Reconciliation of the Consolidated Statements of Cash Flows

For the year ended	2022	2021			2020		
	Effect of change	Previous accounting policy	Effect of change	Restated	Previous accounting policy	Effect of change	Restated
Net income (loss)	112.7	212.1	52.4	264.5	(214.9)	112.9	(102.0)
Items not involving cash	(112.7)	147.3	(52.4)	94.9	311.8	(112.9)	198.9

Reclassification of Purchased Product

The Company has revised the presentation of certain expenses related to purchased product and the related sale of purchased product in the Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2021. The impact was an increase in oil and natural gas sales of \$1.0 million from \$1,571.3 million to \$1,572.3 million; an increase in sales of purchased products from \$nil to \$44.6 million; and an increase in purchased product from \$nil to of \$45.6 million. This reclassification had no impact on net income or cash flows.

RISK FACTORS

The Company's business is subject to numerous risks and uncertainties, any of which may adversely affect the Company's business and its financial results and results of its operations. Refer to the "Risk Factors" section in the management

information circular dated August 25, 2023 with respect to the proposed arrangement between the Company and Pipestone Energy Corp.

ADVISORIES

This MD&A contains various references to the abbreviation “boe” which means barrels of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet (“**mcf**”) of natural gas to one barrel (“**bbl**”) of crude oil. Boe may be misleading, particularly if used in isolation. A boe conversion rate of 1 bbl : 6 mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 bbl : 6 mcf, utilizing a conversion ratio of 1 bbl : 6 mcf may be misleading as an indication of value. References to “liquids” in this MD&A refer to, collectively, bitumen, heavy oil, condensate and light oil (comprised of condensate and light oil.)

NI 51-101 includes condensate within the natural gas liquids (NGLs) product type. The Company has disclosed condensate as combined with light oil and separately from other natural gas liquids in this MD&A since the price of condensate as compared to other natural gas liquids is currently significantly higher and the Company believes that this presentation provides a more accurate description of its operations and results therefrom.

The Company’s annual aggregate production for 2022, 2021 and 2020, and the references to “natural gas”, “crude oil” and “condensate”, reported in this MD&A consist of the following product types, as defined in NI 51-101 and using a conversion ratio of 6 mcf : 1 bbl where applicable:

	Years Ended December 31,		
	2022	2021	2020
Heavy crude oil (bbl/d)	33,685	12,277	10,622
Light and medium crude oil (bbl/d)	808	403	302
Total crude oil (bbl/d)	34,493	12,680	10,924
Bitumen (bbl/d)	46,552	24,166	14,917
NGLs (bbl/d)	14,974	12,134	4,522
Total liquids (bbl/d)	96,019	48,980	30,363
Conventional natural gas (mcf/d)	110,308	115,785	45,804
Total (boe/d)	114,404	68,278	37,997

SELECTED ANNUAL INFORMATION

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Oil and natural gas sales	4,343.4	1,572.3	538.8
Net income (loss)	1,358.2	264.5	(102.0)
Net income (loss) per share	0.63	0.15	(0.09)
Total assets	9,164.5	3,838.8	2,353.9
Total non-current liabilities	3,788.3	1,090.6	605.0

The Company's financial and operational results have fluctuated significantly in the years ended December 31, 2022, 2021 and 2020 due to the COVID-19 pandemic. In 2020, the economic collapse resulted in declines in commodity prices leading to shut-in production, apportionment, impairment charges and a resulting decrease of oil and natural gas sales and net income (loss). As the economy recovered in 2021 and 2022, the Company also completed the acquisitions of Osum, Caltex, Stickney and Serafina. The recovery of commodity prices coupled with the production acquired through acquisitions exponentially increased financial and operational results and allowed the Company to reverse impairment charges previously recorded. The Serafina Acquisition was funded through an increase in the borrowing base of the Company's Credit Facilities and contributed to the increase in non-current liabilities in 2022. The issuance of US\$500 million in Senior Notes contributed to the increase in non-current liabilities in 2021.

SUMMARY OF QUARTERLY RESULTS

(\$ millions, unless otherwise	2022				2021				2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating results (boe/d)									
Average production volumes	143,371	119,829	111,153	82,535	74,648	75,351	65,931	56,908	59,251
Average sales volumes	141,595	119,992	110,430	81,357	68,643	70,169	61,207	52,951	55,892
Financial Results									
Oil and natural gas sales	1,124.9	1,112.6	1,331.4	774.5	521.5	447.5	336.5	266.8	208.2
Net income (loss)	62.2	606.3	349.7	340.0	248.3	121.2	(57.4)	(47.6)	261.7
Net income (loss) per share	0.03	0.28	0.16	0.17	0.13	0.06	(0.04)	(0.03)	0.18
Cash flow from operating activities	482.2	373.5	391.9	207.7	126.0	142.5	82.2	47.9	41.0
Funds from Operations ⁽¹⁾	302.1	320.7	391.7	208.2	86.7	106.1	88.4	78.2	45.0
Free Cash Flow ⁽¹⁾	69.1	154.9	253.4	101.1	(7.3)	30.9	26.2	9.1	(5.6)
Field Operating Income ⁽¹⁾	395.1	432.4	538.2	320.8	228.0	219.6	156.7	119.6	89.0
Field Operating Netback (\$/boe) ⁽¹⁾	30.33	39.16	53.55	43.81	36.15	34.07	28.18	25.15	16.33
Capital expenditures	228.5	157.5	136.8	98.1	90.6	73.1	60.4	58.4	38.9
Decommissioning expenditures	4.5	8.3	1.4	9.0	3.4	2.1	1.8	10.7	11.7
Acquisitions	—	2,300.0	—	1,139.7	—	—	672.4	—	—
Total assets	9,164.5	9,416.3	6,091.0	6,047.4	3,838.8	3,654.5	3,423.0	2,352.9	2,233.1
Debt	3,044.1	3,545.9	1,213.4	1,472.5	911.5	736.3	704.2	480.1	504.8
Total equity	4,202.2	4,088.9	3,594.6	3,269.6	2,304.9	1,966.2	1,788.7	1,175.0	1,371.1
Common shares outstanding (millions), end of period	2,186.5	2,186.6	2,186.6	2,185.8	1,944.8	1,944.9	1,945.4	1,465.1	1,463.8

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

During the eight most recent quarters the following items have had a significant impact on the Company's quarterly results: the Acquisitions as described in the "Corporate Transactions" section of this MD&A and note 4 of the financial statements; variability of benchmark commodity prices; changes in the value of the Canadian dollar relative to the U.S. dollar and its impact on realized commodity prices, net of blend expense, interest expense, and foreign exchange gains and losses associated with the Company's Senior Notes; fluctuations in natural gas and power pricing and the associated impact on energy-related production and operating costs; inflationary pressure; timing of capital projects; gains and losses on commodity contracts.

FOURTH QUARTER REVIEW

Fourth quarter results over the three-year period reflect the growth of the business through the Acquisitions noted in the previous “Corporate Transactions” section within this MD&A.

Production increased from 59,251 boe per day in the fourth quarter of 2020 to 74,648 boe per day in the fourth quarter of 2021 to 143,371 boe per day in the fourth quarter of 2022. This significant increase in production coupled with strengthening commodity prices resulted in an increase to oil and natural gas sales and net income. Field Operating Income, Funds From Operations and Free Cash Flow in the three-month period ended December 31, 2022 increased by \$306.1 million, \$257.1 million and \$74.7 million, respectively, compared to the three month period ended December 31, 2020.

General and administrative costs increased to \$30.2 million (\$1.86 per boe) in the three-month period ended December 31, 2022 from \$17.8 million (\$2.63 per boe) during the same period of 2021 and \$18.2 million (\$2.83 per boe) during the same period of 2020 due to higher staffing levels, consultant fees and information technology costs incurred to affect the integration of the Acquisitions and continued management of the companies growing asset base. Strathcona’s employee compensation structure provides for an annual cash bonus that includes both short-term and long-term incentives, which is subject to Board of Director discretion and approval.

Debt levels increased to \$3.0 billion in 2022 from \$504.8 million in 2020 primarily as a result of financing of the Acquisitions. Increased debt levels and higher interest rates have resulted in increased interest expense over the period.

Following is a summary of fourth quarter results for each respective year:

2022

- Production averaged 143,371 boe per day (86% liquids);
- Capital expenditures, exclusive of acquisitions and dispositions, were \$228.5 million and related primarily to drilling and completion activities at Kakwa, Orion and Tucker; and
- Net Income of \$62.2 million was generated in the quarter (\$0.03 per share); after \$395.1 million of Field Operating Income, the Company recorded \$77.1 million in losses on risk management contracts; \$1.5 million of other income; \$30.2 million of general and administrative and transaction related costs; \$58.6 million of interest and finance costs; \$18.1 million of foreign exchange gains; \$144.4 of DD&A and \$42.2 million in deferred tax expense.

2021

- Production averaged 74,648 boe per day (75% liquids);
- Capital expenditures, exclusive of acquisitions and dispositions, were \$90.6 million and related primarily to drilling and completion activities in Kakwa and Orion; and
- Net Income of \$248.3 million was generated in the quarter (\$0.13 per share); after \$228.0 million of Field Operating Income, the Company recorded \$9.4 million in gains on risk management contracts; \$1.4 million of other income; \$17.8 million of general and administrative and transaction related costs; \$18.7 million of interest and finance costs; \$2.4 million of foreign exchange gains; and \$56.0 of DD&A; \$89.9 million of impairment reversals; \$7.5 million gain on disposal of oil and natural gas properties; and \$2.2 million of share of equity investment income.

2020

- Production averaged 59,251 boe per day (71% liquids);
- Capital expenditures, exclusive of acquisitions and dispositions, were \$38.9 million and related primarily to drilling and completion activities in Kakwa; and
- Net Income of \$261.7 million was generated in the quarter (\$0.18 per share); after \$89.0 million of Field Operating Income, the Company recorded \$9.5 million in loss on risk management contracts; \$5.1 million of other income; \$18.2 million of general and administrative and transaction related costs; \$13.6 million of interest and finance costs; \$0.3 million of foreign exchange gains; and 30.0 of DD&A; \$283.4 million of impairment reversals; \$0.8 loss on revaluation of Sable remediation fund; and \$44.0 million loss on revaluation of share purchase liability.

SPECIFIED FINANCIAL MEASURES

This MD&A makes reference to certain financial measures and ratios, including “Oil and natural gas sales, net of blending costs”, “Bitumen blend per bbl”, “Heavy oil, blended and raw per bbl”, “Royalty rate”, “Working capital deficiency”, “Field operating income”, “Field operating netback”, “Funds from operations”, “Free cash flow”, “Operating earnings before income taxes” and “Operating earnings”, “Senior debt”, “Total debt”, and “Adjusted EBITDA” which are not recognized measures under generally accepted accounting principles (“GAAP”) and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company’s use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms “Field Operating Netback”, “Funds from Operations”, and “Free Cash Flow” for its own performance measures and to provide shareholders and potential investors with a measurement of the Company’s efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the specified financial measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company’s performance.

Non-GAAP Financial Measures and Ratios

Non-GAAP financial measures and ratios are used internally by management to assess the performance of the Company. They also provide investors with meaningful metrics to assess the Company’s performance compared to other companies in the same industry. However, the Company’s use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company’s performance.

The term “**Oil and natural gas sales, net of blending costs**” is calculated by deducting blending costs, sales of purchased product and purchased product from oil and natural gas sales. Management uses this metric to isolate the revenue associated with Company production after accounting for the unavoidable cost of blending. A quantitative reconciliation of Oil and natural gas sales, net of blending costs to the most directly comparable GAAP financial measure, Oil and natural gas sales, is contained under the heading “Revenue and Realized Prices – Oil and Natural Gas Sales – Net of Blending” of this MD&A.

Oil and natural gas sales, net of blending costs, is reflected on a per boe basis calculated using sales volumes. Management also calculates “**Bitumen blend per bbl**” and “**Heavy oil, blended and raw per bbl**” by deducting the associated blending cost from sales and dividing by the respective sales volume.

The term “**Royalty rate**” is calculated by dividing royalties by oil and natural gas sales, net of blending costs (as defined above). This metric allows management to analyze the movement of royalty expenses in relation to realized and benchmark commodity prices.

The term “**Working capital deficiency**” is calculated by taking certain current assets including cash, accounts receivable, inventory and prepaid expenses and deposits less accounts payable, deferred consideration and deferred revenue. Management uses this metric to manage the Company’s capital and cash flow requirements.

(\$ millions)	Years Ended December 31,		
	2022	2021	2020
Cash	34.3	—	—
Accounts receivable	299.1	138.6	75.0
Inventory	64.2	16.1	7.6
Prepaid expenses and deposits	10.0	3.8	3.8
Accounts payable	(652.9)	(268.5)	(110.8)
Deferred consideration	—	(8.6)	—
Deferred revenue	(50.0)	—	—
Working capital deficiency	(295.3)	(118.6)	(24.4)

The term “**Field Operating Income**” is calculated by deducting royalties, production and operating expenses, blending costs, transportation and processing expenses and acquired inventory from oil and natural gas sales and sales of purchased products. “**Field Operating Netback**” is expressing Field Operating Income on a per unit basis of sales volumes. These measures are used by Management to assess the profitability and efficiency of the Company’s field operations. A quantitative reconciliation of Field Operating Income to the most directly comparable GAAP financial measure, Income (loss) and comprehensive income (loss) is contained in the “Segment Results” section of this MD&A.

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Oil and natural gas sales	4,343.4	1,572.3	538.8
Sales of purchased products	64.7	44.6	—
Blending costs	(1,037.9)	(364.4)	(165.0)
Purchased product	(64.3)	(45.6)	—
Oil and natural gas sales, net of blending costs	3,305.9	1,206.9	373.8
Royalties	(666.8)	(147.7)	(24.5)
Production and operating	(640.2)	(231.6)	(144.3)
Transportation and processing	(258.2)	(103.7)	(57.9)
Acquired Inventory	(54.2)	—	—
Field Operating Income	1,686.5	723.9	147.1
Field Operating Netback (\$/boe)	40.69	31.37	11.32

(\$ millions, unless otherwise indicated)	2022				2021				2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas sales	1,124.9	1,112.6	1,331.4	774.5	521.5	447.5	336.5	266.8	208.2
Sales of purchased products	18.2	3.9	11.6	31.0	9.7	15.4	10.1	9.4	—
Blending costs	(266.1)	(238.5)	(332.6)	(200.7)	(138.0)	(88.1)	(76.1)	(62.2)	(47.1)
Purchased product	(17.1)	(3.9)	(11.3)	(32.0)	(10.3)	(15.4)	(10.0)	(9.9)	—
Oil and natural gas sales, net of blending costs⁽¹⁾	859.9	874.1	999.1	572.8	382.9	359.4	260.5	204.1	161.1
Royalties	(135.0)	(170.6)	(244.7)	(116.5)	(59.9)	(47.2)	(26.0)	(14.6)	(7.2)
Production and operating	(214.7)	(153.3)	(169.9)	(102.3)	(64.3)	(67.4)	(52.2)	(47.7)	(40.7)
Transportation and processing	(115.1)	(63.6)	(46.3)	(33.2)	(30.7)	(25.2)	(25.6)	(22.2)	(24.2)
Acquired Inventory	—	(54.2)	—	—	—	—	—	—	—
Field Operating Income	395.1	432.4	538.2	320.8	228.0	219.6	156.7	119.6	89.0
Field Operating Netback (\$/boe)	30.33	39.16	53.55	43.81	36.15	34.07	28.18	25.15	16.33

The terms **"Funds from Operations"** is computed by subtracting changes in non-cash working capital and decommissioning costs from cash flow from operating activities. The measure is used to assess the contribution of each business unit to Strathcona's ability to generate income necessary to repay debt, fund asset retirement obligations and make capital investments.

The term **"Free Cash Flow"** is computed as Funds from Operations generated during the period less capital expenditures and decommissioning expenditures. The Company uses Funds from Operations and Free Cash Flow to measure operating performance and evaluate the Company's ability to fund operating activities, capital programs and the repayment of debt.

A quantitative reconciliation of Funds from Operations and Free Cash Flow to the most directly comparable to the GAAP financial measure, cash flow from operating activities is set forth below:

(\$ millions, unless otherwise indicated)	Years Ended December 31,		
	2022	2021	2020
Cash flow from operating activities	1,455.3	398.6	48.1
Changes in non-cash working capital	(255.8)	(57.2)	(7.8)
Decommissioning costs	23.2	18.0	39.1
Funds from Operations	1,222.7	359.4	79.4
Capital expenditures	(620.9)	(282.5)	(100.8)
Decommissioning costs	(23.2)	(18.0)	(39.1)
Free Cash Flow	578.6	58.9	(60.5)

(\$ millions, unless otherwise indicated)	2022				2021				2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash flow from operating activities	482.2	373.5	391.9	207.7	126.0	142.5	82.2	47.9	41
Changes in non-cash working capital	(184.6)	(61.1)	(1.6)	(8.5)	(40.2)	(38.5)	4.4	17.1	(7.7)
Decommissioning cost	4.5	8.3	1.4	9.0	0.9	2.1	1.8	13.2	11.7
Funds from Operations	302.1	320.7	391.7	208.2	86.7	106.1	88.4	78.2	45.0
Capital expenditures	(228.5)	(157.5)	(136.8)	(98.1)	(90.6)	(73.1)	(60.4)	(58.4)	(38.9)
Decommissioning cost	(4.5)	(8.3)	(1.4)	(9.0)	(0.9)	(2.1)	(1.8)	(13.2)	(11.7)
Free Cash Flow	69.1	154.9	253.5	101.1	(7.3)	30.9	26.2	9.1	(5.6)

The term **"Operating Earnings before Income Tax Expense"** is computed by subtracting DD&A, impairment / reversal of impairment, general and administrative, other income, interest and finance costs from Field Operating Income. The term **"Operating Earnings"** is computed by subtracting income tax expenses from Operating Earnings before Income Tax Expense. Quantitative reconciliations of Operating Earnings before Income Tax Expense and Operating Earnings to the most directly comparable GAAP financial measure, Income and comprehensive income, is contained in the "Segment Results" section of this MD&A.

Operating Earnings before Income Tax Expense and Operating Earnings are also reflected on a per boe basis calculated using sales volumes.

Financial Covenant Calculations

Total Debt and Senior Debt are defined in the Credit Facilities for financial covenant purposes and are calculated as follows:

(\$ millions, unless otherwise indicated)	As at December 31, 2022
Revolving Credit Facility	1,706.7
Term Credit Facility	701.6
Unrealized gain (loss) on SOFR loans	(5.9)
Senior Debt	2,402.4
Senior Notes	677.7
Total Debt	3,080.1

Adjusted EBITDA is defined in the Credit Facilities for financial covenant purposes, and is calculated on a trailing 12-month basis, as follows:

(\$ millions, unless otherwise indicated)	Trailing 12-months ended December 31, 2022
Net income	1,358.2
<i>Adjusted for</i>	
Interest and finance costs	139.2
Unrealized gain on commodity contracts	(90.4)
Depletion, depreciation, amortization and impairment	395.7
Unrealized foreign exchange loss	49.4
Unrealized loss on Sable remediation fund	0.7
Gain on step acquisition of equity method investee	(132.1)
Deferred tax recovery	(371.9)
Government grants	(5.0)
IFRS 16 adjustment	(11.9)
Non-recurring losses	38.8
Loss on termination of lease liability	1.4
Share of equity investment income	(11.3)
Material acquisitions and dispositions	488.0
Adjusted EBITDA	1,848.8

Interest Charges are defined in the Credit Facilities for financial covenant purposes and are calculated on a trailing 12-month basis, as follows:

(\$ millions, unless otherwise indicated)	Trailing 12-months ended December 31, 2022
Interest on debt	109.4
Other adjustments	19.5
Interest Charges	128.9

(1) Other adjustments include interest on finance leases, as defined in the Credit Facilities, and interest adjustments related to material acquisitions.

Supplementary Financial Measures

The terms **“Production and operating – Energy”** and **“Production and operating – Non-energy”** are supplementary financial measures as they refer to portions of production and operating expenses. Non-energy operating expenses reflect the cost of operating activities relating to the production of resources. Energy operating expenses reflect the cost of gas and propane fuel, utilities, and carbon tax incurred to operate facilities.

Energy and Non-energy production and operating expenses are also reflected on a per boe basis calculated using sales volumes.

The term **“Crown royalties”**, **“Freehold royalties”** and **“Gross overriding royalties”** are supplementary financial measures as they refer to portions of royalty expenses. Crown royalties reflect the cost of royalties paid for production on land where petroleum oil and natural gas rights are owned by government bodies. Freehold royalties reflect the cost of royalties paid for production on land where petroleum oil and natural gas rights are owned by private individuals or entities. Gross over-riding royalties reflect the cost of royalties paid to third parties when the WCS heavy oil benchmark exceeds US\$60.00/bbl.

The term **“Transportation expense”** and **“Processing expense”** are supplementary financial measures as they refer to portions of transportation and processing expenses. Transportation expenses reflect the cost of transporting oil and natural gas to the sales point. Processing expenses reflect costs incurred to refine produced volumes to meet sales specifications.

The term **“Depletion expense”** and **“Depreciation expense”** are supplementary financial measures as they refer to portions of depletion, depreciation and amortization expenses. Depletion expenses reflect the cost of development of oil and natural gas reserves. Depreciation expense reflects the cost of a fixed asset over its expected useful life.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) and are based on Strathcona’s beliefs and assumptions based on information available at the time the assumption was made. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “believe”, “depends”, “could” and similar expressions are intended to identify forward-looking statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: the Company’s business strategy and future plans; the Company’s use of hedging arrangements; the Company’s ability to meet current and future obligations, including making scheduled principal and interest payments and to fund the other needs of the business; the expected utilization of free cash flow for debt repayment; future liquidity and financial capacity; sources of funding for the Company’s capital program and the terms of Strathcona’s future contractual obligations, including its obligations under the Credit Agreements and Financing Agreement; the Company’s anticipated 2023 decommissioning activities and the anticipated costs and sources of funding in respect thereof; oil and natural gas prices and differentials; completion of additional pipeline capacity in 2023; and the impact of the energy transition.

All forward-looking statements reflect Strathcona’s beliefs and assumptions based on information available at the time the applicable forward-looking statement is made and in light of the Company’s current expectations with respect to such things as the success of Strathcona’s operations and growth and expansion projects; the outlook for general economic trends, industry trends, prevailing and future commodity prices, foreign exchange rates and interest rates; prevailing and future royalty regimes and tax laws; future well production rates and reserve volumes; fluctuations in energy prices based on worldwide demand and geopolitical events; the impact of inflation; the COVID-19 pandemic and the duration and impact thereof; the integrity and reliability of Strathcona’s assets; decommissioning obligations; Strathcona’s ability to comply with its financial covenants; and the governmental, regulatory and legal environment. Management believes that its assumptions and expectations reflected in the forward-looking statements contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Strathcona’s products; the continued impact, or further deterioration, in global economic and market conditions, including from the COVID-19 pandemic or similar events, inflation and/or the ongoing Russia/Ukraine conflict and heightened geopolitical risks and the ability of the Company to carry on operations as contemplated in light of the foregoing; determinations by OPEC and other countries as to production levels; unanticipated operating results or production declines; changes in tax or environmental laws, climate change, royalty rates or other regulatory matters; changes in Strathcona’s development plans or by third party operators of Strathcona’s properties; competition from other producers; inability to retain drilling rigs and other services; failure to realize the anticipated benefits of the Company’s acquisitions; incorrect assessment of the value of acquisitions; delays resulting from or in ability to obtain required regulatory approvals; increased debt levels or debt service requirements; inflation; changes in foreign exchange rates; inaccurate estimation of Strathcona’s oil and gas reserve and contingent resource volumes; limited, unfavorable or a lack of access to capital markets or other sources of capital; increased costs; a lack of adequate insurance coverage; the impact of competitor; and certain other risks.

The forward-looking statements contained in this MD&A speak only as of the date of this MD&A and Strathcona does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information about Strathcona can be found at: www.strathconaresources.com.

SCHEDULE F

STRATHCONA INTERIM MD&A

(See attached).



STRATHCONA

RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations for Strathcona Resources Ltd. (the "**Company**" or "**Strathcona**") is dated August 24, 2023 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements (and related notes) as at and for the three and six months ended June 30, 2023 and June 30, 2022 (the "**interim financial statements**") and the Company's audited consolidated financial statements (and related notes) for the year ended December 31, 2022 (the "**annual financial statements**"). The interim and annual financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), in Canadian dollars, except where indicated otherwise. The interim and annual financial statements and this MD&A of Strathcona have been prepared by management and were approved by the Company's Board of Directors. This MD&A contains forward looking information; see "Forward-Looking Information and Statements" at the end of this MD&A for further information. The following MD&A also contains financial measures that do not have a standardized meaning under IFRS; see "Specified Financial Measures" at the end of this MD&A for further information.

All dollar amounts are referenced in Canadian dollars and, in the case of amounts presented in tabular form, in millions of Canadian dollars, in each case except when noted otherwise.

All per unit figures are based on commodity sales volumes, net of blending unless otherwise indicated. Sales volumes differ from production volumes as a result of changes in oil inventory and inter-segment eliminations. Refer to the "Segment Results" section of this MD&A for additional information.

DESCRIPTION OF BUSINESS

Strathcona is a Calgary-based oil and natural gas company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in western Canada. The Company is privately owned by the limited partnerships forming Waterous Energy Fund and its affiliates (collectively, "**WEF**"), and management and employees of the Company.

On March 11, 2022, Strathcona acquired the remaining 43% interest in both Caltex Resources Ltd. ("**Caltex**") and Stickney Resources Ltd. ("**Stickney**") (together, referred to as the "**Caltex and Stickney Amalgamation**"). The properties acquired were heavy oil properties now included in the Lloydminster Heavy Oil segment and the Tucker thermal oil property now included in the Cold Lake Thermal segment.

On August 29, 2022, Strathcona acquired Serafina Energy Ltd. ("**Serafina**") (transaction referred to as the "**Serafina Acquisition**"). The properties acquired were thermal heavy oil properties now included in the Lloydminster Heavy Oil segment.

Significant differences in financial and operational results compared to prior periods are primarily due to these transactions. Refer to Note 4 of the annual financial statements for further details on these transactions.

PRODUCTION VOLUMES

	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Bitumen (bbl/d)	53,825	51,040	51,097	52,469	42,669
Heavy oil (bbl/d)	53,470	24,713	57,443	55,446	19,916
Condensate and light oil (bbl/d)	10,600	9,514	8,068	9,341	8,453
Total oil production (bbl/d)	117,895	85,267	116,608	117,256	71,038
Other NGLs (bbl/d)	7,780	7,501	8,501	8,139	7,395
Natural gas (mcf/d)	108,612	110,310	114,304	111,442	110,940
Total (boe/d)	143,778	111,153	144,160	143,968	96,923
% liquids	87 %	83 %	87 %	87 %	81 %

Production volumes increased for the three months ended June 30, 2023 by 29% to an average of 143,778 boe per day compared to 111,153 boe per day for the same quarter of 2022. The increase is primarily attributable to production from the properties added through the Serafina Acquisition which closed in the third quarter of 2022.

Production volumes increased by 49% for the six months ended June 30, 2023 to an average of 143,968 boe per day compared to 96,923 boe per day for the same period of 2022. The increase is primarily attributable to production from the properties acquired through the Caltex and Stickney Amalgamation and the Serafina Acquisition. The Caltex and Stickney Amalgamation contributed 30,000 boe per day in the six months ended June 30, 2023 compared to 19,800 boe per day for the same period of 2022. The Serafina Acquisition contributed 31,000 boe per day in the six months ended June 30, 2023 compared to nil in the same period of 2022.

Production volumes remained consistent during the three months ended June 30, 2023 compared to the three months ended March 31, 2023.

BUSINESS ENVIRONMENT

	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Benchmark Pricing					
<i>US\$/bbl unless otherwise indicated</i>					
WTI ⁽¹⁾	73.78	108.41	76.13	74.96	101.35
WCS Hardisty ⁽²⁾	58.64	95.61	51.25	54.95	87.68
WCS USGC ⁽³⁾	66.98	103.39	62.48	64.73	96.33
WTI-WCS Hardisty differential	(15.14)	(12.80)	(24.88)	(20.01)	(13.67)
WTI-WCS USGC differential	(6.79)	(5.02)	(13.65)	(10.22)	(5.02)
NYMEX-AECO differential (US\$/MMbtu) ⁽⁴⁾	(0.53)	(2.76)	(0.53)	(0.53)	(2.23)
Condensate differential ⁽⁵⁾	(1.44)	(0.11)	3.70	1.13	0.86
Average FX rate (C\$/US\$)	1.3430	1.2763	1.3520	1.3475	1.2712
<i>CAD\$/bbl unless otherwise indicated</i>					
WTI ⁽¹⁾	99.11	138.41	102.91	101.01	128.90
WCS Hardisty ⁽²⁾	78.76	122.07	69.31	74.03	111.54
WCS USGC ⁽³⁾	89.97	132.02	84.46	87.22	122.53
AECO 5A (C\$/mcf) ⁽⁶⁾	2.45	7.24	3.22	2.83	5.99
Condensate par at Edmonton	97.19	138.32	107.92	102.55	130.00
AESO weighted average pool price (C\$/MWh) ⁽⁷⁾	164.31	123.18	143.00	153.65	107.71
CDOR (%) ⁽⁸⁾	5.02	1.57	4.88	4.95	1.12

(1) Calendar month average of West Texas Intermediate ("WTI") oil.

(2) Western Canadian Select ("WCS").

(3) United States Gulf Coast ("USGC").

(4) New York Mercantile Exchange ("NYMEX") Futures Last Day differential / Relates to the Alberta Energy Company ("AECO") 7A Index.

(5) Relates to the condensate / WTI differential at Edmonton.

(6) AECO hub pricing.

(7) Alberta Electric System Operator ("AESO") weighted average pool prices.

(8) Canadian Dollar Offered Rate ("CDOR") percentage for 1 month tenors.

Average WTI crude oil prices decreased 3% in the second quarter of 2023 compared to the prior quarter and 32% compared to the second quarter of 2022. Coordinated production curtailments by a number of large crude oil-producing countries during the second quarter of 2023 resulted in lower global supply than previously forecasted, but this was partially offset by resilient supply from other countries that are currently subject to international sanctions on crude oil exports. Inflationary pressures and rising interest rates continued to negatively impact global economic sentiment during the period, but crude oil demand has generally been in line with market expectations.

Canadian heavy oil differentials, at both Hardisty and the U.S. Gulf Coast, narrowed in the second quarter of 2023, reflecting lower supply due to seasonal turnarounds of major oil sands facilities in Canada and higher demand due to reduced sales from the U.S. Strategic Petroleum Reserve, which had previously been competing with Canadian heavy grades.

Canadian condensate differentials weakened during the second quarter of 2023, relative to the prior quarter, due to seasonal factors including milder temperatures and annual maintenance at oil sands operations. Oversupply of condensate and similar products in global markets also resulted in increased imported volumes into the Canadian condensate market.

Average AECO 5A natural gas prices decreased 24% in the second quarter of 2023 compared to the prior quarter and decreased 66% compared to the second quarter of 2022. Similar to most other North American benchmark prices, AECO prices decreased during the quarter as the market shifted into a period of lower seasonal demand. Wildfires in western Canada forced the curtailment of a significant portion of the region's natural gas production during much of the period. The loss of supply was partially mitigated by a reduction in exports out of the region, as the price of AECO increased relative to that of downstream markets.

REVENUE AND REALIZED PRICES

Oil and Natural Gas Sales - Net of Blending

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Bitumen blend	548.0	803.8	470.2	1,018.2	1,266.5
Heavy oil, blended and raw	434.6	322.0	447.7	882.3	492.7
Condensate and light oil	90.8	106.4	73.5	164.3	173.8
Other natural gas liquids	14.5	27.7	22.0	36.5	51.5
Natural gas	24.9	71.6	34.3	59.2	121.4
Oil and natural gas sales	1,112.8	1,331.5	1,047.7	2,160.5	2,105.9
Gain (loss) purchased product	(0.6)	0.3	(1.0)	(1.6)	(0.7)
Bitumen - blending cost	(209.0)	(279.7)	(236.0)	(445.0)	(442.0)
Heavy oil - blending cost	(40.8)	(52.9)	(49.2)	(90.0)	(91.3)
Oil and natural gas sales - net of blending ⁽¹⁾	862.4	999.2	761.5	1,623.9	1,571.9

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

Oil and natural gas sales - net of blending decreased to \$862.4 million in the second quarter of 2023 from \$999.2 million for the same quarter in 2022. This decrease is primarily attributed to lower average benchmark commodity prices, offset by higher sales volumes. Heavy oil revenue increased period over period as a result of increased sales volumes from the properties acquired in the Serafina Acquisition.

Oil and natural gas sales - net of blending increased to \$1,623.9 million for the six months ended June 30, 2023 from \$1,571.9 million for the same period in 2022. This increase is primarily attributed to higher sales volumes as a result of properties added through the Serafina Acquisition, offset by lower average benchmark commodity prices.

Oil and natural gas sales are higher for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 primarily due to higher realized prices on bitumen and heavy oil.

	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Bitumen blend (\$/bbl) ⁽¹⁾⁽²⁾	69.12	116.48	50.66	60.13	109.04
Heavy oil, blended and raw (\$/bbl) ⁽¹⁾⁽²⁾	81.86	116.93	73.65	77.51	110.02
Condensate and light oil (\$/bbl)	94.13	122.90	101.28	97.19	113.60
Realized oil (\$/bbl)	77.12	117.34	65.66	71.35	109.87
Other natural gas liquids (\$/bbl)	20.48	40.58	28.72	24.78	38.48
Natural gas (\$/mcf)	2.52	7.13	3.34	2.93	6.05
Combined (\$/boe)	66.11	99.46	57.53	61.79	90.45

(1) Realized prices are calculated using oil and natural gas sales, net of blending.

(2) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

Strathcona's combined realized price decreased to \$66.16 per boe for the three months ended June 30, 2023 compared to \$99.43 in the same quarter of 2022. The combined realized price decreased to \$61.85 per boe for the six months ended June 30, 2023 compared to \$90.49 in the same period of 2022. The decreases are primarily attributable to reductions in benchmark commodity prices.

For the three months ended June 30, 2023, Strathcona's combined realized price increased to \$66.16 per boe from \$57.61 per boe in the first quarter of 2023. The increase is primarily attributable to a narrowing of the WTI-WCS Hardisty differential and lower per boe blending cost as a result of decreased condensate benchmark pricing.

ROYALTIES

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Crown royalties	70.5	148.0	95.5	166.0	219.5
Freehold royalties	15.2	9.5	10.8	26.0	15.0
Gross overriding royalties	12.5	85.0	6.1	18.6	123.4
Other royalties	8.0	2.2	0.7	8.7	3.3
Royalties	106.2	244.7	113.1	219.3	361.2
Effective royalty rate (%) ⁽¹⁾	12.3 %	24.5 %	14.9 %	13.5 %	23.0 %

(1) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

For the three and six months ended June 30, 2023, the average effective royalty rate was 12.3% and 13.5%, respectively, compared to 24.5% and 23.0% for the same periods in 2022. These decreases are primarily the result of lower benchmark commodity prices.

For the three months ended June 30, 2023 the average effective royalty rate decreased to 12.3% from 14.8% in the first quarter of 2023. This decrease is due to favorable gas cost allowance credits as well as favorable adjustments received on annual government filings relating to production within enhanced oil recovery and oil sands projects.

PRODUCTION AND OPERATING EXPENSES

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Production and operating - Energy	79.7	90.0	88.7	168.4	135.7
Production and operating - Non-energy	110.9	80.0	115.9	226.8	136.5
Production and operating expenses	190.6	170.0	204.6	395.2	272.2
Production and operating - Energy (\$/boe)	6.11	8.95	6.71	6.41	7.82
Production and operating - Non-energy (\$/boe)	8.51	7.97	8.77	8.64	7.86
Production and operating expenses (\$/boe)	14.62	16.92	15.48	15.05	15.68

Production and operating expenses for the three and six months ended June 30, 2023 increased to \$190.6 million and \$395.2 million, respectively, from \$170.0 million and \$272.2 million in the same periods of 2022. These increases are primarily attributable to increased volumes resulting from the Caltex and Stickney Amalgamation and the Serafina Acquisition.

Energy production and operating expenses for the three and six months ended June 30, 2023 decreased to \$6.11 per boe and \$6.41 per boe, respectively, compared to \$8.95 per boe and \$7.82 per boe of the same periods of 2022. These decreases are primarily the result of lower natural gas prices.

Non-energy production and operating expenses for the three and six months ended June 30, 2023 increased to \$8.51 per boe and \$8.64 per boe, respectively, compared to \$7.97 per boe and \$7.86 per boe in same periods of 2022. These increases are primarily due to increased volumes of bitumen and heavy oil production which have higher production and operating expenses as well as general inflation.

For the three months ended June 30, 2023 production and operating expenses decreased to \$190.6 million (\$14.62 per boe) from \$204.6 million (\$15.48 per boe) in the first quarter of 2023. The decrease is primarily attributable to lower natural gas prices.

TRANSPORTATION AND PROCESSING EXPENSES

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Transportation expenses	97.9	39.5	120.7	218.6	66.4
Processing expenses	6.9	6.8	7.2	14.1	13.1
Transportation and processing expenses	104.8	46.3	127.9	232.7	79.5
\$ per boe	8.04	4.61	9.68	8.86	4.58

Transportation and processing expenses for the three and six months ended June 30, 2023 increased to \$104.8 million and \$232.7 million, respectively, from \$46.3 million and \$79.5 million for the same periods of 2022. These increases are primarily attributable to the Caltex and Stickney Amalgamation and the Serafina Acquisition.

Transportation and processing expenses for the three and six months ended June 30, 2023 increased to \$8.04 per boe and \$8.86 per boe, respectively, from \$4.61 per boe and \$4.58 per boe in the same periods in 2022. These increases are primarily due to the addition of production acquired through the Caltex Amalgamation and the Serafina Acquisition which is transported by truck and rail resulting in a higher transportation cost per barrel than legacy Strathcona production which is primarily transported by pipeline.

For the three months ended June 30, 2023, transportation and processing expenses decreased to \$104.8 million (\$8.04 per boe) from \$127.9 million (\$9.68 per boe) in the first quarter of 2023. This decrease is primarily the result of less volumes being transported by rail in the current quarter.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Depletion expense ⁽¹⁾	164.1	96.0	157.1	321.2	153.1
Depreciation and amortization expense	6.6	0.5	6.0	12.6	1.7
DD&A	170.7	96.5	163.1	333.8	154.8
\$ per boe	13.10	9.63	12.34	12.71	8.91

(1) Effective December 31, 2022, Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted discount rate, which was applied retrospectively. As a result, certain comparative figures have been restated. Refer to "Changes in Accounting Policies" section of this MD&A.

DD&A expense for the three months ended June 30, 2023 increased to \$170.7 million (\$13.10 per boe) compared to \$96.5 million (\$9.63 per boe) for the same quarter of 2022. For the six months ended June 30, 2023, DD&A expense increased to \$333.8 million (\$12.71 per boe) from \$154.8 million (\$8.91 per boe) for the same period of 2022. These increases are primarily due to higher sales volumes as a result of the Caltex and Stickney Amalgamation and the Serafina Acquisition and an increased weighting to properties with higher depletion rates.

GENERAL AND ADMINISTRATION EXPENSES ("G&A")

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
G&A expenses	20.8	14.2	25.9	46.7	28.4
\$ per boe	1.59	1.40	1.96	1.78	1.63

G&A expenses for the three months ended June 30, 2023 increased to \$20.8 million (\$1.59 per boe) compared to \$14.2 million (\$1.40 per boe) for the same quarter of 2022. For the six months ended June 30, 2023, G&A expenses increased to \$46.7

million (\$1.78 per boe) from \$28.4 million (\$1.63 per boe) in the same period of 2022. The increases are primarily due to higher staffing levels, consultant fees and information technology costs incurred following the Caltex and Stickney Amalgamation and Serafina Acquisition.

G&A expenses decreased to \$20.8 million (\$1.59 per boe) in the second quarter of 2023 from \$25.9 million (\$1.96 per boe) in the first quarter of 2023. The decrease is primarily due to lower personnel costs related to annual incentive payments. The Company's employee compensation structure provides for an annual cash bonus that includes both short-term and long-term incentives, which is subject to Board of Director discretion and approval.

INTEREST

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Interest	50.3	17.3	54.1	104.4	31.2
Weighted average interest rate (%)	6.4 %	4.5 %	6.9 %	6.6 %	4.6 %

Interest expense for the three months ended June 30, 2023 increased to \$50.3 million compared to \$17.3 million for the same quarter of 2022. For the six months ended June 30, 2023 the interest expense increased to \$104.4 million from \$31.2 million compared to same period of 2022. These increases are due to higher debt balances as a result of the Caltex and Stickney Amalgamation and the Serafina Acquisition as well as higher interest rates. The impact of higher interest rates was partially mitigated through interest rate swaps entered into during the second quarter of 2023.

During the six months ended June 30, 2023, the Company recorded \$23.2 million in interest expense on the Senior Notes (as defined below), (June 30, 2022 – \$21.9 million) and \$85.3 million in interest expense on the Credit Facilities (as defined below), (June 30, 2022 - \$9.3 million) and a realized gain of \$4.1 million on interest rate swaps (June 30, 2022 - \$nil).

For the three months ended June 30, 2023 the interest expense decreased to \$50.3 million from \$54.1 million in the first quarter of 2023. The decrease is primarily attributable to a realized gain of \$4.1 million on interest rate swaps entered in to during the second quarter of 2023.

FINANCE COSTS

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Accretion of lease obligations	2.8	2.9	2.8	5.6	5.8
Accretion of decommissioning provision ⁽¹⁾	7.3	2.3	7.2	14.5	4.0
Amortization of debt issuance costs	3.1	1.5	3.2	6.3	3.0
Accretion of other obligations	4.6	—	4.6	9.2	—
Finance costs	17.8	6.7	17.8	35.6	12.8

(1) Effective December 31, 2022, Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted discount rate, which was applied retrospectively. As a result, certain comparative figures have been restated. Refer to "Changes in Accounting Policies" section of this MD&A.

For the three months ended June 30, 2023, finance costs increased to \$17.8 million compared to \$6.7 million in the same quarter of 2022. For the six months ended June 30, 2023, finance costs increased to \$35.6 million from \$12.8 million in the same period of 2022. These increases are due to higher accretion as a result of decommissioning liabilities assumed through the Caltex and Stickney Amalgamation and the Serafina Acquisition; higher amortization of debt issuance costs as a result of fees incurred on the Credit Facilities; and accretion of other obligations which is related to the asset-backed financing agreement entered into in late December 2022 (see Note 6 of the interim financial statements).

INCOME TAX AND TAX POOLS

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Current tax (recovery)	—	—	(46.9)	(46.9)	—
Deferred tax expense (recovery)	81.1	—	80.5	161.6	(223.1)
Income tax expense (recovery)	81.1	—	33.6	114.7	(223.1)

During the six months ended 2023, a current tax recovery of \$46.9 million was recorded upon filing of the final tax return of Serafina, which resulted from an income tax election to apply fair value treatment to financial derivative contracts. The current tax recovery was offset by a corresponding deferred tax expense due to the liability recorded by Strathcona to reflect the income inclusion related to the election filed. The remaining deferred tax expense for the three and six months ended June 30, 2023 relates primarily to net income for the period.

During the six months ended 2022, a deferred tax recovery of \$223.1 million was recorded to offset the deferred tax liabilities recorded on the Caltex Amalgamation. The Company determined that its deductible temporary differences did not meet the threshold for utilization until after the acquisition of Serafina on August 29, 2022.

Tax Pools

As at June 30, 2023, the Company had approximately \$5,757.8 million (December 31, 2022 - \$6,038.1 million) of tax pools available for deduction in future periods as shown in the table below:

(\$ millions, unless otherwise indicated)	Annual Pool Deduction Rate	June 30, 2023	December 31, 2022
Canadian oil and gas property expenditures	10 %	911.4	955.4
Canadian development expenditures ⁽¹⁾	30 %	783.6	731.0
Canadian exploration expenditures ⁽¹⁾	100 %	5.8	8.8
Undepreciated capital costs ⁽²⁾	4 % - 55 %	1,217.1	1,178.9
Non-capital losses	100 %	2,395.6	2,711.7
Other ⁽³⁾		444.3	452.3
Total tax pools		5,757.8	6,038.1

(1) Amount is net of tax pools where deductibility is uncertain.

(2) As at June 30, 2023, approximately 97% (December 31, 2022 – 97%) of costs in this pool have an annual deduction rate of 25%.

(3) Other tax deductions include scientific research and experimental development costs and credits and financing costs. As at June 30, 2023, approximately 88% (December 31, 2022 – 86%) of these deductions have an annual deduction rate of 100%.

RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities. These risks include credit risk, liquidity risk and market risk. There have been no significant changes in the Company's risk management policies or exposures during the three and six months ended June 30, 2023.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This will arise principally from outstanding receivables related to oil and natural gas customers, counterparties related to financial derivative contracts and joint interest partners.

On entering into any business contract, the extent to which the arrangement exposes the Company to credit risk is considered. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with reputable counterparties, review the financial capacity of its counterparties, request prepayment as deemed advisable and, in certain circumstances, the Company may seek enhanced credit protection from a counterparty or purchase accounts receivable insurance.

Market risk

Market risk is the risk that the future fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is composed of commodity price risk, foreign exchange risk and interest rate risk. The Company uses financial risk management contracts to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects.

Commodity price risk

The Company's operational results and financial condition are largely dependent on the commodity price received for oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors. The Company uses financial derivative instruments and other commodity derivative mechanisms to help limit the adverse effects of commodity price volatility. However, the Company does not have commodity contracts in place for all its production and expects there will always be a portion that remains unhedged. Furthermore, the Company may use financial derivative instruments that offer only limited protection within selected price ranges. To the extent price exposure is hedged, the Company may forego the benefits that would otherwise be experienced if commodity prices increase.

The following table summarizes the Company's commodity contracts outstanding as at the date of this MD&A:

Term	Contract ⁽¹⁾	Index	Currency	Volume	Units	Price
Jul 1, 2023 - Sep 30, 2023	Swap	WTI	USD	76,000	bbl/d	\$76.21
Oct 1, 2023 - Dec 31, 2023	Swap	WTI	USD	77,000	bbl/d	\$77.77
Jan 1, 2024 - Jan 31, 2024	Swap	WTI	USD	80,000	bbl/d	\$76.77
Feb 1, 2024 - Feb 29, 2024	Collar	WTI	USD	80,000	bbl/d	\$60.00-\$93.00
Mar 1, 2024 - May 31, 2024	Swap	WTI	USD	5,000	bbl/d	\$48.10
Mar 1, 2024 - Aug 31, 2024	Bought Call ⁽²⁾	WTI	USD	15,739	bbl/d	\$165.00
Jul 1, 2023 - Sep 30, 2023	Sold Put	WTI	USD	76,000	bbl/d	\$60.00
Oct 1, 2023 - Dec 31, 2023	Sold Put	WTI	USD	77,000	bbl/d	\$60.00
Jan 1, 2024 - Jan 31, 2024	Sold Put	WTI	USD	80,000	bbl/d	\$60.00
Sept 1, 2023 - Jan 31, 2024	Swap	WCS	USD	3,000	bbl/d	\$(15.45)
Sept 1, 2023 - Dec 31, 2024	Swap	WCS	USD	10,000	bbl/d	\$(14.25)

(1) For swap contracts, Strathcona receives the fixed price and pays the index. Call options are in-the-money if the index price is above the strike price. For sold calls, Strathcona receives the strike price, and for bought calls, Strathcona pays the strike price. Put options are in-the-money if the index price is below the strike price. For sold puts, Strathcona pays the strike price. For collars, Strathcona receives the floor price if the index is below the floor and the cap price if the index is above the cap.

(2) This contract has a premium of US\$13.35/bbl payable over the term of the contract.

(3) The Company has a premium of US\$14.45/bbl on expired contracts of 14,400 bbl/d which is payable from March 1, 2024 to August 31, 2024.

Foreign Exchange Risk

The Company is exposed to fluctuations of the CAD to USD exchange rate given commodity pricing is directly influenced by USD denominated benchmark pricing. In addition, the Company periodically borrows from its Credit Facilities in USD and the Senior Notes are denominated in USD. The Company actively manages foreign exchange risk using foreign exchange derivatives.

The following table summarizes the Company's foreign exchange contracts on oil and natural gas sales, as at the date of this MD&A:

Term	Contract	USD per Month	CAD/USD Floor	CAD/USD Ceiling
Mar 1, 2024 - Feb 28, 2025	Collar	30.5 million	1.2081	1.2410

Interest rate risk

The Company is exposed to movements in floating interest rates on the Credit Facilities and other liabilities. At June 30, 2023, an increase or decrease to interest rates of 50 basis points would result in a \$4.8 million impact on annualized interest expense (December 31, 2022 - \$12.7 million). The Company is not exposed to interest rate risk on the Senior Notes as they bear a fixed interest rate.

The following table summarizes the Company's interest rate swaps as at the date of this MD&A.

Notional (C\$)	Term	Contract	Index	Contract Price
1,500.0 million	May 1, 2023 - Apr 30, 2028	Swap	1 month CDOR	3.4316%

For a listing of the Company's commodity contracts, foreign exchange and interest rate contracts outstanding as at June 30, 2023 refer to Note 14 in the interim financial statements.

Refer to the "Capital Resources" section of this MD&A for information on the Company's cross-currency interest rate swaps related to debt.

The following table summarizes the Company's gains and losses on risk management contracts:

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Realized (loss) on risk management contracts	(0.4)	(113.2)	(5.4)	(5.8)	(194.7)
Unrealized gain (loss) on risk management contracts	142.5	76.5	69.6	212.1	(99.7)
Total gain (loss) on risk management contracts	142.1	(36.7)	64.2	206.3	(294.4)
Realized (loss) on risk management contract per boe	(0.03)	(11.30)	(0.41)	(0.22)	(11.17)

(1) Includes realized gains (losses) on commodity price contracts and foreign exchange contracts.

(2) Includes the movement in the valuation of commodity price contracts, foreign exchange contracts and interest rate swaps.

Strathcona realized a loss on risk management contracts of \$0.4 million and \$5.8 million, for the three and six months ended June 30, 2023, respectively, compared to a loss of \$113.2 million and \$ 194.7 million for the same periods in 2022 and a loss of \$5.4 million for the three months ended March 31, 2023. The realized loss on risk management contracts were predominantly due to higher realized commodity prices in comparison to contracted hedge pricing. The impact of cash settlements on foreign exchange contracts was nominal for the periods presented.

As at June 30, 2023, the mark-to-market value of risk management contracts was a net liability of \$0.5 million (December 31, 2022 - \$212.6 million). Unrealized gains and losses represent the change in the mark-to-market values of these contracts due to the fluctuation of forward commodity prices, exchange rates and interest rates. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 14 to the interim financial statements.

TRANSACTION RELATED COSTS

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Transaction related costs	0.4	1.6	1.2	1.6	2.9

Transaction related costs primarily relate to the legal and consulting costs associated with corporate transactions, as well as consulting fees for ongoing integration work.

CAPITAL EXPENDITURES

The following table summarizes the Company's capital expenditures by segment.

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Cold Lake Thermal	79.3	60.8	79.0	158.3	103.3
Lloydminster Heavy Oil	80.1	23.4	85.0	165.1	35.7
Montney	69.6	50.9	61.4	131.0	93.7
Corporate	2.7	1.7	3.3	6.0	2.2
Capital expenditures	231.7	136.8	228.7	460.4	234.9

The following table summarizes the Company's capital expenditures by category.

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Drilling, completion and equipping	128.3	70.8	134.0	262.3	144.8
Facilities and pipelines	68.3	41.4	67.9	136.2	56.4
Recompletion, workovers and polymer powder	18.5	17.1	14.8	33.3	22.4
Capitalized G&A and other expenditures	16.6	7.5	12.0	28.6	11.3
Capital expenditures	231.7	136.8	228.7	460.4	234.9

The Company's capital expenditures have increased in the three and six months ended June 30, 2023 compared with the same periods in 2022 due to the Caltex and Stickney Amalgamation and the Serafina Acquisition.

Strathcona's capital expenditures, exclusive of acquisitions and dispositions, were \$231.7 million and \$460.4 million for the three and six months ended June 30, 2023 compared to \$136.8 million and \$234.9 million for the same periods in 2022 and \$228.7 million for the three months ended March 31, 2023.

For the three months ended June 30, 2023, drilling, completion and equipping activities accounted for 55% of capital expenditures as the Company drilled 46 new wells during the quarter. Drilling, completion and equipping activities for the six months ended June 30, 2023 accounted for 57% of capital expenditures as the Company drilled 116 new wells.

FOREIGN EXCHANGE

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Realized loss	(0.3)	(0.3)	(0.2)	(0.5)	(0.3)
Unrealized gain (loss) - Senior Notes	13.7	(18.4)	1.9	15.6	(11.8)
Unrealized gain (loss) - Credit Facility	17.4	(14.4)	25.7	43.1	(1.8)
Unrealized (loss) gain - cross-currency swaps	(18.2)	15.6	(22.3)	(40.5)	1.2
Unrealized (loss) gain - other	(0.4)	0.7	0.8	0.4	0.9
Foreign Exchange gain (loss)	12.2	(16.8)	5.9	18.1	(11.8)

Foreign exchange for the three and six months ended June 30, 2023 resulted in gains of \$12.2 million and \$18.1 million, respectively, compared to losses of \$16.8 million and \$11.8 million in the same periods of 2022 and a gain of \$5.9 million for the three months ended March 31, 2023. The foreign exchange gains were driven by the weakening of the CAD/USD exchange rate resulting in unrealized gains on US dollar denominated debt balances net of cross-currency swaps.

SEGMENT RESULTS

Strathcona has three operating segments:

- Cold Lake Thermal which includes three producing assets in the Cold Lake region of Northern Alberta: Lindbergh, Orion and Tucker;
- Lloydminster Heavy Oil which has multiple large oil-in-place reservoirs accessed through enhanced oil recovery techniques, primarily located in Southwest Saskatchewan; and
- Montney which includes assets in the Northwest Alberta Kakwa region and the Northeast British Columbia Groundbirch region.

All amounts not attributable to an operating segment are captured in "Corporate and Eliminations".

	Cold Lake Thermal Segment			Lloydminster Heavy Oil Segment			Montney Segment			Corporate and Eliminations			Consolidated		
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023
For the Three Months Ended															
Production and sales volumes															
Production volumes (boe/d)	53,829	51,040	51,097	53,687	24,943	57,641	36,262	35,170	35,422	—	—	—	143,778	111,153	144,160
Sales volumes (boe/d)	53,892	50,430	51,135	53,083	25,520	60,320	36,264	35,170	35,422	—	(690)	—	143,239	110,430	146,877
Segment revenues															
Oil and natural gas sales	547.6	803.9	468.3	435.2	323.8	449.4	129.4	212.4	129.0	0.6	(8.6)	1.0	1,112.8	1,331.5	1,047.7
Sale of purchased products	—	—	—	—	—	—	—	—	—	14.0	11.6	13.8	14.0	11.6	13.8
Blending costs	(208.3)	(276.0)	(234.6)	(41.5)	(64.9)	(50.6)	—	—	—	—	8.3	—	(249.8)	(332.6)	(285.2)
Purchased product	—	—	—	—	—	—	—	—	—	(14.6)	(11.3)	(14.8)	(14.6)	(11.3)	(14.8)
Oil and natural gas sales, net of blending costs⁽¹⁾	339.3	527.9	233.7	393.7	258.9	398.8	129.4	212.4	129.0	—	—	—	862.4	999.2	761.5
Royalties	(66.5)	(180.0)	(48.9)	(35.4)	(43.7)	(42.9)	(4.3)	(21.0)	(21.3)	—	—	—	(106.2)	(244.7)	(113.1)
Production and operating - Energy ⁽¹⁾	(49.7)	(78.6)	(55.2)	(29.1)	(10.2)	(32.6)	(0.9)	(1.2)	(0.9)	—	—	—	(79.7)	(90.0)	(88.7)
Production and operating - Non-energy ⁽¹⁾	(43.7)	(35.1)	(44.3)	(50.8)	(30.1)	(57.3)	(16.4)	(14.8)	(14.3)	—	—	—	(110.9)	(80.0)	(115.9)
Transportation and processing	(18.7)	(18.2)	(19.0)	(66.7)	(7.1)	(89.7)	(19.4)	(21.0)	(19.2)	—	—	—	(104.8)	(46.3)	(127.9)
Field Operating Income⁽¹⁾	160.7	216.0	66.3	211.7	167.8	176.3	88.4	154.4	73.3	—	—	—	460.8	538.2	315.9
Depletion, depreciation and amortization	(36.9)	(36.4)	(29.9)	(107.6)	(38.3)	(107.3)	(22.7)	(18.2)	(22.7)	(3.5)	(3.6)	(3.2)	(170.7)	(96.5)	(163.1)
General and administrative	—	—	—	—	—	—	—	—	—	(20.8)	(14.2)	(25.9)	(20.8)	(14.2)	(25.9)
Other income	—	—	—	—	—	—	—	—	—	0.2	1.6	—	0.2	1.6	—
Interest	—	—	—	—	—	—	—	—	—	(50.3)	(17.3)	(54.1)	(50.3)	(17.3)	(54.1)
Finance costs	—	—	—	—	—	—	—	—	—	(17.8)	(6.7)	(17.8)	(17.8)	(6.7)	(17.8)
Current income tax recovery	—	—	—	—	—	—	—	—	—	—	—	46.9	—	—	46.9
Operating Earnings after Current Income Tax Recovery⁽¹⁾	123.8	179.6	36.4	104.1	129.5	69.0	65.7	136.2	50.6	(92.2)	(40.2)	(54.1)	201.4	405.1	101.9
Deferred tax expense	—	—	—	—	—	—	—	—	—	(81.1)	—	(80.5)	(81.1)	—	(80.5)
Operating Earnings⁽¹⁾										(173.3)	(40.2)	(134.6)	120.3	405.1	21.4
Gain (loss) on risk management contracts - realized	—	—	—	—	—	—	—	—	—	(0.4)	(113.2)	(5.4)	(0.4)	(113.2)	(5.4)
Gain (loss) on risk management contracts - unrealized	—	—	—	—	—	—	—	—	—	142.5	76.5	69.6	142.5	76.5	69.6
Foreign exchange gain (loss) - realized	—	—	—	—	—	—	—	—	—	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.2)
Foreign exchange gain (loss) - unrealized	—	—	—	—	—	—	—	—	—	12.5	(16.5)	6.1	12.5	(16.5)	6.1
Transaction related costs	—	—	—	—	—	—	—	—	—	(0.4)	(1.6)	(1.2)	(0.4)	(1.6)	(1.2)
Unrealized gain (loss) on Sable remediation fund	—	—	—	—	—	—	—	—	—	(0.1)	(0.3)	0.2	(0.1)	(0.3)	0.2
Income and comprehensive income													274.1	349.7	90.5

⁽¹⁾ See "Specified Financial Measures" section of this MD&A.

	Cold Lake Thermal Segment			Lloydminster Heavy Oil Segment			Montney Segment			Corporate and Eliminations			Consolidated		
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022	March 31, 2023
For the Three Months Ended (\$/boe)															
Oil and natural gas sales	78.97	120.96	69.81	84.15	122.15	77.57	39.22	66.37	40.46	0.05	(0.86)	0.08	72.23	107.23	66.63
Sale of purchased products	—	—	—	—	—	—	—	—	—	1.07	1.15	1.04	1.07	1.15	1.04
Blending costs	(9.78)	(5.93)	(19.03)	(2.65)	(10.67)	(4.11)	—	—	—	—	0.83	—	(6.07)	(7.80)	(9.02)
Purchased product	—	—	—	—	—	—	—	—	—	(1.12)	(1.12)	(1.12)	(1.12)	(1.12)	(1.12)
Oil and natural gas sales, net of blending costs⁽¹⁾	69.19	115.03	50.78	81.50	111.48	73.46	39.22	66.37	40.46	—	—	—	66.11	99.46	57.53
Royalties	(13.57)	(39.23)	(10.63)	(7.33)	(18.82)	(7.90)	(1.30)	(6.56)	(6.68)	—	—	—	(8.15)	(24.35)	(8.55)
Production and operating expense - energy ⁽¹⁾	(9.86)	(17.11)	(11.99)	(6.02)	(4.39)	(6.00)	(0.28)	(0.37)	(0.28)	—	—	—	(6.11)	(8.95)	(6.71)
Production and operating - non-energy ⁽¹⁾	(9.17)	(7.67)	(9.63)	(10.52)	(12.96)	(10.55)	(4.98)	(4.62)	(4.49)	—	—	—	(8.51)	(7.97)	(8.77)
Transportation and processing	(3.80)	(3.97)	(4.13)	(13.82)	(3.06)	(16.52)	(5.88)	(6.56)	(6.02)	—	—	—	(8.04)	(4.61)	(9.68)
Field Operating Netback⁽¹⁾	32.79	47.05	14.40	43.81	72.25	32.49	26.78	48.26	22.99	—	—	—	35.30	53.58	23.82
Depletion, depreciation and amortization	(7.53)	(7.93)	(6.49)	(22.28)	(16.49)	(19.76)	(6.89)	(5.69)	(7.12)	(0.27)	(0.36)	(0.24)	(13.10)	(9.63)	(12.34)
General and administrative	—	—	—	—	—	—	—	—	—	(1.59)	(1.40)	(1.96)	(1.59)	(1.40)	(1.96)
Other income	—	—	—	—	—	—	—	—	—	0.01	0.16	—	0.01	0.16	—
Interest	—	—	—	—	—	—	—	—	—	(3.86)	(1.71)	(4.09)	(3.86)	(1.71)	(4.09)
Finance costs	—	—	—	—	—	—	—	—	—	(1.36)	(0.66)	(1.35)	(1.36)	(0.66)	(1.35)
Current Income tax recovery	—	—	—	—	—	—	—	—	—	—	—	3.55	—	—	3.55
Operating Earnings after Current Income Tax Expense⁽¹⁾	25.26	39.12	7.91	21.53	55.76	12.73	19.89	42.57	15.87	(7.07)	(3.97)	(4.09)	15.40	40.34	7.63
Deferred income tax recovery (expense)	—	—	—	—	—	—	—	—	—	(6.22)	—	(5.05)	(6.22)	—	(5.05)
Operating Earnings⁽¹⁾													9.18	40.34	2.58
Effective royalty rate (%) ⁽¹⁾	19.6 %	34.1 %	20.9 %	9.0 %	16.9 %	10.8 %	3.3 %	9.9 %	16.5 %				12.3 %	24.5 %	14.9 %

(1) See the "Specified Financial Measures" section of this MD&A.

For the Six Months Ended	Cold Lake Thermal Segment		Lloydminster Heavy Oil Segment		Montney Segment		Corporate and Eliminations		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Production and sales volumes										
Production volumes (boe/d)	52,471	42,669	55,653	20,115	35,844	34,139	—	—	143,968	96,923
Sales volumes (boe/d)	52,521	42,315	56,682	20,355	35,845	34,139	—	(839)	145,048	95,970
Segment revenues										
Oil and natural gas sales	1,015.9	1,266.5	884.6	494.4	258.4	363.3	1.6	(18.3)	2,160.5	2,105.9
Sales of purchased product	—	—	—	—	—	—	27.8	42.6	27.8	42.6
Blending costs	(442.9)	(449.1)	(92.1)	(103.2)	—	—	—	19.0	(535.0)	(533.3)
Purchased product	—	—	—	—	—	—	(29.4)	(43.3)	(29.4)	(43.3)
Oil and natural gas sales, net of blending costs⁽¹⁾	573.0	817.4	792.5	391.2	258.4	363.3	—	—	1,623.9	1,571.9
Royalties	(115.4)	(255.7)	(78.3)	(65.3)	(25.6)	(40.2)	—	—	(219.3)	(361.2)
Production and operating - Energy ⁽¹⁾	(104.9)	(116.5)	(61.7)	(17.2)	(1.8)	(2.0)	—	—	(168.4)	(135.7)
Production and operating - Non-energy ⁽¹⁾	(88.0)	(58.9)	(108.1)	(50.1)	(30.7)	(27.5)	—	—	(226.8)	(136.5)
Transportation and processing	(37.7)	(31.7)	(156.4)	(9.8)	(38.6)	(38.0)	—	—	(232.7)	(79.5)
Field Operating Income⁽¹⁾	227.0	354.6	388.0	248.8	161.7	255.6	—	—	776.7	859.0
Depletion, depreciation and amortization	(66.8)	(56.3)	(214.9)	(51.8)	(45.4)	(34.6)	(6.7)	(12.1)	(333.8)	(154.8)
General and administrative	—	—	—	—	—	—	(46.7)	(28.4)	(46.7)	(28.4)
Other income	—	—	—	—	—	—	0.2	2.6	0.2	2.6
Interest	—	—	—	—	—	—	(104.4)	(31.2)	(104.4)	(31.2)
Finance costs	—	—	—	—	—	—	(35.6)	(12.8)	(35.6)	(12.8)
Current income tax recovery	—	—	—	—	—	—	46.9	—	46.9	—
Operating Earnings after Current Income Tax Recovery⁽¹⁾	160.2	298.3	173.1	197.0	116.3	221.0	(146.3)	(81.9)	303.3	634.4
Deferred tax recovery (expense)	—	—	—	—	—	—	(161.6)	223.1	(161.6)	223.1
Operating Earnings⁽¹⁾							(307.9)	141.2	141.7	857.5
Gain (loss) on risk management contracts - realized	—	—	—	—	—	—	(5.8)	(194.7)	(5.8)	(194.7)
Gain (loss) on risk management contracts - unrealized	—	—	—	—	—	—	212.1	(99.7)	212.1	(99.7)
Foreign exchange gain (loss) - realized	—	—	—	—	—	—	(0.5)	(0.3)	(0.5)	(0.3)
Foreign exchange gain (loss) - unrealized	—	—	—	—	—	—	18.6	(11.5)	18.6	(11.5)
Transaction related costs	—	—	—	—	—	—	(1.6)	(2.9)	(1.6)	(2.9)
Unrealized gain (loss) on Sable remediation fund	—	—	—	—	—	—	0.1	(0.7)	0.1	(0.7)
Share of equity investment income	—	—	—	—	—	—	—	11.3	—	11.3
Gain on step acquisitions of equity method investee	—	—	—	—	—	—	—	132.1	—	132.1
Loss on termination of lease liability	—	—	—	—	—	—	—	(1.4)	—	(1.4)
Income and comprehensive income									364.6	689.7

⁽¹⁾ See the "Specified Financial Measures" section of this MD&A.

For the Six Months Ended (\$/boe)	Cold Lake Thermal Segment		Lloydminster Heavy Oil Segment		Montney Segment		Corporate and Eliminations		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Oil and natural gas sales	74.47	114.49	80.67	118.35	39.83	58.79	0.06	(1.05)	69.40	99.17
Sale of purchased products	—	—	—	—	—	—	1.06	2.45	1.06	2.45
Blending costs	(14.19)	(7.76)	(3.43)	(12.17)	—	—	—	1.09	(7.55)	(8.68)
Purchased product	—	—	—	—	—	—	(1.12)	(2.49)	(1.12)	(2.49)
Oil and natural gas sales, net of blending costs⁽¹⁾	60.28	106.73	77.24	106.18	39.83	58.79	—	—	61.79	90.45
Royalties	(12.14)	(33.39)	(7.63)	(17.72)	(3.95)	(6.51)	—	—	(8.35)	(20.79)
Production and operating expense -energy ⁽¹⁾	(10.90)	(15.21)	(6.01)	(4.67)	(0.28)	(0.32)	—	—	(6.41)	(7.82)
Production and operating - non-energy ⁽¹⁾	(9.39)	(7.69)	(10.54)	(13.60)	(4.73)	(4.45)	—	—	(8.64)	(7.86)
Transportation and processing	(3.97)	(4.14)	(15.25)	(2.66)	(5.95)	(6.15)	—	—	(8.86)	(4.58)
Field Operating Netback ⁽¹⁾	23.88	46.30	37.81	67.53	24.92	41.36	—	—	29.53	49.40
Depletion, depreciation and amortization	(7.03)	(7.35)	(20.95)	(14.06)	(7.00)	(5.60)	(0.25)	(0.68)	(12.71)	(8.91)
General and administrative	—	—	—	—	—	—	(1.78)	(1.61)	(1.78)	(1.63)
Other income	—	—	—	—	—	—	0.01	0.15	0.01	0.15
Interest	—	—	—	—	—	—	(3.98)	(1.77)	(3.98)	(1.80)
Finance costs	—	—	—	—	—	—	(1.35)	(0.72)	(1.35)	(0.74)
Current Income tax recovery	—	—	—	—	—	—	—	—	1.79	—
Operating Earnings after Current Income Tax Expense ⁽¹⁾	16.85	38.95	16.86	53.47	17.92	35.76	(7.35)	(4.63)	11.51	36.47
Deferred income tax recovery (expense)	—	—	—	—	—	—	—	—	(6.16)	12.84
Operating Earnings (\$/boe)⁽¹⁾									5.35	49.31
Effective royalty rate (%) ⁽¹⁾	20.1 %	31.3 %	9.9 %	16.7 %	9.9 %	11.1 %			13.5 %	23.0 %

⁽¹⁾ See "Specified Financial Measures" section of this MD&A.

Cold Lake Thermal

The production of Cold Lake Thermal segment, for the three months ended June 30, 2023, increased to 53,829 boe per day from 51,040 boe per day compared to same quarter of 2022. For the six months ended June 30, 2023, the production of the Cold Lake Thermal segment increased to 52,471 boe per day from 42,669 boe per day in the same period of 2022. The increase in production for both the three month and six months ended June 30, 2023 is primarily due to the addition of the Tucker property, acquired through the Stickney Amalgamation in March 2022.

Oil and natural gas sales in the Cold Lake Thermal segment, for the three months ended June 30, 2023 decreased to \$547.6 million from \$803.9 million compared to three months ended June 30, 2022. For the six months ended June 30, 2023, oil and natural gas sales in the Cold Lake Thermal segment decreased to \$1,015.9 million from \$1,266.5 million in the same period of 2022. The decreases of the oil and natural gas sales in the Cold Lake Thermal segment during the three months and six months ended June 30, 2023 are primarily due to reductions in benchmark commodity prices.

The reduction in benchmark commodity prices also impacted royalties. Royalties as a percentage of sales decreased to 19.6% and 20.1%, during the three months ended and six months ended June 30, 2023, respectively, from 34.1% and 31.3% during the three months ended and six months ended June 30, 2022, respectively.

Energy related production and operating costs per boe decreased to \$9.86 per boe for the three months ended June 30, 2023, from \$17.11 per boe in the same quarter of 2022. Energy related production and operating costs per boe decreased to \$10.90 per boe for the six months ended June 30, 2023, from \$15.21 per boe in the same period of 2022. The decreases are primarily attributable to the lower cost of natural gas in 2023.

Non-energy related production and operating costs per boe increased to \$9.39 per boe for the six months ended June 30, 2023 from \$7.69 per boe in the same period of 2022 primarily due to inflationary pressures on maintenance and other costs.

Lloydminster Heavy Oil

The production of the Lloydminster Heavy Oil segment for the three months ended June 30, 2023, increased to 53,687 boe per day from 24,943 boe per day as compared to same quarter of 2022. For the six months ended June 30, 2023 the production of Lloydminster Heavy Oil segment increased to 55,653 boe per day from 20,115 boe per day in the same period of 2022. The increase in production for both the three month and six months ended June 30, 2023 is primarily due to the addition of properties acquired through the Serafina Acquisition in August 2022. The increasing production generally resulted in increased revenues and expenses.

Oil and natural gas sales in the Lloydminster Heavy Oil segment increased to \$435.2 million for the three months ended June 30, 2023 from \$323.8 million as compared to the same quarter of 2022. For the six months ended June 30, 2023 oil and natural gas sales of Lloydminster Heavy Oil segment increased to \$884.6 million from 494.4 million in the same period of 2022. The increase in oil and natural gas sales for both the three month and six months ended June 30, 2023 is primarily due to production from properties acquired through the Serafina Acquisition in August 2022, which were partially offset by decreases in benchmark commodity prices.

The reduction in benchmark commodity prices also impacted royalties. Royalties as a percentage of sales decreased to 9.0% and 9.9% during the three months ended and six months ended June 30, 2023, respectively, from 16.9% and 16.7% in the same periods of 2022, respectively.

Energy related production and operating costs per boe increased to \$6.02 per day for the three months ended June 30, 2023 from \$4.39 per boe during the same quarter of 2022. Energy related production and operating costs per boe increased to \$6.01 per boe for the six months ended June 30, 2023 from \$4.67 per boe during the same period of 2022 primarily due to the addition of thermal SAGD properties resulting from the Serafina acquisition.

Non-energy related production and operating costs per boe decreased to \$10.52 per boe for the three months ended ended June 30, 2023 from \$12.96 per boe in the same quarter of 2022. Non-energy related production and operating costs per boe decreased to \$10.54 per boe for the six months ended June 30, 2023 from \$13.60 per boe in the same period of 2022 primarily due the increased production resulting from the Serafina Acquisition.

For the three months ended June 30, 2023 the transportation and processing of Lloydminster Heavy Oil segment increased to \$13.82 boe per day from \$3.06 boe per day as compared to the same quarter of 2022. The transportation and processing increased to \$15.25 per boe for the six months ended June 30, 2023 from \$2.66 per boe during the same period of 2022.

The increases are primarily due to the addition of legacy Serafina and Caltex oil volumes which are transported to their respective sales points by rail and truck resulting in higher transportation costs per barrel than legacy Strathcona heavy oil volumes which are transported by pipeline.

Montney

For the three months ended June 30, 2023 the production of the Montney segment slightly increased to 36,262 boe per day from 35,170 boe per day during the same quarter of 2022.

Production in the Montney segment slightly increased to 35,844 boe per day for the six months ended June 30, 2023 compared to 34,139 boe per day in the same period of 2022, primarily due to strong well results from the drilling program at Kakwa.

For the three months ended June 30, 2023 oil and natural gas sales in the Montney segment decreased to \$129.4 million from \$212.4 million during the same quarter of 2022. Oil and natural gas sales decreased to \$258.4 million for the six months ended June 30, 2023 from \$363.3 million in the same period of 2022. Decreases in oil and natural gas sales in both periods were primarily driven by decreases in benchmark commodity prices, which offset increases in production.

The reduction in benchmark commodity prices also impacted royalties. Royalties as a percentage of sales decreased to 3.3% and 9.9% for the three months ended and six months ended June 30, 2023, respectively, from 9.9% and 11.1% in the same period of 2022, respectively.

On a per boe basis, energy related and non-energy related operating costs remained relatively unchanged for the three and six months ended June 30, 2023 as compare to same periods of 2022.

Transportation and processing costs decreased to \$5.88 per boe for the three months ended June 30, 2023 from \$6.56 per boe in the same quarter of 2022. For the six months ended June 30, 2023 the transportation and processing cost decreased to \$5.95 per boe from \$6.15 per boe in the same period of 2022. The decrease is primarily the result of access to additional pipeline capacity in 2023 allowing previously trucked condensate volumes to be shipped by pipeline to sales points.

Corporate and Eliminations

Natural gas and condensate produced from Strathcona's Montney segment economically offsets consumption at the Cold Lake Thermal and Lloydminster Heavy Oil segments. Strathcona utilizes Company production internally when it is economically beneficial to do so as compared to purchasing third party production. Average daily sales volumes, oil and natural gas sales, blending costs and amounts represent the elimination of these intersegment transactions.

CAPITAL RESOURCES

Bank Credit Facilities

Covenant-Based Revolving Credit Facility

At June 30, 2023, the Company had a covenant-based revolving credit facility of \$2.0 billion (December 31, 2022 - \$2.0 billion) with a syndicate of Canadian, U.S. and international banks (the "**Revolving Credit Facility**").

The Revolving Credit Facility has a maturity date of February 27, 2026. There are no mandatory payments on the Revolving Credit Facility. In addition, the covenant-based Revolving Credit Facility is not a borrowing base facility and does not require annual or semi-annual reviews.

The Revolving Credit Facility bears interest at the applicable prime lending rate, base rate, bankers' acceptance or Secured Overnight Financing Rate ("**SOFR**") plus applicable margins. The applicable margin charged by the lenders is dependent on the Company's Senior Debt to Adjusted EBITDA ratio (as defined below) for the most recently completed quarter. The Revolving Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

At June 30, 2023, the Company had letters of credit outstanding under the Revolving Credit Facility of \$10.6 million (December 31, 2022 - \$12.5 million).

Term Credit Facility

At June 30, 2023, the Company had a \$675.0 million term loan (December 31, 2022 - \$700.0 million) with a syndicate of Canadian banks (the "**Term Credit Facility**" and together with the Revolving Credit Facility, the "**Credit Facilities**"). The Term Credit Facility has a maturity date of February 29, 2024.

The Term Credit Facility requires quarterly excess cash flow sweeps calculated based on the Company's quarterly financial results. Excess cash flow sweeps are due within 10 days of the delivery of the quarterly financial statements to lenders. Excess cash flow is calculated as Adjusted EBITDA (as defined below) less cash capital and decommissioning expenditures, lease payments (to the extent not already deducted), taxes, interest expense and any extraordinary and non-recurring losses added back in the determination of Adjusted EBITDA. A 100% excess cash flow sweep is required for the period commencing with the fiscal quarter ended December 31, 2022 and ending on the earlier of four fiscal quarters and the date on which the outstanding balance under the Term Credit Facility is less than \$350.0 million. Thereafter, the excess cash flow sweep is the greater of 50% of excess cash flow and \$116.7 million. Mandatory prepayments are also required using 50% of the net cash proceeds from the issuance of hybrid securities or preferred shares (excludes common shares), certain debt issuances and certain asset sales. Payments made immediately reduce the Term Credit Facility.

The Revolving Credit Facility may be used to repay amounts owing on the Term Credit Facility if there is availability of \$150.0 million after such payment.

The Term Credit Facility is secured by a floating charge debenture on the assets of the Company and its subsidiaries.

Foreign Exchange Risk Management on US Denominated Debt

Strathcona periodically borrows in US dollars and concurrently enters into cross-currency interest rate swap contracts to take advantage of an interest rate arbitrage that results from the relationship between Canadian and US dollar interest rates and forward foreign exchange curves.

Foreign currency risk associated with these borrowings is eliminated at the time of borrowing as cross-currency interest rate swap contracts fix the principal and interest payments due at maturity. The terms of the Revolving Credit Facility and the Term Credit Facility allow the Canadian dollar equivalent of US borrowings to exceed contracted amounts due to fluctuations in foreign exchange, provided that settlement amounts have been fixed upfront using cross-currency interest rate swap contracts. Debt on the balance sheet includes the Canadian dollar equivalent of US borrowings translated at the period end exchange rate, which does not include the offsetting impact of cross-currency interest rate swaps. As at June 30, 2023 the cross-currency swap liability was \$36.2 million (December 31, 2022 – \$4.3 million asset) and total debt includes an unrealized gain of \$37.2 million (December 31, 2022 – unrealized loss of \$5.9 million) related to US borrowings on the Credit Facilities. Unrealized gains or losses on US borrowings and offsetting unrealized gains or losses on cross-currency swap assets are included in foreign exchange gains in the interim financial statements.

As at June 30, 2023, the Company had CCS contracts outstanding totaling:

Notional (US\$)	Maturity Date	Contract Price
1,654.8 million	July 10, 2023	CAD/USD 1.3467

Financial Covenants

At June 30, 2023, the Revolving Credit Facility and Term Credit Facility had three financial covenants which are calculated quarterly (as set out below). The financial covenant calculations under the Revolving Credit Facility and Term Credit Facility credit agreements (the “**Credit Agreements**”) are identical.

- (i) Total Debt to Adjusted EBITDA Ratio – All debt excluding the Financing Agreement (see Note 6 of the interim financial statements), capital leases and letters of credit constituting debt (“**Total Debt**”), each as defined in the Credit Agreements shall not exceed 4.0 times trailing 12-month net income before non-cash items, income taxes, interest expense and extraordinary and non-recurring losses, adjusted for material acquisitions or dispositions as if they occurred on the first day of the calculation period (“**Adjusted EBITDA**”). For the purposes of Adjusted EBITDA, lease payments are deducted from the calculation if a lease would have been considered an operating lease before the adoption of IFRS 16. Total Debt may include the value of the Company’s undiscounted inactive abandonment and reclamation obligations for a material jurisdiction if the liability management ratio in that jurisdiction falls below the minimum maintenance level required under the Credit Agreements (1.0 in British Columbia and 2.0 in all other material jurisdictions). Liability management ratios are calculated by provincial regulators based on deemed asset and deemed liability values determined by the respective regulator, other than for British Columbia, which is calculated by the Company based on past practice of the BC Oil and Gas Commission.
- (ii) Senior Debt to Adjusted EBITDA Ratio – Total Debt excluding permitted junior debt (e.g. Senior Notes), as defined in the Credit Agreements, shall not exceed 3.5 times trailing 12-month Adjusted EBITDA.
- (iii) Interest Coverage Ratio – Trailing 12-month Adjusted EBITDA, shall not be less than 3.5 times cash interest expense, as defined in the Credit Agreements.

At June 30, 2023, the Company was in compliance with its financial covenants, summarized in the following table:

As at	June 30, 2023
Total Debt to Adjusted EBITDA Ratio (≤ 4.00) ⁽¹⁾	1.95
Senior Debt to Adjusted EBITDA Ratio (≤ 3.50) ⁽¹⁾	1.52
Interest Coverage Ratio (≥ 3.50) ⁽¹⁾	7.70

⁽¹⁾ A non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A.

Senior Notes

At June 30, 2023, Strathcona had \$662.1 million (December 31, 2022 \$677.7 million) of senior unsecured notes outstanding, in aggregate principal amount of US\$500.0 million, due August 1, 2026 (the “**Senior Notes**”). The Senior Notes bear interest at 6.875% per annum, payable semi-annually in arrears on February 1 and August 1 of each year. The Senior Notes are redeemable at Strathcona’s option, in whole or in part, after August 1, 2023 at the following redemption prices:

Date	Price
August 1, 2023	105.156 %
August 1, 2024	101.719 %
August 1, 2025 and thereafter	100.000 %

The Senior Notes have no financial maintenance covenants.

Demand Letter of Credit Facility

At June 30, 2023, the Company had a \$100.0 million demand letter of credit facility with a financial institution (the “**LC Facility**”). The LC Facility is supported by an account performance security guarantee issued by Export Development Canada in favour of the financial institution. The letters of credit outstanding under the LC Facility do not impact the Company's borrowing capacity under the Revolving Credit Facility. At June 30, 2023, the Company had letters of credit in the amount of \$54.5 million (December 31, 2022 - \$52.6 million) outstanding under the LC Facility.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include equity, long-term debt and working capital.

The Company generally relies on funds from operations and its Revolving Credit Facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds from operations, availability on the Revolving Credit Facility and the ability to access debt and equity markets. The Term Credit Facility has quarterly excess cash flow sweeps which commenced with the quarter ended December 31, 2022 and a maturity date of February 29, 2024. The Revolving Credit Facility may be used to repay amounts owing on the Term Credit Facility if there is at least \$150.0 million of unutilized credit after such payment. All repayments of principal on the Revolving Credit Facility are due at its maturity date in February 2026.

The availability under credit facilities, net of cash, is summarized in the following table:

As at	June 30, 2023	December 31, 2022
Credit capacity	2,675.0	2,700.0
Credit facilities debt at period end exchange rate	(2,271.7)	(2,408.3)
Unrealized (gain) loss on US borrowings	(37.2)	5.9
Letters of credit outstanding	(10.6)	(12.5)
Availability	355.5	285.1
Cash	—	34.3
Availability under Credit Facilities, net of cash	355.5	319.4

The Company carries a working capital deficiency as part of its capital structure. As at June 30, 2023, the working capital deficiency was \$(225.2) million (a non-GAAP financial measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this MD&A). Management believes its current capital resources and its ability to manage cash flow and working capital levels will allow the Company to meet its current and future obligations, to make scheduled principal and interest payments, to fund planned capital expenditures and to fund the other needs of the business for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary. The Company's cash flow and the development of projects are dependent on factors discussed in the “Risk Factors” section of this MD&A.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The oil and natural gas industry is cyclical and commodity prices can be volatile both of which are expected to impact the Company's future revenue and profitability. A sustained decline in commodity prices and increased inflation and interest rates could adversely affect our business, financial condition and results of operations, liquidity and ability to meet financial commitments when due or delay planned capital expenditures.

The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants under the Credit Facilities.

DECOMMISSIONING LIABILITY

At June 30, 2023, Strathcona's discounted decommissioning provision balance was \$354.5 million (December 31, 2022 - \$291.5 million) for future abandonment and reclamation of the Company's oil and natural gas properties. The increase is primarily attributed to changes in estimates of \$65.3 million relating to a decrease in the credit-adjusted discount rate to 8.00% at June 30, 2023 from 9.60% at December 31, 2022.

Effective December 31, 2022, Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit-adjusted discount rate. As a result, certain comparative figures have been restated. Refer to "Changes in Accounting Policies" section of this MD&A.

During the six months ended June 30, 2023, the Company incurred \$16.7 million of decommissioning expenditures.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Strathcona has contractual obligations in the normal course of business which may include purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations, employee agreements and debt. These obligations are of a recurring, consistent nature and impact Strathcona's cash flows in an ongoing manner.

The following tables detail the undiscounted cash flows and contractual maturities of the Company's financial liabilities as at June 30, 2023:

	Total	<1 year	1-3 years	4-5 years	> 5 years
Revolving Credit Facility ⁽¹⁾	1,633.9	—	—	1,633.9	—
Term Credit Facility ⁽²⁾	706.7	706.7	—	—	—
Senior Notes ⁽³⁾	821.4	45.5	91.0	684.9	—
Accounts payable and accrued liabilities	565.3	565.3	—	—	—
Risk management contract liability	142.4	88.7	53.7	—	—
Lease and other obligations ⁽⁴⁾	423.8	44.3	98.2	80.2	201.1
Total	4,293.5	1,450.5	242.9	2,399.0	201.1

(1) Contractual amount reflects contracted settlement price on CCS contracts and excludes future interest payments on borrowings.

(2) Contractual amount reflects contracted settlement price on CCS contracts and includes estimated interest payments.

(3) Amounts represent repayment of the Senior Notes and associated interest payments based on foreign exchange rate in effect on June 30, 2023.

(4) Amounts relate to undiscounted payments for lease and other obligations. The estimation of future cash payments related to other obligations are subject to forecast lending rates and timing of exercise of the Repurchase Option. The Repurchase Option on the asset backed financing arrangement is assumed to be exercised on January 1, 2029. See Note 6 of the interim financial statements.

As at June 30, 2023, the Company was committed to the following non-cancellable payments:

	Total	< 1 year	1-3 years	4-5 years	> 5 years
Transportation and processing commitments	1,326.4	176.0	347.7	259.6	543.1
Capital commitments	114.7	98.2	16.5	—	—
Other	13.4	4.5	6.5	2.4	—
Total	1,454.5	278.7	370.7	262.0	543.1

The Company generally expects to meet these commitments through funds from operations and its Revolving Credit Facility.

Strathcona does not maintain off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources which are not disclosed in the notes to the annual financial statements.

SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of voting Class A common shares, an unlimited number of voting Class B common shares and an unlimited number of preferred shares. Each Class A common share is convertible at the option of the holder into one Class B common share and each Class B common share is convertible at the option of the holder into one Class A common share. The following table summarizes the number of shares outstanding:

Share Class	Shares outstanding as at August 24, 2023
Preferred shares	nil
Class A Common Shares	932,573,693
Class B Common Shares	1,254,131,751

The Company has no other outstanding securities which are convertible into shares.

RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2023, there were no related party transactions.

On January 31, 2022, Strathcona exchanged \$30.9 million of its shares in its investment in Stickney with an affiliate of WEF ("**WEF Fund II**") for shares of Caltex.

On January 31, 2022, Strathcona issued an unsecured, interest-bearing loan in the amount of \$25.0 million to Stickney. The loan was extinguished upon the Caltex and Stickney Amalgamation.

On March 11, 2022, Strathcona acquired the remaining interests in Caltex and Stickney from WEF Fund II for share consideration valued at \$295.8 million and \$242.0 million respectively, and amalgamated with the entities.

Prior to the March 11, 2022 amalgamations, the Company provided management and administrative services to Caltex and Stickney. The fees received pursuant to this agreement from January 1, 2022 to March 11, 2022 totaled \$0.6 million for Stickney and \$1.3 million for Caltex.

SUBSEQUENT EVENTS

On July 31, 2023, Strathcona entered into an arrangement agreement to acquire Pipestone Energy Corp. ("**Pipestone**") for all share consideration (the "**Arrangement**"). Upon completion of the Arrangement, Strathcona will become a public reporting issuer in Canada. The Arrangement requires the approval of at least 66 2/3% of the votes cast by Pipestone shareholders at a special meeting to consider the transaction. The Arrangement provides for mutual break fees of \$25.0 million in the event the transaction is not completed or is terminated by either party in certain circumstances.

CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the financial statements are discussed in Note 2 of the annual financial statements. There have been no material changes to Strathcona's critical accounting estimates and judgments during the six months ended June 30, 2023.

CHANGES IN ACCOUNTING POLICIES

Voluntary change in accounting policy

As detailed in Note 2 of the most recent audited annual consolidated financial statements, effective December 31, 2022, the Company voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit adjusted discount rate to determine the discounted amount of the liability presented at each balance sheet date. The Company previously utilized a risk-free discount rate to determine the discounted amount of its decommissioning liability. Concurrent with the voluntary accounting policy change, there was also an impact to depletion expense recorded in the respective periods due to change in estimated present value of future development costs at each period end for purposes of unit-of-production calculations.

This voluntary change in accounting policy was applied retrospectively and the effect of this change is described below. Comparative amounts in these *condensed consolidated interim* financial statements have been restated.

Reconciliation of the Condensed Consolidated Interim Statements of Income and Comprehensive Income

For the Three Months Ended June 30,	2022		
	Prior to accounting policy change	Effect of change	Restated
Depletion, depreciation and amortization	122.6	(26.1)	96.5
Finance costs	7.0	(0.3)	6.7
Net income	323.3	26.4	349.7
Net income per share			
Basic and Diluted	0.15	0.01	0.16

For the Six Months Ended June 30,	2022		
	Prior to accounting policy change	Effect of change	Restated
Depletion, depreciation and amortization	202.3	(47.5)	154.8
Finance costs	13.0	(0.2)	12.8
Net income	642.0	47.7	689.7
Net income per share			
Basic and Diluted	0.31	0.02	0.33

Reconciliation of the Condensed Consolidated Interim Statements of Cash Flows

For the Three Months Ended June 30,	2022		
	Previous accounting policy	Effect of change	Restated
Net income	323.3	26.4	349.7
Items not involving cash	68.4	(26.4)	42.0

For the Ended	2022		
	Previous accounting policy	Effect of change	Restated
Net income	642.0	47.7	689.7
Items not involving cash	(42.1)	(47.7)	(89.8)

RISK FACTORS

The Company's business is subject to numerous risks and uncertainties, any of which may adversely affect the Company's business and its financial results and results of its operations. The risks listed below are not comprehensive; refer to the "Risk Factors" section in the Company's annual financial statements.

ADVISORIES

This MD&A contains various references to the abbreviation "**boe**" which means barrels of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("**mcf**") of natural gas to one barrel ("**bbl**") of crude oil. Boe may be misleading, particularly if used in isolation. A boe conversion rate of 1 bbl : 6 mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 bbl : 6 mcf, utilizing a conversion ratio of 1 bbl : 6 mcf may be misleading as an indication of value. References to "liquids" in this MD&A refer to, collectively, bitumen, heavy oil, condensate and light oil (comprised of condensate and light oil) and other natural gas liquids ("**NGL**") (comprised of ethane, propane, and butane only).

National Instruments 51-101 - *Standards of Disclosure for Oil and Gas Activities* includes condensate within the natural gas liquids product type. The Company has disclosed condensate as combined with light oil and separately from other natural gas liquids in this MD&A since the price of condensate as compared to other natural gas liquids is currently significantly higher and the Company believes that this presentation provides a more accurate description of its operations and results therefrom.

SUMMARY OF QUARTERLY RESULTS

(\$ millions, unless otherwise indicated)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating results (boe/d)								
Average production volumes	143,778	144,160	143,371	119,829	111,153	82,535	74,648	75,351
Average sales volumes	143,239	146,877	141,595	119,992	110,430	81,357	68,643	70,169
Financial Results								
Oil and natural gas sales	1,112.8	1,047.7	1,124.9	1,112.6	1,331.5	774.4	521.5	447.5
Net Income ⁽²⁾	274.1	90.5	62.2	606.3	349.7	340.0	248.3	121.2
Net income per share ⁽²⁾	0.13	0.04	0.03	0.28	0.16	0.17	0.13	0.06
Cash flow from operating activities	343.1	181.1	482.2	373.5	391.9	207.7	126.0	142.5
Operating Earnings after Current Income Tax Recovery ⁽¹⁾	201.4	101.9	166.4	281.9	405.1	227.3	135.3	141.1
Funds from Operations ⁽¹⁾	388.8	275.7	302.1	320.7	391.7	208.2	86.7	106.1
Free cash flows ⁽¹⁾	152.2	34.9	69.1	154.9	253.5	101.1	(7.3)	30.9
Field Operating Income ⁽¹⁾	460.8	315.9	395.1	432.4	538.2	320.8	228.0	219.6
Field Operating Netback (\$/boe) ⁽¹⁾	35.35	23.90	30.33	39.16	53.55	43.81	36.15	34.07
Capital expenditures	231.7	228.7	228.5	157.5	136.8	98.1	90.6	73.1
Decommissioning expenditures	4.9	12.1	4.5	8.3	1.4	9.0	3.4	2.1
Total assets ⁽²⁾	9,451.2	9,289.5	9,164.5	9,416.3	6,091.0	6,047.4	3,838.8	3,654.5
Debt	2,898.2	3,041.7	3,044.1	3,545.9	1,213.4	1,472.5	911.5	736.3
Total equity	4,567.5	4,292.7	4,202.2	4,088.9	3,594.6	3,269.6	2,304.9	1,966.2
Common shares outstanding, end of period	2,186.7	2,186.5	2,186.5	2,186.6	2,186.6	2,185.8	1,944.8	1,944.9

(1) A non-GAAP measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this MD&A.

(2) Effective December 31, 2022, Strathcona voluntarily changed its accounting policy with respect to its decommissioning provision to utilize a credit adjusted discount rate, which was applied retrospectively. As a result, certain comparative figures have been restated. Refer to "Changes in Accounting Policies" section of this MD&A.

During the eight most recent quarters the following items have had a significant impact on the Company's quarterly results: the acquisitions as described in the "Description of Business" section of this MD&A and note 4 of the financial statements; variability of benchmark commodity prices; changes in the value of the Canadian dollar relative to the U.S. dollar and its impact on realized commodity prices, net of blend expense, interest expense, and foreign exchange gains and losses associated with the Company's Senior Notes; fluctuations in natural gas and power pricing and the associated impact on energy-related production and operating costs; inflationary pressure; timing of capital projects; gains and losses on commodity contracts.

SPECIFIED FINANCIAL MEASURES

This MD&A makes reference to certain financial measures and ratios, including "Oil and natural gas sales, net of blending costs", "Bitumen blend per bbl", "Heavy oil, blended and raw per bbl", "Effective Royalty rate", "Working capital deficiency", "Field operating income", "Field operating netback", "Funds from operations", "Free cash flow", "Operating earnings after current income tax recovery", "Operating earnings", "Senior debt", "Total debt", and "Adjusted EBITDA" which are not recognized measures under generally accepted accounting principles ("GAAP") and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms "Field Operating Netback", "Funds from Operations", and "Free Cash Flow" for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the specified financial measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company's performance.

Non-GAAP Financial Measures and Ratios

Non-GAAP financial measures and ratios are used internally by management to assess the performance of the Company. They also provide investors with meaningful metrics to assess the Company's performance compared to other companies in the same industry. However, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to financial measures determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

The term **"Oil and natural gas sales, net of blending costs"** is calculated by deducting blending costs, sales of purchased product and purchased product from oil and natural gas sales. Management uses this metric to isolate the revenue associated with Company production after accounting for the unavoidable cost of blending. A quantitative reconciliation of Oil and natural gas sales, net of blending costs to the most directly comparable GAAP financial measure, Oil and natural gas sales, is contained under the heading "Revenue and Realized Prices" of this MD&A.

Oil and natural gas sales, net of blending costs, is reflected on a per boe basis calculated using sales volumes. Management also calculates **"Bitumen blend per bbl"** and **"Heavy oil, blended and raw per bbl"** by deducting the associated blending cost from sales and dividing by the respective sales volume.

The term **"Effective Royalty rate"** is calculated by dividing royalties by oil and natural gas sales, net of blending costs (as defined above). This metric allows management to analyze the movement of royalty expenses in relation to realized and benchmark commodity prices.

The term **"Working capital deficiency"** is calculated by taking certain current assets including cash, accounts receivable, inventory and prepaid expenses and deposits less accounts payable, and deferred revenue. Management uses this metric to manage the Company's capital and cash flow requirements.

(\$ millions, unless otherwise indicated)	June 30, 2023	December 31, 2022
Cash	—	34.3
Accounts receivable	277.8	299.1
Inventory	52.9	64.2
Prepaid expenses and deposits	23.9	10.0
Accounts payable	(565.3)	(652.9)
Deferred revenue	(14.5)	(50.0)
Working capital deficiency	(225.2)	(295.3)

The term **"Field Operating Income"** is calculated by deducting royalties, production and operating expenses, blending costs, transportation and processing expenses and purchased product from oil and natural gas sales and sales of purchased products. **"Field Operating Netback"** is expressing Field Operating Income on a per unit basis of sales volumes. These measures are used by Management to assess the profitability and efficiency of the Company's field operations. A quantitative reconciliation of Field Operating Income to the most directly comparable GAAP financial measure, Income (loss) and comprehensive income (loss) is contained in the "Segment Results" section of this MD&A.

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Oil and natural gas sales	1,112.8	1,331.5	1,047.7	2,160.5	2,105.9
Sales of purchased products	14.0	11.6	13.8	27.8	42.6
Blending costs	(249.8)	(332.6)	(285.2)	(535.0)	(533.3)
Purchased product	(14.6)	(11.3)	(14.8)	(29.4)	(43.3)
Oil and natural gas sales, net of blending costs	862.4	999.2	761.5	1,623.9	1,571.9
Royalties	(106.2)	(244.7)	(113.1)	(219.3)	(361.2)
Production and operating	(190.6)	(170.0)	(204.6)	(395.2)	(272.2)
Transportation and processing	(104.8)	(46.3)	(127.9)	(232.7)	(79.5)
Field Operating Income	460.8	538.2	315.9	776.7	859.0
Field Operating Netback (\$/boe)	35.30	53.58	23.82	29.53	49.40

The terms “**Funds from Operations**” is calculated based on cash flow from (used in) operating activities before changes in non-cash working capital and decommissioning costs funded by the Company.

The term “**Free Cash Flow**” is computed as Funds from Operations generated during the period less capital expenditures and decommissioning costs. The Company uses Funds from Operations and Free Cash Flow to measure operating performance and evaluate the Company’s ability to fund operating activities, capital programs and the repayment of debt.

A quantitative reconciliation of Funds from Operations and Free Cash Flow to the most directly comparable GAAP financial measure, cash flow from (used in) operating activities is set forth below:

(\$ millions, unless otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2023	June 30, 2022	March 31, 2023	June 30, 2023	June 30, 2022
Cash flow from (used in) operating activities	343.1	391.9	181.1	524.2	599.6
Changes in non-cash working capital	41.1	(1.6)	82.5	123.6	(10.1)
Decommissioning costs	4.6	1.4	12.1	16.7	10.4
Funds from Operations	388.8	391.7	275.7	664.5	599.9
Capital expenditures	(231.7)	(136.8)	(228.7)	(460.4)	(234.9)
Decommissioning costs	(4.9)	(1.4)	(12.1)	(17.0)	(10.4)
Free Cash Flow	152.2	253.5	34.9	187.1	354.6

The term “**Operating Earnings after Current Income Tax Recovery**” is computed by subtracting general and administrative, DD&A, other income, interest, finance costs and current income tax recovery from Field Operating Income. The term “**Operating Earnings**” is computed by subtracting deferred income tax expense from Operating Earnings after Current Income Tax Recovery. Quantitative reconciliations of Operating Earnings after Current Income Tax Recovery and Operating Earnings to the most directly comparable GAAP financial measure, Income and comprehensive income, is contained in the “Segment Results” section of this MD&A.

Operating Earnings before Current Income Tax Recovery and Operating Earnings are also reflected on a per boe basis calculated using sales volumes.

Financial Covenant Calculations

Total Debt and Senior Debt are defined in the Credit Facilities for financial covenant purposes, and are calculated as follows.

(\$ millions, unless otherwise indicated)	As at June 30, 2023
Revolving Credit Facility	1,609.6
Term Credit Facility	662.1
Unrealized gain (loss) on SOFR loans	37.2
Senior Debt	2,308.9
Senior Notes	662.1
Total Debt	2,971.0

Adjusted EBITDA is defined in the Credit Facilities for financial covenant purposes, and is calculated on a trailing 12-month basis, as follows:

(\$ millions, unless otherwise indicated)	Trailing 12-months ended June 30, 2023
Net income	1,033.1
<i>Adjusted for</i>	
Interest and finance costs	235.2
Unrealized gain on commodity contracts	(402.2)
Depletion, depreciation, amortization and impairment	574.7
Unrealized foreign exchange loss	19.4
Unrealized gain on Sable remediation fund	(0.1)
Income tax recovery	(34.1)
ARO government grants	(3.0)
IFRS 16 adjustment	(17.4)
EBITDA from Serafina assets	80.7
Non-recurring losses	37.5
Adjusted EBITDA	1,523.8

Interest Charges are defined in the Credit Facilities for financial covenant purposes and are calculated on a trailing 12-month basis, as follows:

(\$ millions, unless otherwise indicated)	Trailing 12-months ended June 30, 2023
Interest on debt	182.6
Other adjustments	15.2
Interest Charges	197.8

(1) Other adjustments include interest on finance leases, as defined in the Credit Facilities, and interest adjustments related to material acquisitions.

Supplementary Financial Measures

The terms “Production and operating – Energy” and “Production and operating – Non-energy” are supplementary financial measures as they refer to portions of production and operating expenses. Non-energy operating expenses reflect the cost of operating activities relating to the production of resources. Energy operating expenses reflect the cost of gas and propane fuel, utilities, and carbon tax incurred to operate facilities.

Energy and Non-energy production and operating expenses are also reflected on a per boe basis calculated using sales volumes.

The term “Crown royalties”, “Freehold royalties” and “Gross over-riding royalties” are supplementary financial measures as they refer to portions of royalty expenses. Crown royalties reflect the cost of royalties paid for production on land where petroleum oil and natural gas rights are owned by government bodies. Freehold royalties reflect the cost of royalties paid for production on land where petroleum oil and natural gas rights are owned by private individuals or entities. Gross over-riding royalties reflect the cost of royalties paid to third parties when the WCS heavy oil benchmark exceeds US\$60.00/bbl.

The term “Transportation expense” and “Processing expense” are supplementary financial measures as they refer to portions of transportation and processing expenses. Transportation expenses reflect the cost of transporting oil and natural gas to the sales point. Processing expenses reflect costs incurred to refine produced volumes to meet sales specifications.

The term “Depletion expense” and “Depreciation expense” are supplementary financial measures as they refer to portions of depletion, depreciation and amortization expenses. Depletion expenses reflect the cost of development of oil and natural gas reserves. Depreciation expense reflects the cost of a fixed asset over its expected useful life.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) and are based on Strathcona’s beliefs and assumptions based on information available at the time the assumption was made. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “believe”, “depends”, “could” and similar expressions are intended to identify forward-looking statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: the Company’s business strategy and future plans; the Company’s use of hedging arrangements; the Company’s ability to meet current and future obligations, including making scheduled principal and interest payments and to fund the other needs of the business; the expected utilization of free cash flow for debt repayment; the completion of the Arrangement and the timing thereof; the anticipated increase of the Company’s Revolving Credit Facility concurrently with the completion of the Arrangement; the amendment of the excess cash flow sweep provisions under the Term Credit Facility; future liquidity and financial capacity; sources of funding for the Company’s capital program and the terms of Strathcona’s future contractual obligations, including its obligations under the Credit Agreements and Financing Agreement; the Company’s anticipated 2023 decommissioning activities and the anticipated costs and sources of funding in respect thereof; oil and natural gas prices and differentials; and the impact of the energy transition.

All forward-looking statements reflect Strathcona’s beliefs and assumptions based on information available at the time the applicable forward-looking statement is made and in light of the Company’s current expectations with respect to such things as the success of Strathcona’s operations and growth and expansion projects; Strathcona and Pipestone’s ability to complete the Arrangement on the specified terms and anticipated timing thereof; that Strathcona and Pipestone can obtain the required regulatory approvals on a timely basis; that the Company will realize the anticipated benefits of the Arrangement; the outlook for general economic trends, industry trends, prevailing and future commodity prices, foreign exchange rates and interest rates; prevailing and future royalty regimes and tax laws; future well production rates and reserve volumes; fluctuations in energy prices based on worldwide demand and geopolitical events; the impact of inflation; the integrity and reliability of Strathcona’s assets; decommissioning obligations; Strathcona’s ability to comply with its financial covenants; and the governmental, regulatory and legal environment. Management believes that its assumptions and expectations reflected in the forward-looking statements contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Strathcona’s products; the continued impact, or further deterioration, in global economic and market conditions, including from the COVID-19 pandemic or similar events, inflation and /or the ongoing Russia/Ukraine conflict and heightened geopolitical risks and the ability of the Company to carry on operations as contemplated in light of the foregoing; determinations by OPEC and other countries as to production levels; unanticipated operating results or production declines; changes in tax or environmental laws, climate change, royalty rates or other regulatory matters; changes in Strathcona’s development plans or by third party operators of Strathcona’s properties;

competition from other producers; inability to retain drilling rigs and other services; failure to realize the anticipated benefits of the Company's acquisitions; incorrect assessment of the value of acquisitions; delays resulting from or inability to obtain required regulatory approvals; increased debt levels or debt service requirements; inflation; changes in foreign exchange rates; inaccurate estimation of Strathcona's oil and gas reserve and contingent resource volumes; limited, unfavorable or a lack of access to capital markets or other sources of capital; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks.

The forward-looking statements contained in this MD&A speak only as of the date of this MD&A and Strathcona does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information about Strathcona can be found at: www.strathconaresources.com.

SCHEDULE G

CONTINGENT RESOURCES INFORMATION

NOTE TO READER REGARDING DISCLOSURE OF CONTINGENT RESOURCES INFORMATION

All of Strathcona's contingent resources have been evaluated in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. Sproule Associates Limited ("**Sproule**") has evaluated Strathcona's contingent resources attributable to the Bellis, Cactus, and Winter properties located in the Lloydminster Heavy Oil Area; Kakwa and Groundbirch properties located in the Montney Area; and Lindbergh, Orion and Taiga properties located in the Cold Lake Thermal Area. McDaniel & Associates Consultants Ltd. ("**McDaniel**") has evaluated Strathcona's contingent resources attributable to its Tucker Lake Area property located within the Cold Lake Thermal Area; and Edam, Meota West and Glenbogie properties located in the Lloydminster Heavy Oil Area. All contingent resource evaluations were prepared using the price forecasts of Sproule as of January 1, 2023. See "*Statement of Reserves Data and Other Oil and Gas Information – Forecast Prices and Costs*" in Appendix "H" to this Information Circular.

The following sections and tables summarize, as at December 31, 2022, Strathcona's "best estimate" (as defined below) contingent resources, including risked and unrisked contingent resource volumes and risked and unrisked net present value of future net revenue of contingent resources in development pending project maturity sub-class, pre-development study, established technology, together with certain information, estimates and assumptions associated with such estimates. The data contained in the tables is a summary of the evaluations, and as a result the tables may contain slightly different numbers than the evaluations themselves due to rounding. Additionally, the columns and rows in the tables may not add due to rounding.

All estimates of future net revenues are stated prior to provision for interest and general and administrative expenses and after deduction of royalties and estimated future capital expenditures, and are presented both before and after deducting income taxes.

The estimated future net revenue to be derived from the production of the contingent resources set out in this Schedule "G" of Appendix "H" is based on the price forecasts of Sproule as of January 1, 2023, and was utilized by McDaniel in its evaluations for consistency in Strathcona's reporting, and the inflation and exchange rate assumptions set forth under "*Statement of Reserves Data and Other Oil and Gas Information – Forecast Prices and Costs*" in Appendix "H" to this Information Circular.

It should not be assumed that the summary of risked and unrisked net present value of estimated future cash flows shown in the tables below is representative of the fair market value of the contingent resources. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and contingent resources estimates of Strathcona's contingent resources provided herein are estimates only. Actual resources may be greater than or less than the estimates provided herein. Readers should review the definitions and information contained below.

Contingent Resources Categories and Levels of Certainty for Reported Resources

In this Schedule "G" of Appendix "H", Strathcona has disclosed estimated volumes of economic "contingent resources" which relate to Strathcona's interests in its properties located in Alberta, Saskatchewan and British Columbia.

"resources" are petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

"contingent resources" are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under

development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early project stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

"Economic" contingent resources are those resources that are currently economically recoverable based on the price forecasts of Sproule as of January 1, 2023. The economic contingent resources estimates in this Schedule "G" are presented as the **"best estimate"** of the quantity that will actually be recovered, meaning that it is equally likely that the actual remaining quantities recovered will be greater or less than the "best estimate", and if probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the "best estimate".

"risky" means that the applicable volumes or revenues have been adjusted for the probability of loss or failure in accordance with the COGE Handbook.

"unrisky" means that the applicable volumes or revenues have not been adjusted for the probability of loss or failure in accordance with the COGE Handbook.

Resources and contingent resources do not constitute, and should not be confused with, reserves. See *"Statement of Reserves Data and Other Oil and Gas Information – Summary of Oil and Gas Reserves Data"* in Appendix "H" to this Information Circular.

Contingent Resources – Development Status

Contingent resources may be divided into the following project maturity sub-classes:

"development pending" resources sub-class is assigned to contingent resources for a particular project where resolution of the final conditions for development is being actively pursued (there is a high chance of development) and the project is expected to be developed in a reasonable timeframe;

"development on hold" resources sub-class is assigned to contingent resources for a particular project where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator;

"development unclarified" resources are those for which additional information is being acquired;

"development not viable" resources are those where no further data acquisition or evaluation is currently planned and there is a low chance of development.

Strathcona's contingent resources fall into the "development pending" sub-class.

Contingent Resources – Technology Status

Recovery technology and the recovery technology status descriptions are required in order to assign contingent resources as described below.

"established technology" is a recovery method that has been proven to be successful in commercial applications in the subject reservoir and is a prerequisite for assigning reserves.

"technology under development" is a recovery process that has been determined to be technically viable via field test and is being further field tested to determine its economic viability in the subject reservoir. Contingent resources may be assigned if the project provides information that is sufficient and of a quality to meet the requirements for this resource class.

"experimental technology" is a technology that is being field tested to determine the technical viability of applying a recovery process to unrecoverable discovered petroleum initially in-place in a subject reservoir. It cannot be used to assign any class of recoverable resource.

Strathcona's contingent resources fall into the "established technology" sub-class.

Contingent Resources – Economic Status

A portion of contingent resources may be associated with projects that are economically viable but have not satisfied all requirements for commerciality. Accordingly, it may be desirable to sub-classify contingent resources by economic status.

"economic contingent resources" are those contingent resources that are currently economically recoverable.

"sub-economic contingent resources" are those contingent resources that are not currently economically recoverable.

Strathcona's contingent resources fall into the "economic contingent resources" sub-class.

CONTINGENT RESOURCES DATA

The following tables set forth the "best estimate" of gross and net risked and unrisked contingent resources volumes and risked and unrisked net present value of future net revenue attributable to Strathcona's contingent resources in the development pending project maturity sub-class, at December 31, 2022, using forecast price and cost cases. **An estimate of risked and unrisked net present value of future net revenue of contingent resources is preliminary in nature and is provided to assist the reader in reaching an opinion on the merit and likelihood of Strathcona proceeding with the required investment. It includes contingent resources that are considered too uncertain with respect to the chance of development to be classified as reserves. There is uncertainty that the risked and unrisked net present value of future net revenue will be realized.**

Summary of Risked Oil and Gas Contingent Resources (Forecast Prices and Costs)⁽¹⁾ As of December 31, 2022

Project Maturity Sub-Class	Light & Medium Crude Oil		Heavy Crude Oil		Bitumen		Conventional Natural Gas (Associated & Non-Associated Gas)		Conventional Natural Gas (Solution Gas) ⁽¹⁾	
	Gross (mmbbl)	Net (mmbbl)	Gross (mmbbl)	Net (mmbbl)	Gross (mmbbl)	Net (mmbbl)	Gross (mmcf)	Net (mmcf)	Gross (mmcf)	Net (mmcf)
Development Pending	9	7	68	61	298	168	1,781,681	1,525,081	55,549	49,101
Project Maturity Sub-Class	Natural Gas Liquids		Total Oil Equivalent							
	Gross (mmboe)	Net (mmboe)	Gross (mmboe)	Net (mmboe)						
Development Pending	105	88	785	587						

Note:

(1) There is uncertainty that it will be commercially viable to produce any portion of the contingent resources.

**Riskd Net Present Value of Future Net Revenue
Contingent Resources (Forecast Prices and Costs)
As of December 31, 2022**

RISKED NET PRESENT VALUE OF FUTURE NET REVENUE DISCOUNTED AT (%/Year)					
Project Maturity Sub-Class	Before Deducting Income Taxes				
	0%	5%	10%	15%	20%
	<i>(in \$ millions)</i>				
Development Pending	13,852	2,904	857	303	112

**Summary of Unrisked Oil and Gas
Contingent Resources (Forecast Prices and Costs)⁽¹⁾
As of December 31, 2022**

Project Maturity Sub-Class	Light & Medium Crude Oil		Heavy Crude Oil		Bitumen		Conventional Natural Gas (Associated & Non-Associated Gas)		Conventional Natural Gas (Solution Gas)⁽¹⁾	
	Gross (mmbbl)	Net (mmbbl)	Gross (mmbbl)	Net (mmbbl)	Gross (mmbbl)	Net (mmbbl)	Gross (mmcf)	Net (mmcf)	Gross (mmcf)	Net (mmcf)
Development Pending	10	8	82	76	355	202	2,003,830	1,716,446	64,592	55,904

Project Maturity Sub-Class	Natural Gas Liquids		Total Oil Equivalent	
	Gross (mmboe)	Net (mmboe)	Gross (mmboe)	Net (mmboe)
Development Pending	119	100	908	711

Note:

(1) There is uncertainty that it will be commercially viable to produce any portion of the contingent resources.

**Unrisked Net Present Value of Future Net Revenue
Contingent Resources (Forecast Prices and Costs)
As of December 31, 2022**

UNRISKED NET PRESENT VALUE OF FUTURE NET REVENUE DISCOUNTED AT (%/Year)					
Project Maturity Sub-Class	Before Deducting Income Taxes				
	0%	5%	10%	15%	20%
	<i>(in \$ millions)</i>				
Development Pending	16,388	3,424	1,012	358	135

Project Characterization

Cold Lake Thermal Segment

Strathcona operates three producing assets in the Cold Lake region of Alberta: Lindbergh, Orion and Tucker. The assets are developed with a combination of well pairs and infill wells utilizing SAGD technology to produce bitumen from the Clearwater, Lloydminster, Colony, and Upper Grand Rapid formations. The region also contains the Taiga undeveloped project, which is forecast to produce from the Clearwater and Lower Grand Rapids formations. The contingent resource assigned in the Taiga asset utilize cyclic steam stimulation technology within the Clearwater formation. Contingent resources have been assigned to all four properties.

The contingent resources included within this segment are additional wells within areas that have already been assigned reserves as discussed earlier. No additional thermal facilities have been assumed outside of those already included within the reserves evaluation.

Lloydminster Heavy Oil Segment

The Lloydminster Heavy Oil Segment includes a combination of conventional heavy oil and thermal operations, primarily located in southwest Saskatchewan. Strathcona's core conventional assets within its Lloydminster Heavy Oil Segment are Cactus Lake and Greater Bodo. The conventional assets utilize polymer flood technology and conventional horizontal primary well technology. Strathcona also owns and operates three thermal operating assets as part of the Lloydminster Heavy Oil Segment which utilize SAGD technology: Edam, Meota, and Plover Lake. These assets produce from the Lloyd, Waseca, and Colony formations.

The contingent resources included within this segment are additional wells within areas that have already been assigned reserves as discussed earlier. In regards to the thermal properties, contingent resources have been assigned to the Edam, Glenbogie and Meota East properties. No additional thermal facilities have been assumed outside of those already included within the reserves evaluation. In regards to the conventional properties, contingent resources have been assigned to the Bellis, Cactus and Winter properties. No additional infrastructure has been assumed outside of what was included in the reserves evaluation.

Montney Segment

Strathcona operates two primary assets in Canada's Montney basin: Kakwa and Groundbirch. The Kakwa region in northwest Alberta is characterized by natural gas production with significant associated liquids, while the Groundbirch region in northeast British Columbia is characterized by high rate, dry gas production. The assets in the Montney Segment are developed utilizing extended reach horizontal wells and multi-stage fracturing technologies. No additional infrastructure has been assumed outside of what was included in the reserves evaluation.

The following table summarizes the project maturity sub-class in each of the regional areas.

Region	Project Maturity Sub-Class	Evaluation Scenario Status	Capital to Reach Commercial Production (\$ millions)	Timing of First Commercial Production	Recovery Technology (Established)
Cold Lake Thermal	Development Pending	Pre-development ⁽¹⁾	130	2041-2070	SAGD/CSS
Montney	Development Pending	Pre-development	28	2031-2034	Horizontal Multi Stage Fractured
Lloydminster Heavy Oil	Development Pending	Pre-development	47	2027-2038	SAGD/Polymer Flood/Horizontal Conventional

Note:

- (1) A "pre-development" study is an intermediate step in the development of a project evaluation scenario. The amount of information that is available for the reservoir of interest is greater than for a conceptual study. In particular, the petroleum initially in place has been reasonably well defined and the remaining uncertainty lies largely in the recovery factor and the economic viability.

Chance of Development

The following table sets forth the numeric value of the chance of development risk for the contingent resources associated with Strathcona's interests in the Cold Lake Thermal, Montney and Lloydminster Heavy Oil areas for the development pending project maturity sub-class.

Area	Chance of Development (%)
Cold Lake Thermal	84
Montney	90
Lloydminster Heavy Oil	84

As per the method of quantifying the chance of development in COGE Handbook Volume 2, section 2; the chance of commerciality equals the chance of development multiplied by the chance of discovery. All Strathcona's contingent resource are considered discovered; therefore, the chance of development equals the chance of commerciality.

Contingencies preventing the contingent resource from being classified as reserves include: (i) regulatory application submission and approvals; (ii) further delineation; (iii) firm development plans and corporate commitment to develop resource; and (iv) development timeline beyond what is already assigned as undeveloped reserves.

SCHEDULE H

REPORT ON RESERVES DATA AND CONTINGENT RESOURCES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Strathcona Resources Ltd. ("**Strathcona**"):

1. We have evaluated Strathcona's reserves data and contingent resources data as at December 31, 2022. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2022, estimated using forecast prices and costs. The contingent resources data are risked estimates of volume of contingent resources and related risked net present value of future net revenue as at December 31, 2022, estimated using forecast prices and costs.
2. The reserves data and contingent resources data are the responsibility of Strathcona's management. Our responsibility is to express an opinion on the reserves data and contingent resources data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data and contingent resources data are free of material misstatement. An evaluation also includes assessing whether the reserves data and contingent resources data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Strathcona evaluated for the year ended December 31, 2022, and identifies the respective portions thereof that we have evaluated and reviewed and reported on to Strathcona's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation or Review Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) (\$ million)			
			Audited	Evaluated	Reviewed	Total
Sproule Associates Limited	December 31, 2022	Canada		13,107		13,107
McDaniel & Associates Consultants Ltd.	December 31, 2022	Canada		8,083		8,083
Totals				21,190		21,190

6. The following table sets forth the risked volume and risked net present value of future net revenue of contingent resources (before deduction of income taxes) attributed to contingent resources, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in Strathcona's statement prepared in accordance with Form 51-101F1 and identifies the respective portions of the contingent resources that we have audited and evaluated and reported on to Strathcona's board of directors:

Classification	Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation or Review Report	Location of Resources Other than Reserves	Risky Volume (mmboe)	Risky Economic Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) (\$ million)		
					Audited	Evaluated	Total
Development Pending Contingent Resources (2C)	Sproule Associates Limited	December 31, 2022	Canada	728		716	716
Development Pending Contingent Resources (2C)	McDaniel & Associates Consultants Ltd.	December 31, 2022	Canada	56		140	140
	Totals	December 31, 2022	Canada	784		856	856

7. In our opinion, the reserves data and contingent resources data, respectively, evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
8. We have no responsibility to update our reports referred to in paragraphs 5 and 6 for events and circumstances occurring after the respective effective dates of our reports.
9. Because the reserves data and contingent resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

SPROULE ASSOCIATES LIMITED

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

(Signed) "Steven J. Golko"

(Signed) "Brian R. Hamm"

Steven J. Golko, P.Eng
Senior VP, Reservoir Services

Brian R. Hamm, P. Eng
President & CEO

Calgary, Alberta, Canada
August 25, 2023

Calgary, Alberta, Canada
August 25, 2023

SCHEDULE I

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Strathcona Resources Ltd. ("**Strathcona**") are responsible for the preparation and disclosure of information with respect to Strathcona's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data and includes other information such as contingent resources data.

Independent qualified reserves evaluators have evaluated Strathcona's reserves data and contingent resources data. The report of the independent qualified reserves evaluators is presented as Schedule H to this Appendix "H".

The Reserves Committee of the Board of Directors of Strathcona has:

- (a) reviewed Strathcona's procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data and contingent resources data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors of Strathcona has reviewed Strathcona's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors of Strathcona has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data, contingent resources data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data and contingent resources data; and
- (c) the content and filing of this report.

Because the reserves data and contingent resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

(Signed) "Robert Morgan"

Robert Morgan
President and Chief Executive Officer

(Signed) "Connor Waterous"

Connor Waterous
Senior Vice-President and Chief Financial Officer

(Signed) "David Roosth"

David Roosth
Director

(Signed) "Henry Hager"

Henry Hager
Director

APPENDIX "I"

INFORMATION CONCERNING AMALCO AFTER GIVING EFFECT TO THE ARRANGEMENT

Table of Contents

	Page
NOTICE TO READER AND GLOSSARY OF TERMS.....	1
CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS AND INFORMATION	3
SPECIFIED FINANCIAL MEASURES	4
CURRENCY.....	4
INFORMATION CONCERNING AMALCO AFTER GIVING EFFECT TO THE ARRANGEMENT	4
SELECTED COMBINED PRODUCTION, FINANCIAL AND RESERVES INFORMATION.....	5
DESCRIPTION OF CAPITAL STRUCTURE.....	7
General.....	7
AmalCo Shares	7
AmalCo Preferred Shares	7
AmalCo Consolidated Capitalization	8
DIVIDENDS.....	9
PRINCIPAL SHAREHOLDERS OF AMALCO	9
DIRECTORS AND EXECUTIVE OFFICERS	10
Directors.....	10
Executive Officers	13
Conflicts of Interest.....	14
STATEMENT OF PROPOSED EXECUTIVE AND DIRECTOR COMPENSATION.....	15
General.....	15
Share Ownership Guidelines.....	15
Executive Employment Agreements.....	15
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	16
CORPORATE GOVERNANCE	16
Composition of the AmalCo Board of Directors	16
Board Mandate and Position Descriptions	17
Committees	17
Ethical Business Conduct.....	18
AUDIT COMMITTEE.....	18
Mandate of the Audit Committee	18
Composition of the Audit Committee	18
Pre-Approval Policies and Procedures.....	19
AUDITORS, TRANSFER AGENT AND REGISTRAR	19
MATERIAL CONTRACTS	19
AmalCo Credit Facilities	19
WEF Investment Rights Agreement	20
RISK FACTORS.....	23

NOTICE TO READER AND GLOSSARY OF TERMS

The following is a glossary of defined terms used in this Appendix "I". Unless the context otherwise requires, capitalized terms which are used in this Appendix "I" and not otherwise defined in this Appendix "I" have the respective meanings given to such terms under the heading "*Glossary of Terms*" in this Information Circular to which this Appendix "I" is attached or under the heading "*Notice to Reader and Glossary of Terms*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*". Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

"AmalCo Board of Directors" mean the board of directors of AmalCo as set out in Section 2.2(f)(v)(B) of the Plan of Arrangement.

"AmalCo Credit Facilities" means credit facilities of Strathcona pursuant to the Revolving Credit Agreement and the Term Credit Agreement, which will become the credit facilities of AmalCo, as successor by way of amalgamation to Strathcona, following completion of the Arrangement.

"AmalCo Preferred Shares" has the meaning set forth under the heading "*Description of Capital Structure – AmalCo Preferred Shares*" in this Appendix "I".

"AmalCo Shareholders" means the holders of AmalCo Shares.

"AmalCo Shares" has the meaning set forth under the heading "*Description of Capital Structure – AmalCo Shares*" in this Appendix "I".

"Audit Committee" means the audit committee of the AmalCo Board of Directors to be appointed upon closing of the Arrangement.

"Code of Conduct" has the meaning set forth under the heading "*Corporate Governance – Ethical Business Conduct*" in this Appendix "I".

"Compensation Committee" means the compensation committee of the AmalCo Board of Directors to be appointed upon closing of the Arrangement.

"Maximum Demand Offering Size" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement – Demand Registration Rights*" in this Appendix "I".

"Maximum Piggyback Offering Size" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement – Piggyback Registration Rights*" in this Appendix "I".

"NI 52-110" has the meaning set forth under the heading "*Audit Committee – Composition of the Audit Committee*" in this Appendix "I".

"NI 58-101" has the meaning set forth under the heading "*Corporate Governance – Composition of the AmalCo Board of Directors*" in this Appendix "I".

"Nomination Committee" means the nomination committee of the AmalCo Board of Directors to be appointed upon closing of the Arrangement.

"Reserves Committee" means the reserves committee of the AmalCo Board of Directors to be appointed upon the closing of the Arrangement.

"Share Ownership Guidelines" has the meaning set forth under the heading "*Statement of Proposed Executive and Director Compensation – Share Ownership Guidelines*" in this Appendix "I".

"WEF Demand Registration" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement – Demand Registration Rights*" in this Appendix "I".

"WEF Investment Rights Agreement" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement*" in this Appendix "I".

"WEF Investors" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement*" in this Appendix "I".

"WEF Piggyback Registration" has the meaning set forth under the heading "*Material Contracts – WEF Investment Rights Agreement – Piggyback Registration Rights*" in this Appendix "I".

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS AND INFORMATION

This Appendix "I" contains certain forward-looking statements and forward-looking information (collectively referred to as "**forward-looking information**") within the meaning of applicable securities laws which are based on Strathcona's current internal expectations, estimates, projections, assumptions, and beliefs in regard to AmalCo. All statements other than statements of historical fact are forward-looking information. The use of any of the words "believe", "proposed", "estimate", "anticipate", "plan", "predict", "outlook", "goals", "targets", "projects", "may", "can", "could", "will", "shall", "should", "expect", "intend", "is designed to", "continues", "with the intent", "potential", and the negative of any of these words, or variations of them, or comparable terminology that do not relate strictly to historical facts, are all indicative of forward-looking information. These statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Strathcona believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking information included in this Appendix "I" should not be relied upon unduly.

Forward-looking information in this Appendix "I" includes, but is not limited to, the following: the Arrangement and the anticipated steps and timing thereof; the business to be carried on by AmalCo and its business strategy, including its asset and operational focus; future growth potential; expectations regarding AmalCo's ability to raise capital and to continually add to reserves and/or resources through acquisitions and development; Strathcona's, Pipestone's and AmalCo's reserves; AmalCo's future operating and financial results; the benefits of the Arrangement; the anticipated dividend policy of AmalCo; the share terms of the AmalCo Shares; the expected capital structure of AmalCo; the expected principal AmalCo Shareholders and the number of AmalCo Shares held by such principal holders; the stock exchange listing of the AmalCo Shares and the status thereof; the anticipated percentage of AmalCo Shares the former Pipestone Shareholders and current Strathcona Shareholders will hold in AmalCo; the expected number of AmalCo Shares to be owned by the directors and officers of AmalCo upon completion of the Arrangement; the anticipated number of AmalCo Shares to be held by the WEF Shareholders following completion of the Arrangement; the entering into and terms of the WEF Investment Rights Agreement; treatment of, and compliance by AmalCo with, governmental and other regulatory regimes and tax, environmental and other laws; anticipated amounts of executive and director compensation of AmalCo; expectations regarding AmalCo's compensation philosophy, objectives and processes upon completion of the Arrangement; expectations regarding AmalCo's corporate governance practices upon completion of the Arrangement, including the composition of the AmalCo Board of Directors and certain committees thereof; the expected responsibilities of each committee of the AmalCo Board of Directors; the written terms of reference and position descriptions to be adopted by the AmalCo Board of Directors for certain committees and executive and leadership positions thereof; the anticipated appointment of a lead director of the AmalCo Board of Directors; and certain other information concerning the basic information and operations of AmalCo following the completion of the Arrangement.

The forward-looking information contained in this Appendix "I" reflects several material factors, expectations and assumptions made by Strathcona including, but not limited to: the completion of the Arrangement on the terms currently contemplated in the Arrangement Agreement and the Plan of Arrangement; the perceived benefits of the Arrangement and expected attributes of AmalCo are based upon a number of factors, including the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions; the anticipated pro forma financial and operational results of AmalCo; that certain aspects of AmalCo immediately following the completion of the Arrangement, including that of executive compensation and operations will be substantially similar to Strathcona; stability, or no further deterioration, in the global economic and market environment, including related to the Ukraine and Russian conflict or from future pandemics, epidemics, or other world-wide health crises; Strathcona's current commodity price and other cost assumptions will generally be accurate; current economic and operating conditions, including commodity prices, interest rates, and environmental and regulatory matters; AmalCo's conduct and results of operations will be consistent with Strathcona's expectations; the ability of management of AmalCo to successfully integrate the businesses of Pipestone and Strathcona as one entity; that AmalCo will have the ability to develop its crude oil and natural gas properties in the manner currently contemplated; the

estimates of Strathcona's, Pipestone's and AmalCo's reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; the ability of AmalCo to obtain equipment, services, supplies and personnel to carry out its business activities; the ability of AmalCo to successfully market its business in the areas in which it operates; and AmalCo's ability to secure financing on acceptable terms, if needed. Management of Strathcona believes that the material factors, expectations and assumptions reflected in the forward-looking information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

AmalCo's actual results could differ materially from those anticipated in this forward-looking information as a result of both known and unknown risks and uncertainties, including, but not limited to, the risk factors set forth under the heading "*Risk Factors*" in this Information Circular, this Appendix "I", Appendix "G" – "*Information Concerning Pipestone Energy Corp.*" and Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

The forward-looking information contained in this Appendix "I" is made as of the date hereof and neither Strathcona nor AmalCo, as successor to Strathcona, undertakes any obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. See also "*General – Forward-Looking Statements*" in this Information Circular.

SPECIFIED FINANCIAL MEASURES

This Appendix "I" makes reference to certain financial measures and ratios, including "current earnings", which are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS. Non-GAAP financial measures and ratios are used internally by management to assess the performance of AmalCo. They also provide investors with meaningful metrics to assess the combined historical performance of Strathcona and Pipestone compared to other companies in the same industry. However, the use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the specified financial measures should not be construed as an alternative to financial measures determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the combined historical performance of Strathcona and Pipestone.

Current earnings is calculated by removing the gain (loss) on risk management contracts and foreign exchange from net income and comprehensive income. Management uses current earnings to assess the profitability of its core business (the exploration, acquisition, development and production of petroleum and natural gas reserves) without the impact of hedging and foreign exchange. Current earnings is reconciled to the most directly comparable GAAP measures in the "Selected Combined Production, Financial and Reserves Information" to this Appendix "I".

CURRENCY

Unless otherwise indicated, references in this Appendix "I" to "\$" or "C\$" are to Canadian dollars and references to US\$ are to United States dollars. All financial information with respect to Strathcona has been presented in Canadian dollars.

INFORMATION CONCERNING AMALCO AFTER GIVING EFFECT TO THE ARRANGEMENT

Pursuant to the Plan of Arrangement, Pipestone and the Pipestone Subsidiary will be amalgamated under the ABCA and continued as "Pipestone Energy Corp." Immediately following the amalgamation of Pipestone and the Pipestone Subsidiary, Strathcona and Pipestone AmalCo will be amalgamated under

the ABCA and continued as "Strathcona Resources Ltd.". The principal and registered office of AmalCo will be located at Suite 1900, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

AmalCo will have the same corporate structure and organizational chart as Strathcona. See "*Strathcona Resources Ltd. – Intercorporate Relationships*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

Subsequent to the Arrangement, AmalCo will carry on the businesses of Strathcona and Pipestone in all respects. Additional information concerning each of Strathcona and Pipestone, including detailed descriptions of the historical development of the businesses, financial information and the reserves data and other oil and gas information of each of Strathcona and Pipestone and, therefore, the business to be carried on by AmalCo, is set forth elsewhere in this Information Circular, including the Appendices thereto.

The following sets forth certain information of AmalCo after giving effect to the Arrangement, which is comprised of combined historical production and reserves information of Strathcona and Pipestone. The information contained in this Appendix "I" should be read in conjunction with documents incorporated by reference in this Information Circular and the information concerning Strathcona and Pipestone, as applicable, appearing elsewhere in this Information Circular. See Appendix "G" – "*Information Concerning Pipestone Energy Corp.*" and Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular for information relating to each of Pipestone and Strathcona, respectively.

SELECTED COMBINED PRODUCTION, FINANCIAL AND RESERVES INFORMATION

The following is a summary of selected production, financial and reserves information for Strathcona and Pipestone before giving effect to the Arrangement and combined production, financial and reserves information for AmalCo after giving effect to the completion of the Arrangement, for the periods indicated in the tables below. Important information concerning the crude oil, tight oil, bitumen, natural gas liquids, shale gas and natural gas reserves of Strathcona and Pipestone is contained in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular and in the Pipestone AIF, respectively. Readers are encouraged to carefully review such information and those documents as the information set forth in the table below is a summary only and is qualified in its entirety by those documents. See "*Presentation of Oil and Gas Information*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

	Strathcona before giving effect to the Arrangement	Pipestone before giving effect to the Arrangement	Combined AmalCo ⁽³⁾
For the six months ended June 30, 2023			
Average Daily Production⁽¹⁾⁽²⁾			
Heavy crude oil (bbl/d)	55,446	-	55,446
Light and medium crude oil (bbl/d)	689	301	990
Bitumen (bbl/d)	52,469	-	52,469
Natural gas liquids (bbl/d)	16,790	13,723	30,513
Conventional natural gas (mcf/d)	111,442	120,738	232,180
Total (boe/day)	143,968	34,147	178,115

Notes:

- (1) Presented on gross basis, which is the relevant company's working interest share before deducting royalties and without including any royalty interests of the company.
- (2) Boe estimates and tables may not add due to rounding.
- (3) The production figures in this column were calculated by adding the applicable production figures in the columns for each of Strathcona and Pipestone.

	Strathcona before giving effect to the Arrangement ⁽¹⁾	Pipestone before giving effect to the Arrangement ⁽²⁾	Combined AmalCo ⁽³⁾
As at December 31, 2022			
Forecast prices and costs			
Total Proved Developed Producing Reserves⁽⁴⁾⁽⁵⁾			
Heavy crude oil (mmbbl)	96	-	96
Light and medium crude oil (mmbbl)	1	-	1
Tight oil (mmbbl)	-	-	-
Bitumen (mmbbl)	101	-	101

As at December 31, 2022 Forecast prices and costs	Strathcona before giving effect to the Arrangement ⁽¹⁾	Pipestone before giving effect to the Arrangement ⁽²⁾	Combined AmalCo ⁽³⁾
Natural gas liquids (mmbbl)	24	21	45
Shale gas (bcf)	-	191	191
Conventional natural gas (bcf)	225	-	225
Total (mmboe)	260	53	313
PV-10 – before tax (\$ millions)⁽⁶⁾	5,048	695	5,743
PV-10 – after tax (\$ millions)⁽⁶⁾	5,048	623	5,671
Total Proved Reserves⁽⁴⁾⁽⁵⁾			
Heavy crude oil (mmbbl)	469	-	469
Light and medium crude oil (mmbbl)	3	-	3
Tight oil (mmbbl)	-	-	-
Bitumen (mmbbl)	646	-	646
Natural gas liquids (mmbbl)	81	66	147
Shale gas (bcf)	-	561	561
Conventional natural gas (bcf)	844	-	844
Total (mmboe)	1,340	160	1,500
PV-10 – before tax (\$ millions)⁽⁶⁾	14,486	1,409	15,894
PV-10 – after tax (\$ millions)⁽⁶⁾	12,455	1,136	13,591
Total Proved Plus Probable Reserves⁽⁴⁾⁽⁵⁾			
Heavy crude oil (mmbbl)	638	-	638
Light and medium crude oil (mmbbl)	7	-	7
Tight oil (mmbbl)	-	-	-
Bitumen (mmbbl)	1,277	-	1,277
Natural gas liquids (mmbbl)	141	96	237
Shale gas (bcf)	-	807	807
Conventional natural gas (bcf)	1,781	-	1,781
Total (mmboe)	2,360	230	2,590
PV-10 – before tax (\$ millions)⁽⁶⁾	21,190	1,994	23,184
PV-10 – after tax (\$ millions)⁽⁶⁾	17,908	1,581	19,489
Proved Plus Probable Reserves Net Asset Value (\$ millions)⁽⁷⁾	15,010	1,443	16,453

Notes:

- (1) Reserves data presented for Strathcona are derived from the Strathcona Reserves Report. Strathcona's reserves volumes and net present values of future net revenue for the reserves have been calculated using the forecast prices and costs of Sproule as of December 31, 2022, as set forth in the applicable Strathcona Reserves Report. For further information regarding the reserves of Strathcona, see Appendix "H" – "Information Concerning Strathcona Resources Ltd." to this Information Circular.
- (2) Reserves data presented for Pipestone are derived from the Pipestone Reserves Reports. Pipestone reserves volumes and net present values of future net revenue for the reserves have been calculated using the average of the forecast prices prepared by McDaniel, GLJ Petroleum Consultants Ltd. and Sproule as of January 1, 2023, as set forth in the applicable Pipestone Reserves Report. For further information regarding the reserves of Pipestone, see the Pipestone AIF.
- (3) Combined reserves and future net revenue presented are based on the Strathcona Reserves Report and the Pipestone Reserves Report. With respect to the combined reserves and future net revenue information presented in the table above, Strathcona and Pipestone did not construct a consolidated reserves report of the combined properties of Strathcona and Pipestone, and did not engage an independent qualified reserves evaluator to produce such consolidated report in accordance with NI 51-101. Strathcona and Pipestone employ different methodologies to estimate their reserves and future net revenue information, which differences include, but are not limited to, assumptions regarding forecast prices and costs. The reserves figures and future net revenue amounts in these columns were calculated by adding the applicable reserves figures in the columns for each of Strathcona and Pipestone. As a result, the actual reserves and future net revenue of AmalCo, if calculated as of December 31, 2022 and using the same forecast prices and costs, may differ from the reserves and future net revenue presented in the table above for a number of reasons, and such difference may be material.
- (4) Boe estimates and other figures may not add due to rounding.
- (5) Presented before deducting royalties.
- (6) "PV-10" represents the net present value of future net revenue of reserves before or after deducting income taxes, discounted at 10% per year. Net present value of future net revenue includes all resource income, including the sale of oil, gas, by-product reserves, processing third party reserves and other income.
- (7) Proved plus probable reserves net asset value is calculated as the present values after tax of total proved plus probable reserves, discounted at 10%, as of December 31, 2022 (as set out in the table above) minus debt as of June 30, 2023 (Strathcona - \$2,898 million; Pipestone - \$138 million; Combined AmalCo - \$3,036). Debt for each of Strathcona and Pipestone is based on the Strathcona Interim Financial Statements and the Pipestone Interim Financial Statements, respectively, each of which are unaudited. Combined AmalCo debt as of June 30, 2023 is based on the sum of Strathcona's and Pipestone's debt.

For the three months ended June 30, 2023 (all figures are unaudited)	Strathcona before giving effect to the Arrangement ⁽¹⁾	Pipestone before giving effect to the Arrangement ⁽¹⁾	Combined AmalCo ⁽²⁾
Net income / Comprehensive income (\$ millions)	274	15	289
Current earnings (\$ millions) ⁽³⁾⁽⁴⁾	120	10	130

Notes:

- (1) The figures included for each Strathcona and Pipestone above, and the figures used to calculate current earnings, are derived from the Strathcona Interim Financial Statements and the Pipestone Interim Financial Statements, respectively, each of which are unaudited.
- (2) Combined AmalCo figures were calculated by adding the applicable figures in the columns for each of Strathcona and Pipestone.
- (3) Current earnings is calculated as net income and comprehensive income before realized and unrealized gains or losses on risk management contracts and foreign exchange for the three months ended June 30, 2023 (Strathcona – gain of \$142 million and gain of \$12 million, respectively; Pipestone – gain of \$5 million and \$nil, respectively; Combined AmalCo – gain of \$147 million and gain of \$12 million, respectively).
- (4) Current earnings is a non-GAAP financial measure which does not have a standardized meaning under IFRS. See "Specified Financial Measures" in this Appendix "I".

In addition to the anticipated benefits of the Arrangement set out under "*The Arrangement – Reasons For and Anticipated Benefits of the Arrangement*" in the Information Circular, Strathcona believes the Arrangement is expected to be accretive to Pipestone Shareholders for the reasons described below:

- Pipestone contributes 8.77% of the combined proved plus probable reserves net asset value of AmalCo while Pipestone Shareholders will own 9.05% of the *pro forma* entity on a fully-diluted basis; and
- Pipestone contributes 7.70% of combined current earnings for the three months ended June 30, 2023 while Pipestone Shareholders will own 9.05% of the *pro forma* entity on a fully-diluted basis.

DESCRIPTION OF CAPITAL STRUCTURE

General

AmalCo will be authorized to issue an unlimited number of common shares (the "**AmalCo Shares**") and an unlimited number of preferred shares issuable in series (the "**AmalCo Preferred Shares**").

214,236,000 AmalCo Shares and no AmalCo Preferred Shares are expected to be issued and outstanding immediately after giving effect to the Arrangement, assuming there are no Dissenting Shareholders and that no Pipestone Shares or Strathcona Shares are issued between the date of this Information Circular and the Effective Date. Current Pipestone Shareholders are expected to hold approximately 8.9%, and current Strathcona shareholders (comprised of the WEF Shareholders and Strathcona employees) are expected to hold approximately 91.1%, of the total AmalCo Shares issuable upon completion of the Arrangement.

AmalCo Shares

AmalCo Shareholders will be entitled to: (i) vote at all meetings of AmalCo Shareholders, except meetings at which only holders of a specified class or series of shares of AmalCo are entitled to vote; (ii) subject to the rights attaching to any other class or series of shares of AmalCo, receive any dividend declared by the directors of AmalCo on the AmalCo Shares; and (iii) subject to the rights attaching to any other class or series of shares of AmalCo, receive the remaining property of AmalCo upon dissolution.

AmalCo Preferred Shares

AmalCo Preferred Shares may be issued from time to time in one or more series and the AmalCo Board of Directors may, by resolution, determine for any such series, the rights, restrictions, privileges, conditions and designations attached to such series of AmalCo Preferred Shares.

The AmalCo Preferred Shares of each series rank on a parity with the AmalCo Preferred Shares of every other series, and will be entitled to preference over the AmalCo Shares and any other shares ranking junior to the AmalCo Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of AmalCo, whether voluntary or involuntary, and may also be given such other preferences over the AmalCo Shares and any other shares of AmalCo ranking junior to the AmalCo Preferred Shares as may be fixed in the case of each series.

Concurrently with the execution of the Arrangement Agreement, Strathcona entered into commitment letters with certain lenders with respect to the AmalCo Credit Facilities that will become effective upon completion of the Arrangement and satisfaction of other customary conditions. For details regarding the Revolving Credit Agreement, the Term Credit Agreement and the Note Indenture of Strathcona, each of which will remain in effect with AmalCo as a party thereto following the Arrangement except as described under "*Material Contracts – AmalCo Credit Facilities*" in this Appendix "I", see "*Description of Capital Structure – Bank Credit Facilities*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

AmalCo Consolidated Capitalization

The following table outlines the consolidated capitalization of: (a) Strathcona and Pipestone as at June 30, 2023, before giving effect to the Arrangement; and (b) AmalCo as at June 30, 2023, after giving effect to the Arrangement. This table should be read in conjunction with the Strathcona Interim Financial Statements, attached as Schedule B to Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular, and the Pipestone Interim Financial Statements, which are incorporated by reference in this Information Circular.

	As at June 30, 2023		
	Strathcona before giving effect to the Arrangement	Pipestone before giving effect to the Arrangement	AmalCo after giving effect to the Arrangement ⁽¹⁾⁽²⁾
(\$ millions, except share amounts)			
Debt (\$ millions) ⁽³⁾	2,898	138	3,036
Share Capital (\$ millions) ⁽⁴⁾⁽⁶⁾	3,054	441	3,727
Common Shares (in 000s) ⁽⁵⁾⁽⁶⁾⁽⁷⁾	2,186,705	279,638	214,231

Notes:

- (1) The consolidated capitalization of AmalCo after giving effect to the Arrangement is based on the Strathcona Interim Financial Statements and the Pipestone Interim Financial Statements, each of which are unaudited, as well as certain estimates and judgements by Strathcona management relating to the valuation of the Pipestone Shares. Other than giving effect to the Arrangement, the consolidated capitalization of AmalCo does not account for changes to Strathcona or Pipestone beyond June 30, 2023.
- (2) Figures may not add due to rounding.
- (3) For Strathcona, debt is comprised of the outstanding principal amounts on the Revolving Credit Facility, Term Credit Facility, Strathcona Senior Notes and unamortized debt issuance costs. For Pipestone, debt is comprised of the outstanding principal amount on the Pipestone Credit Facilities and unamortized debt issuance costs.
- (4) Based on the volume weighted average price of Pipestone Shares on the TSX for the 20-day period immediately preceding July 31, 2023, being \$2.4082 per Pipestone Share, the value of the AmalCo Shares to be issued to Pipestone Shareholders is approximately \$673 million.
- (5) As of June 30, 2023, there were 932,573,693 Strathcona Class A Shares, 1,254,131,751 Strathcona Class B Shares and nil Strathcona Preferred Shares issued and outstanding. As of June 30, 2023, there were 279,638,000 Pipestone Shares issued and outstanding.
- (6) As of June 30, 2023, after giving effect to the Arrangement, Pipestone Shareholders are estimated to receive 19,006,156 AmalCo Shares based on an exchange ratio of 0.067967 and Strathcona Shareholders are estimated to receive 195,224,689 AmalCo Shares based on an exchange ratio of 0.089278.
- (7) Pursuant to the Pipestone Award Termination Agreements, all Options, PSUs (other than vested PSUs) and RSUs (other than vested RSUs) will be surrendered to Pipestone for cancellation in consideration for the Cash Settlement Amount (or nil consideration in the case of Options other than In-the-Money Options) and all vested PSUs and RSUs will be settled for cash. See "*The Arrangement – Treatment of Pipestone Securities – Pipestone Incentive Securities*" to this Information Circular.

DIVIDENDS

Immediately upon closing of the Arrangement, AmalCo is not expected to pay dividends on the AmalCo Shares. Any future determinations to pay dividends on the AmalCo Shares will be at the sole discretion of the AmalCo Board of Directors after considering a variety of factors and conditions existing from time to time, including income and cash flow generated by AmalCo, financial requirements for AmalCo's operations and the execution of its growth strategy, capital investment requirements, debt service requirements, debt covenants, the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends and other business considerations as the AmalCo Board of Directors considers relevant. Further, AmalCo's ability to pay dividends to AmalCo Shareholders will be subject to applicable Laws, the covenants and restrictions under the AmalCo Credit Facilities and to any prior right to dividend, interest or other distribution payments in favour of any other securityholders.

The Revolving Credit Agreement, Term Credit Agreement and Note Indenture, each of which will remain in effect for AmalCo following the Arrangement except as described under "*Material Contracts – AmalCo Credit Facilities*" in this Appendix "I", will each contain certain restrictions on AmalCo's ability to pay dividends. See "*Material Contracts*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

PRINCIPAL SHAREHOLDERS OF AMALCO

To the knowledge of the directors and management of Strathcona and Pipestone, no person is anticipated to beneficially own, or control or direct, directly or indirectly, over more than 10% of the AmalCo Shares after giving effect to the Arrangement other than as set out below:

Name ⁽¹⁾	Number of AmalCo Shares	% of Issued and Outstanding AmalCo Shares
Waterous Energy Fund (International) LP	49,566,205	23.1%
Waterous Energy Fund (US) LP	48,217,002	22.5%
Waterous Energy Fund (Canadian) LP	23,284,981	10.9%
Waterous Energy Fund II Aggregator LP	21,531,553	10.0%

Note:

- (1) The AmalCo Shares to be owned by the WEF Shareholders in the table above will be controlled through each limited partnership's general partner, specifically: WEF GP (US) Ltd. (as the general partner of Waterous Energy Fund (US) LP); WEF GP (International) Ltd. (as general partner of Waterous Energy Fund (International) LP); WEF GP (Canadian) Corp. (as the general partner of Waterous Energy Fund (Canadian) LP); and WEF II GP Aggregator Corp. (as the general partner of Waterous Energy Fund II Aggregator LP). The business and affairs of each WEF Shareholder and WEF General Partner are managed by the WEF Manager, which is owned indirectly and controlled by Adam Waterous.

Upon completion of the Arrangement, it is anticipated that the WEF Shareholders will beneficially own approximately 194,547,294 AmalCo Shares, representing approximately 90.8% of the AmalCo Shares to be issued and outstanding immediately following the completion of the Arrangement, and will enter into the WEF Investment Rights Agreement concurrently with the closing of the Arrangement. See "*Material Contracts – WEF Investment Rights Agreement*" in this Appendix "I".

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Following completion of the Arrangement, it is expected that the AmalCo Board of Directors will consist of nine members, including six current directors of Strathcona, Adam Waterous (Executive Chairman), Steve Fagan, Henry Hager, Andrew Kim, Rob Morgan and Connor Waterous, and two new independent members, Navjeet (Bob) Singh Dhillon and Cody Church. In addition, David Roosth, a current director of Strathcona, is expected to be replaced on the AmalCo Board by Connie De Ciancio, who is Strathcona's Vice-President, Corporate, a role she is anticipated to hold with AmalCo following completion of the Arrangement. Following the completion of the Arrangement, it is expected that the AmalCo Board of Directors will have one female director (11%) out of a total of nine directors.

Upon completion of the Arrangement, it is expected that the directors and executive officers of AmalCo as a group, excluding AmalCo Shares owned by the WEF Shareholders, will beneficially own, or control or direct, directly or indirectly 382,142 AmalCo Shares, representing approximately 0.2% of the anticipated issued and outstanding AmalCo Shares.

The following profiles describe the background and experience of each proposed director of AmalCo.

Adam Waterous, Proposed Executive Chairman of the Board

Mr. A. Waterous founded WEF in 2017 and is currently Managing Partner and Chief Executive Officer of WEF. Prior to founding WEF, Mr. A. Waterous served as Global Head of Investment Banking and Head of Energy and Power, North America at Scotiabank, where he was responsible for all of Scotiabank's global Equity and Advisory activities and Scotia Waterous. Mr. A. Waterous co-founded Waterous & Co., a predecessor firm to Scotia Waterous, in September 1991 where he was a member of the firm's Executive Committee and the head of the firm. Mr. A. Waterous holds an Honours Business Administration degree from the University of Western Ontario and a Masters of Business Administration from Harvard Business School. Being in the top five percent of his class at Harvard, he was designated a Baker Scholar.

Steve Fagan, Proposed Vice Chairman of the Board

Until August 2020, Mr. Fagan served as Chief Executive Officer of Strath, one of Strathcona's predecessor companies. Mr. Fagan has devoted his leadership to the start-up and growth of Canadian oil and gas companies through executive and director roles for the past 25 years. In December 2016, Mr. Fagan founded Strath and was President, Chief Executive Officer and Director until its merger with Cona in August 2020 to create Strathcona. Prior thereto, Mr. Fagan was President and Chief Executive Officer of Mosaic Energy Ltd., President and Chief Executive Officer of Addison Energy Inc. and held positions at Sequoia Exploration, Inc., Telesis Oil and Gas, and Imperial Oil Limited. Mr. Fagan has an MBA from the Ivey School of Business at Western University, a Bachelor of Commerce from Memorial University of Newfoundland and holds the ICD.D designation from the Canadian Institute of Corporate Directors.

Rob Morgan, Proposed Director, President & Chief Executive Officer

Mr. Morgan has more than 35 years of experience in the oil and gas industry with a focus on heavy oil and Montney development. Prior to joining Strathcona, he was the President and Chief Executive Officer of Cona since October 2017. Prior thereto, Mr. Morgan served as Senior Vice President and Chief Operating Officer of Crew Energy Inc. from July 2011 to October 2017. Mr. Morgan has also held senior management positions at Harvest Operations Corporation, Viking Energy Trust and Petrovera Resources Ltd. Mr. Morgan is a Professional Engineer in the Province of Alberta and received a Bachelor of Science degree in Chemical Engineering from the University of Saskatchewan.

Connor Waterous, Proposed Director, Senior Vice-President & Chief Financial Officer

Mr. C. Waterous is a co-founder and Managing Director of WEF. Mr. C. Waterous previously served as an associate on the energy team for Kohlberg Kravis Roberts from 2014 to 2017, was a member of the energy private equity team at the Blackstone Group and the natural resources investment banking group at Barclays Capital. Mr. C. Waterous has been a member of a variety of community organizations, including the Catholic Big Brothers and Big Sisters, and is currently a member of the Strathcona-Tweedsmuir School Alumni Board. Mr. C. Waterous holds a Bachelor of Arts degree with a concentration in Economics from Harvard College where he graduated Magna Cum Laude and was elected Phi Beta Kappa. Being in the top five percent of his class, he was designated a John Harvard Scholar.

Henry Hager, Proposed Director

Mr. Hager serves as Managing Director of WEF. Mr. Hager previously served as Director with Kohlberg Kravis Roberts and in various roles with Constellation Energy Corporation. Mr. Hager also served in a number of capacities in President George W. Bush's administration, including as West Wing associate to the Senior Advisor to the President, director of operations for the 2004 re-election campaign, and senior economic policy advisor to the Secretary of Commerce. Mr. Hager currently serves as a board member of the George W. Bush Presidential Center and Building Conservation Trust. Mr. Hager earned a Bachelor of Science in Business from Wake Forest University and an MBA from the Darden School of Business at the University of Virginia.

Andrew Kim, Proposed Director

Mr. Kim serves as Chief Financial Officer of WEF. Mr. Kim previously served as President of Crescentwood Capital Corp., Pyxis Capital Inc., HAL Concepts Ltd., Graystone Corporation and as President and Director of Stonington Capital Corporation, CBOC Continental Inc. and Vice President of Finance of Unicorp Energy Corporation. Mr. Kim is a Chartered Public Accountant and holds an Honours Bachelor of Mathematics from the University of Waterloo.

Navjeet (Bob) Singh Dhillon, Proposed Director

Mr. Dhillon is Founder, President and CEO of Mainstreet Equity Corp., a publicly traded real estate corporation on the TSX. In 2021, Mr. Dhillon was appointed as an Officer in the Order of Canada. He was also awarded the Queen Elizabeth II Platinum Jubilee Medal in 2022, and the Diamond Jubilee Medal in 2012. From 2020 to 2022, Mr. Dhillon served as a member of the Honorable Jason Kenny's Alberta Energy Recovery Council. In 2021, Mr. Dhillon completed the ICD-Rotman Directors Education Program in conjunction with the University of Calgary, Haskayne School of Business. He graduated with his MBA from Ivey School of Business at Western University in 1998. Mr. Dhillon sits on the Boards of Canada Mortgage and Housing Corporation, Alberta Investment Management Corporation, Banff Centre for Arts and Creativity Board of Governors, Canada-India Business Council Advisory Committee and Invest Alberta Corporation.

Cody Church, Proposed Director

Mr. Church has thirty years of experience in the financial markets and is the Founder and Chief Executive Officer of Clear North Capital Partners, a Calgary-based private equity focused investment group. Previously, Mr. Church co-founded TriWest Capital Partners in 1997 where TriWest raised five private equity funds with cumulative capital commitments of over \$1.25 billion. Mr. Church has served on the public boards of Edgefront REIT (now called Nexus REIT), Source Energy Services Ltd., Decibel Cannabis Company Inc. and Chairs the Boards of a number of private businesses including POI Business Solutions and Rapid Span Group. Mr Church was also Vice Chair of the Board of Governors of the University of Calgary and inaugural Chair of the Alberta Indigenous Opportunity Corp (AIOC). Mr. Church holds a Bachelor of Economics from Harvard University.

Connie De Ciancio, Proposed Director, Vice-President, Corporate

Ms. De Ciancio has more than 25 years of experience in the oil and gas sector focused in business development, stakeholder relations, human resources and sustainability. Prior to joining Strathcona, Ms. De Ciancio was VP Business Development & Land at Strath. Prior thereto, Ms. De Ciancio was Vice President, Land of Mosaic Energy Ltd., a private company focused on liquids rich Montney development. Ms. De Ciancio was a Land Manager at a junior E&P focused on Cardium development, just prior to her time at Mosaic Energy Ltd. Ms. De Ciancio started her career at Petro-Canada Oil and Gas where she held various positions including Negotiating Landman, Joint Venture Representative and Team Leader. Ms. De Ciancio's career has been focused on asset growth through deal generation. Ms. De Ciancio has a Bachelor of Commerce, with a focus in Petroleum Land Management from the University of Calgary, Haskayne School of Business.

The AmalCo Board of Directors and management of AmalCo will also be supported by Olga Kary, a partner at Blake, Cassels & Graydon LLP, who will act as Corporate Secretary for AmalCo. Ms. Kary practises corporate and securities law and has more than 15 years experience in representing publicly traded issuers listed in Canada.

The following table sets forth the name, jurisdiction of residence and principal occupation during the five preceding years for Mr. Dhillon and Mr. Church, the new independent directors to be appointed to the AmalCo Board of Directors upon completion of the Arrangement. For additional information regarding the current directors and executive officers of Strathcona, who will continue to act as directors and executive officers of AmalCo following completion of the Arrangement, see "*Directors and Executive Officers*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

Name and Jurisdiction of Residence	Principal Occupation during the Five Preceding Years
Navjeet (Bob) Singh Dhillon <i>Director</i> Alberta, Canada	Founder, President and CEO of Mainstreet Equity Corp. since 1998.
Cody Church <i>Director</i> Alberta, Canada	Founder and CEO of Clear North Capital since 2019; prior thereto Co-Founder and Senior Managing Director of TriWest Capital Partners since 1997.

To the knowledge of Strathcona, neither Mr. Dhillon nor Mr. Church are, as at the date of this Information Circular, or have been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that was subject to: (a) an Order, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (b) an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, except as described below.

To the knowledge of Strathcona, neither Mr. Dhillon nor Mr. Church are, as at the date of this Information Circular, or have been within 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as described below.

In connection with a reorganization of Bellatrix Exploration Ltd. ("**Bellatrix**"), the bondholders of Bellatrix appointed four new directors to the board of directors of Bellatrix in June of 2019, including Mr. Church. On October 2, 2019, an initial order under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") was granted to Bellatrix, whereby PricewaterhouseCoopers Inc. ("**PwC**") was appointed as Monitor. On May 21, 2020, the Court of Queen's Bench of Alberta approved a bid from Spartan Delta Corp. (the

"Spartan Bid") to purchase substantially all of Bellatrix's oil and gas assets. The Spartan Bid provided for payment of, among other things, all amounts owing under Bellatrix's key employment retention plan, all priority charges of certain lenders and PwC, as well as a substantial portion of the first lien noteholders' debt. The transaction resulting from the Spartan Bid (the **"Spartan Transaction"**) closed on June 1, 2020. The remaining directors of Bellatrix resigned on May 25, 2021. Following the closing of the Spartan Transaction, Bellatrix continued through the CCAA process led by its advisors and PwC, as Monitor. The CCAA process formally concluded on September 21, 2022, following a reorganization involving the remaining Bellatrix entity and Spartan Delta Corp. Bellatrix was subsequently dissolved pursuant to the *Canada Business Corporations Act* on August 9, 2022. On July 7, 2020, during the CCAA proceedings, the Alberta Securities Commission issued a cease trade order against Bellatrix as a result of its failure to file interim filings related to the interim period ended March 31, 2020.

To the knowledge of Strathcona, neither Mr. Dhillon nor Mr. Church (nor any personal holding company of any of such persons) are, as at the date of this Information Circular, or have been, within the 10 years before the date of this Information Circular, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

Executive Officers

Following the completion of the Arrangement, it is expected that AmalCo will be led by Strathcona's current executive management team comprised of the following executive officers:

Name	Title
Rob Morgan	President & Chief Executive Officer
Connor Waterous	Senior Vice-President & Chief Financial Officer
Dale Babiak	Vice-President, Production Operations
Connie De Ciancio	Vice-President, Corporate
Al Grabas	Vice-President, Capital Operations
Nolan Lerner	Vice-President, Development – Montney & Conventional Heavy Oil
Scott Seipert	Vice-President, Finance
Mark Teasdale	Vice-President, Development – Thermal

The following profiles describe the background and experience of each proposed officer of AmalCo. For profiles on Mr. Morgan, Mr. C. Waterous and Ms. De Ciancio, see *"Directors and Executive Officers – Directors"* above in this Appendix "I".

Nolan Lerner, Proposed Vice-President, Development – Montney & Conventional Heavy Oil

Mr. Lerner has more than 15 years of experience in the oil and gas industry focused on development and production management of conventional and unconventional assets. In his previous role, he was the Vice President, Development with Cona from January 2017. Prior thereto, he held senior managerial positions at Cona with a focus on conventional heavy oil enhanced oil recovery development. Mr. Lerner has also held several positions of increasing responsibility at Penn West Exploration Ltd. with a focus on conventional and unconventional light oil development. Mr. Lerner is a Professional Engineer and received a Bachelor of Science degree in Industrial Systems Engineering from the University of Regina.

Scott Seipert, Proposed Vice-President, Finance

Mr. Seipert has over 30 years of experience in the oil and gas industry primarily overseeing the areas of finance, treasury, accounting, tax, risk management and information technology. Prior to joining Strathcona, Mr. Seipert was the lead financial officer at Strath and held the position of Vice President, Finance from 2017 to 2020. Prior thereto, Mr. Seipert held positions of Chief Financial Officer and Controller at Mosaic Energy Ltd. from 2012 to 2017. Prior to joining Mosaic Energy Ltd., Mr. Seipert was the Vice President, Finance and Chief Financial Officer at Evolve Exploration Ltd. from 2006 to 2012, and Vice President, Finance and Chief Financial Officer at Glacier Energy Limited in 2005. Mr. Seipert also held senior finance positions at Purcell Energy Ltd. and Ice Energy Limited. Mr. Seipert is a member of the Chartered Professional Accountants of Alberta.

Mark Teasdale, Proposed Vice-President, Development – Thermal

Mr. Teasdale has over 20 years of experience in the energy industry focused on the development and optimization of unconventional and conventional assets. Most recently, Mr. Teasdale was Production and Completions Manager for Strath. Mr. Teasdale started his career at BP Canada Energy, holding positions of increasing responsibility, and later moved to Houston working on multiple shale plays with both BP plc and Apache Corporation. He specializes in completion and frac stimulation programs, with a track record for project execution. Prior to moving over to Strath in September 2017, Mr. Teasdale was with Apache Canada as production manager. Mr. Teasdale is a professional engineer and holds a Bachelor of Science degree in Civil & Environmental Engineering from the University of Alberta.

Al Grabas, Proposed Vice-President, Capital Operations

Prior to joining Strathcona, Mr. Grabas served as Vice-President, Production at Strath and held positions of increasing responsibility at Bruin Oil and Gas Inc., Polar Star Canadian Oil and Gas, Inc., Perpetual Energy Inc. and Gulf Canada / Conoco Phillips. Mr. Grabas has over 27 years of oil and gas experience, with a focus in production, facilities and field operations. As a Professional Engineer, Mr. Grabas holds a Bachelor of Science degree in Mechanical Engineering from the University of Alberta.

Dale Babiak, Proposed Vice-President, Production Operations

Mr. Babiak has over 35 years of experience in the oil and gas industry. Prior to joining Strathcona, Mr. Baniak served as Senior Operations Manager – Gas Portfolio and Integrity Services and held positions of increasing responsibility at Cona, Pengrowth Energy Corporation and Imperial Oil Limited, with a focus on production operations and integrity services. Mr. Babiak holds a diploma in Hydrocarbon Engineering Technology from the Northern Alberta Institute of Technology.

Conflicts of Interest

There are no anticipated conflicts of interest between AmalCo and any of the proposed directors or officers of AmalCo. However, certain proposed directors and officers of AmalCo are engaged, and will continue to be engaged in, other activities in the oil and gas industry from time to time, including the employment by, or other involvement in or with, WEF and certain of the WEF Shareholders. As a result of these and other activities, certain proposed directors and officers of AmalCo may become subject to conflicts of interest from time to time. In accordance with the ABCA, AmalCo's by-laws will provide that in the event that a director or officer of AmalCo (or person acting in the capacity of a director or officer of AmalCo) is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such director or officer (or person acting in the capacity of a director or officer) shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise permitted under the ABCA. To the extent that conflicts of interest arise, such conflicts of interest will be resolved in accordance with the provisions of the ABCA.

STATEMENT OF PROPOSED EXECUTIVE AND DIRECTOR COMPENSATION

General

Other than as described below, the compensation to be paid to the proposed directors and executive officers of AmalCo will initially be the same as the compensation paid to the existing directors and executive officers of Strathcona. See "*Statement of Executive Compensation*" and "*Director Compensation*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular for further information concerning Strathcona's current compensation structure. Following the completion of the Arrangement, it is expected that Mr. Dhillon and Mr. Church will each receive an annual cash retainer of \$200,000 for serving as an independent AmalCo board member.

Upon completion of the Arrangement, the AmalCo Board of Directors is expected to review Strathcona's current compensation programs for its directors in light of AmalCo's status as a reporting issuer. After such review, AmalCo may adopt a revised director compensation policy if it considers such revisions to be necessary and more appropriate for a public company than Strathcona's existing director compensation policy.

It is expected that the AmalCo Board of Directors, based on the advice and recommendations of the Compensation Committee, will oversee and determine the compensation and other terms of employment of the Executive Chairman, if any, the Chief Executive Officer, the Chief Financial Officer and other executive officers of AmalCo. In addition, the Compensation Committee is expected to review and advise the AmalCo Board of Directors on AmalCo's executive compensation programs and practices. To assist the AmalCo Board of Directors and the Compensation Committee in fulfilling their respective responsibilities with respect to compensation matters, each of the AmalCo Board of Directors and the Compensation Committee may retain external accounting, legal, consulting or other advisors from a source independent of management, at the expense of AmalCo.

Share Ownership Guidelines

To align the interests of its independent directors, executive officers and certain other employees with the long-term interests of AmalCo and its shareholders, it is expected that AmalCo will adopt share ownership guidelines ("**Share Ownership Guidelines**") that will require that independent directors, executive officers and such other employees hold a meaningful equity ownership interest in AmalCo following completion of the Arrangement. This approach creates alignment between the interests of the AmalCo Shareholders and its independent directors, executive officers and other designated employees that are subject to the Share Ownership Guidelines, as both groups of stakeholders are rewarded based on accretive value. Participants will be required to achieve and maintain the following levels of ownership of AmalCo Shares (based on their then current annual retainer or salary, as applicable) within five years of becoming subject to the Share Ownership Guidelines, or five years from the date of any increase in their annual retainer or salary, as applicable:

Role	Minimum Ownership Level
Independent directors	300%
Chief Executive Officer and Chief Financial Officer	500%
Other executive officers	200%
Other participants	100%

Executive Employment Agreements

Upon completion of the Arrangement, it is anticipated that AmalCo will assume Strathcona's obligations under the executive employment agreements currently in effect with certain of Strathcona's executive officers, including the termination obligations described under the heading "*Statement of Executive*

Compensation – Termination of Employment and Change of Control Benefits" in Appendix "H" – *"Information Concerning Strathcona Resources Ltd."* to this Information Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

It is expected that, upon completion of the Arrangement, none of the proposed directors, executive officers, or employees of AmalCo, nor any of their respective associates or affiliates, will be indebted to AmalCo or any of its subsidiaries, nor will any such person be subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by AmalCo or any of its subsidiaries.

CORPORATE GOVERNANCE

For information concerning matters such as term limits, director assessment and continuing education requirements currently carried on by the Strathcona Board of Directors, which are intended to be continued by the AmalCo Board of Directors following completion of the Arrangement, see *"Disclosure of Corporate Governance Practices"* contained in Appendix "H" – *"Information Concerning Strathcona Resources Ltd."* to this Information Circular. Unless otherwise described herein, it is intended that the AmalCo Board of Directors will continue on the same practices as described in Appendix "H" – *"Information Concerning Strathcona Resources Ltd."* to this Information Circular.

Composition of the AmalCo Board of Directors

The AmalCo Board of Directors is expected to consist of nine directors who will provide AmalCo with a wide diversity of business experience. Additional information for each of the directors can be found under the heading *"Directors and Executive Officers"* in this Appendix "I". Mr. Dhillon and Mr. Church will each be considered independent directors as such term is set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). The basis for the non-independent determination of the remaining seven proposed directors is set forth below.

Mr. Morgan, Mr. C. Waterous and Ms. De Ciancio will not be considered independent given their expected positions as executive officers of AmalCo, being the President & Chief Executive Officer, Senior Vice-President & Chief Financial Officer and Vice-President, Corporate, respectively. Mr. Fagan will not be considered independent as he has acted as an executive officer of Strathcona within the three years preceding the expected completion of the Arrangement. Mr. A. Waterous, Mr. Kim and Mr. Hager will not be considered independent as a result of each being an executive officer or employee of WEF.

Mr. A. Waterous is the Managing Partner and Chief Executive Officer of WEF and, accordingly, may be considered to indirectly exercise some degree of control and direction over AmalCo Shares to be owned by the WEF Shareholders following completion of the Arrangement. The WEF Shareholders are expected to beneficially own, directly or indirectly, or exercise control or direction over approximately 90.8% of the AmalCo Shares expected to be issued upon completion of the Arrangement, and the business and affairs of each WEF Shareholder and WEF General Partner are managed by the WEF Manager, which is owned indirectly and controlled by Mr. A. Waterous.

Mr. A. Waterous, the proposed Executive Chairman of the AmalCo Board of Directors, will not be considered independent for the reasons stated above. Following completion of the Arrangement, Mr. Dhillon is expected to be appointed as the independent Lead Director by the AmalCo Board of Directors and will be responsible for, among other things, identifying conflicts of interest among the Corporation and non-independent directors of the AmalCo Board of Directors and ensuring proper corporate governance practices in light of such conflicts. In addition, to facilitate the AmalCo Board of Directors in exercising independent judgment in carrying out its responsibilities, AmalCo's by-laws will provide that if a director has a material conflict of interest in a proposed matter or a party involved in a proposed matter, such director will be required to inform the AmalCo Board of Directors of such conflict and to abstain from voting on the matter, unless otherwise permitted under the ABCA. See *"Directors and Executive Officers – Conflicts of Interest"* in this Appendix "I".

None of the proposed directors of AmalCo presently hold directorships with any reporting issuers, except for Mr. Dhillon, who currently sits on the board of directors of Mainstreet Equity Corp..

Board Mandate and Position Descriptions

Upon completion of the Arrangement, a written mandate will be established for the AmalCo Board of Directors in the form attached as Schedule A to this Appendix "I". Additionally, the AmalCo Board of Directors will develop written terms of reference for the Executive Chairman of the AmalCo Board of Directors, the Lead Director, the Chair of each committee of the AmalCo Board of Directors and the Chief Executive Officer.

The written mandate of the AmalCo Board of Directors, Audit Committee, Compensation Committee and Reserves Committee will each permit the independent directors of the AmalCo Board of Directors or respective committee, as applicable, to hold meetings that are not attended by AmalCo management or the non-independent members of the AmalCo Board of Directors.

Committees

Following completion of the Arrangement, AmalCo will form the Audit Committee, the Compensation Committee, the Nominating Committee and the Reserves Committee. The AmalCo Board of Directors will review, update and prepare new corporate governance policies and mandates, as needed, to comply with applicable Canadian Securities Laws and TSX rules, or as the AmalCo Board of Directors may determine are otherwise necessary or advisable.

Audit Committee

For a discussion of the Audit Committee of the AmalCo Board of Directors see "*Audit Committee*" below in this Appendix "I".

Compensation Committee

It is expected that the Compensation Committee will have responsibility for, among other things, overseeing AmalCo's compensation policies, processes and practices, administering AmalCo's compensation programs and assessing and making recommendations to the AmalCo Board of Directors concerning compensation and other terms of employment of AmalCo's directors and officers.

It is expected that the Compensation Committee is expected to initially be comprised of Messrs. Dhillon (Chair), Church and Kim. As a result of Mr. Kim acting as a member of the Compensation Committee, the committee will not be composed entirely of independent directors. Following the Arrangement, it is anticipated that the members of the Compensation Committee will be able to conduct their duties in an objective manner and through an objective process given that Messrs. Dhillon and Church are independent directors, and Mr. Kim is not expected to receive any compensation for his services as a director of AmalCo. In addition, the Compensation Committee is expected to develop an objective process for assessing and making recommendations to the AmalCo Board of Directors concerning compensation and other terms of employment of AmalCo's directors and officers, including by retaining independent compensation advisors to provide input on this process if the Compensation Committee deems advisable and subject to the approval of the AmalCo Board of Directors. Further, the AmalCo Board of Directors is expected to continually monitor any conflicts of interest or perceived conflicts of interest of members of the Compensation Committee to ensure compliance with AmalCo's Code of Conduct.

Nominating Committee

The Nominating Committee will have responsibility for, among other things, establishing policies and procedures for identifying director nominees, developing a succession plan for the AmalCo Board of Directors, recommending the director nominees for consideration by AmalCo Shareholders and the

directors to serve on the committees of the AmalCo Board of Directors, and undertaking periodic assessments of the size and independence of the AmalCo Board of Directors.

The Nominating Committee is expected to initially be comprised of Messrs. A. Waterous (Chair), Hager and Dhillon. As a result of Messrs. A. Waterous and Hager acting as members of the Nominating Committee, the committee will not be composed entirely of independent directors. In order to encourage an objective nomination process, the Nominating Committee is expected to provide periodic reports to the AmalCo Board of Directors concerning nomination matters and recommendations concerning potential nominees for election or appointment to the AmalCo Board of Directors. In addition, to assist the Nominating Committee in fulfilling its responsibilities, the Nominating Committee may retain external accounting, legal, consulting or other advisors from a source independent of management at the expense of AmalCo, subject to the approval of the AmalCo Board of Directors. Further, the AmalCo Board of Directors is expected to continually monitor any conflicts of interest or perceived conflicts of interest of members of the Nominating Committee to ensure compliance with AmalCo's Code of Conduct.

Reserves Committee

The Reserves Committee will have responsibility for, among other things, appointing and overseeing an independent qualified reserves evaluator and overseeing and managing the overall process relating to the reporting of AmalCo's reserves and resources data and other oil and gas information and risks. The Reserves Committee is expected to initially be comprised of a majority of independent directors, being Messrs. Church (Chair), Dhillon and Hager.

Ethical Business Conduct

Following completion of the Arrangement, it is expected that the AmalCo Board of Directors will adopt a new written code of business conduct (the "**Code of Conduct**") to ensure that AmalCo's directors, officers, employees and contractors adhere to ethical standards and obey laws. It is anticipated that each employee and contractor of AmalCo will be provided a copy of the Code of Conduct.

In addition, it is anticipated that the AmalCo Board of Directors will establish an Investigation of Complaints Policy whereby complaints, concerns or suspected violations of the Code of Conduct may be reported confidentially and anonymously.

AUDIT COMMITTEE

Mandate of the Audit Committee

Following completion of the Arrangement, the Audit Committee will adopt a written mandate that will set out its responsibilities and composition requirements. A copy of the mandate to be adopted by AmalCo is attached as Schedule B to this Appendix "I".

Composition of the Audit Committee

The Audit Committee is expected to initially be comprised of Messrs. Church (Chair), Dhillon and Kim. Messrs. Church and Dhillon will each be considered independent as such term is set out in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Mr. Kim will not be considered independent under NI 52-110 due to his relationship with WEF. Following completion of the Arrangement, it is anticipated that AmalCo will rely on the controlled companies exemption provided under subsection 3.3(2) of NI 52-110 in respect of Mr. Kim's appointment as a member of the Audit Committee, for as long as the AmalCo Board of Directors determines in its reasonable judgement that (i) Mr. Kim continues to be able to exercise the impartial judgement necessary to fulfill his responsibilities as a member of the Audit Committee, and (ii) the appointment of Mr. Kim to the Audit Committee remains in the best interests of AmalCo and its shareholders.

All of the proposed members of the Audit Committee are financially literate within the meaning of NI 52-110. For a description of the education and experience of each proposed member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "*Directors and Executive Officers*" in this Appendix "I" and "*Directors and Executive Officers*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

Pre-Approval Policies and Procedures

Upon giving effect to the Arrangement, it is anticipated that AmalCo's pre-approval policies and procedures in respect of the engagement of non-audit services will be substantially the same as the current policies and procedures of Strathcona.

See "*Audit Committee – Pre-Approval Policies and Procedures*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Following the Arrangement, the independent auditors of AmalCo will be Deloitte LLP, Suite 700, 850-2nd Street SW, Calgary, Alberta, T2P 0R8. Deloitte LLP are the current independent auditors of Strathcona.

Odyssey Trust Company at its principal offices in Calgary, Alberta will act as the transfer agent and registrar for the AmalCo Shares. U.S. Bank National Association at its offices in Dallas, Texas will continue to act as the trustee for the Senior Notes.

MATERIAL CONTRACTS

Upon completion of the Arrangement, the following will be the only material contracts of AmalCo, other than those contracts to be entered into in the ordinary course of business or otherwise disclosed herein or in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular:

- (a) an amendment to the Revolving Credit Agreement;
- (b) an amendment to the Term Credit Agreement; and
- (c) the WEF Investment Rights Agreement.

Copies of each of the material contracts will be available on Strathcona's SEDAR+ profile following the Arrangement.

AmalCo Credit Facilities

The Revolving Credit Agreement and Term Credit Agreement will be amended in connection with the Arrangement. The Revolving Credit Facility will be increased to \$2.3 billion (from \$2.0 billion). The mandatory prepayment provisions in the Term Credit Agreement will be amended for the third and fourth quarters of 2023 to require a repayment of the Term Credit Facility from the greater of 100% of excess cash flow and \$175.0 million within 45 days of quarter-end. Certain negative covenants in both the Revolving Credit Agreement and Term Credit Agreement will also be amended to permit items related to the Arrangement.

The Note Indenture will not be amended upon completion of the Arrangement. For additional information about the Revolving Credit Agreement and the Term Credit Agreement, each of which will continue in effect with AmalCo as a party thereto upon the completion of the Arrangement, as amended as described above, see "*Material Contracts*" in Appendix "H" – "*Information Concerning Strathcona Resources Ltd.*" to this Information Circular.

WEF Investment Rights Agreement

Immediately following the completion of the Arrangement, AmalCo will enter into an investment rights agreement (the "**WEF Investment Rights Agreement**") with the WEF Investors and the WEF Shareholders (together with their affiliates and any other entity advised or managed by the WEF Manager that owns or exercises control or direction over AmalCo Shares and has executed and delivered to AmalCo a counterpart copy of the WEF Investment Rights Agreement with the consent of the WEF Manager, the "**WEF Investors**"), pursuant to which, among other things, the WEF Manager and WEF Investors will be entitled to certain director nomination and other shareholder rights.

The AmalCo Shares held by the WEF Investors may be aggregated for purposes of determining whether the minimum ownership thresholds required to exercise the director nomination, subscription, demand and piggyback registration and other shareholder rights set out in the WEF Investment Rights Agreement are met.

Nomination Rights

While the AmalCo Board of Directors consists of nine members, the WEF Manager will have the right to designate: (i) two director nominees for election to the AmalCo Board of Directors for so long as the WEF Investors own or exercise control or direction over 5% or more of the outstanding AmalCo Shares; (ii) four director nominees for election to the AmalCo Board of Directors for so long as the WEF Investors exercise control or direction over 30% or more of the outstanding AmalCo Shares; and (iii) five director nominees for election to the AmalCo Board of Directors for so long as the WEF Investors exercise control or direction over 50% or more of the outstanding AmalCo Shares. The nominees of the WEF Manager for election to the AmalCo Board of Directors shall be required to, at all times while serving on the AmalCo Board of Directors, meet the qualification requirements to serve as a director under the ABCA, applicable securities laws and the rules of any stock exchange on which the AmalCo Shares are then listed for trading. No nominee may be an individual who is not acceptable to any stock exchange on which the AmalCo Shares are then listed or any securities commission or similar regulatory authority in each of the provinces of Canada.

Following completion of the Arrangement, the initial nominees of the WEF Manager are expected to be Messrs. A. Waterous, C. Waterous, Kim, Hager and Ms. De Ciancio.

If the size of the AmalCo Board of Directors is changed, the foregoing rights shall be adjusted accordingly such that the WEF Manager will be entitled to nominate the same percentage of the total number of members on the AmalCo Board of Directors as it is entitled to based on an AmalCo Board of Directors of nine directors.

For so long as the WEF Manager is entitled to have one or more nominees on the AmalCo Board of Directors, the WEF Manager may designate one of the directors to be the chair of the AmalCo Board of Directors, who, until he resigns or is replaced by the WEF Manager with another nominee, shall be Mr. A. Waterous. In addition, for so long as the WEF Manager is entitled to have one or more nominees on the AmalCo Board of Directors, AmalCo shall be required to take such action as may be necessary to ensure that at least one of the nominees of the WEF Manager is appointed to each committee of the AmalCo Board of Directors, if and as desired by the WEF Manager from time to time, subject to applicable laws relating to members and the composition of such committees.

Further, for so long as the WEF Manager is entitled to have one or more nominees on the AmalCo Board of Directors, the WEF Manager may appoint a certain number of individuals to attend meetings of the AmalCo Board of Directors (and any committee thereof) as non-voting observers, such that the aggregate number of directors nominated by the WEF Manager and the number of non-voting observers appointed by the WEF Manager shall be equal to seven, provided that, notwithstanding the foregoing, for so long as one or more of the initial nominees of the WEF Manager are not affiliated with the WEF Manager or the WEF Investors, the WEF Manager shall have the right to appoint one additional non-voting observer.

Subscription Rights

Under the WEF Investment Rights Agreement, for so long as the WEF Investors own or exercise control or direction over 5% or more of the outstanding AmalCo Shares, the WEF Investors will have customary subscription rights pursuant to which, in the event of a proposed issuance of AmalCo Shares or other securities convertible or exchangeable into or exercisable for AmalCo Shares to any person other than the WEF Investors, AmalCo will offer to the WEF Investors the right to subscribe for that number of AmalCo Shares (or securities convertible or exchangeable into or exercisable for AmalCo Shares, as the case may be), on the same terms and conditions, including the same subscription or exercise price, as applicable, such that the WEF Investors may continue to maintain their pro rata equity ownership interest in AmalCo following completion of the proposed issuance of AmalCo Shares or other securities convertible or exchangeable into or exercisable for AmalCo Shares. The subscription rights granted to the WEF Investors are subject to customary exceptions, including the issuance of AmalCo Shares or other securities convertible or exchangeable into or exercisable for AmalCo Shares to AmalCo's directors, officers, employees and consultants, including pursuant to equity incentives plans or share purchase or bonus plans of AmalCo.

Demand Registration Rights

For so long as the WEF Investors own or exercise control or direction over 5% or more of the outstanding AmalCo Shares, the WEF Manager will have the right to require AmalCo to qualify AmalCo Shares held by the WEF Investors for distribution by way of a secondary offering prospectus (which may include the use of a short form prospectus or base shelf prospectus, if AmalCo is qualified to use such procedures) prepared in accordance with applicable Canadian securities laws (a "**WEF Demand Registration**"). AmalCo will be obligated to effect no more than three WEF Demand Registrations in any calendar year, provided, however, that no WEF Demand Registration shall be requested where the aggregate market value of AmalCo Shares to be qualified pursuant to such WEF Demand Registration is less than \$100,000,000 (or, if less than \$100,000,000, then such AmalCo Shares to be qualified must represent all of the AmalCo Shares then held by WEF Investors). AmalCo may postpone, for a reasonable period of time, but in any event not exceeding 90 days, the filing or effectiveness of any WEF Demand Registration if AmalCo reasonably believes (as evidenced by a resolution of the AmalCo Board of Directors acting in good faith) that such postponement is in the best interests of AmalCo, including where a WEF Demand Registration would require the disclosure of material information which AmalCo has a bona fide business purpose for preserving as confidential and where disclosure would be seriously detrimental to AmalCo.

If the WEF Demand Registration involves an underwritten or agency offering by AmalCo and the lead underwriter(s) or agent(s) advise AmalCo and the WEF Manager that the total number of AmalCo Shares requested to be included in the distribution exceeds the number (the "**Maximum Demand Offering Size**") which can be sold in an orderly manner in such offering within a price range acceptable to AmalCo and the WEF Manager, each acting reasonably, AmalCo will include in such distribution: (i) first, as many of the WEF Investors' AmalCo Shares subject to the WEF Demand Registration as will not cause the distribution to exceed the Maximum Demand Offering Size, and (ii) second, as many of the AmalCo Shares (or other securities) proposed to be qualified for distribution by AmalCo as part of the WEF Demand Registration as will not cause the offering to exceed the Maximum Demand Offering Size.

AmalCo will be responsible for paying all fees and expenses incurred in connection with a WEF Demand Registration to the extent permitted by applicable law, provided that the WEF Manager and the WEF Investors shall pay the fees and expenses of their own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to AmalCo Shares held by the WEF Investors included in connection with each WEF Demand Registration. The WEF Manager will have the right to select the investment banker(s) and manager(s) to administer the offering of the AmalCo Shares which are the subject of a WEF Demand Registration.

Piggyback Registration Rights

For so long as the WEF Investors own or exercise control or direction over 5% or more of the outstanding AmalCo Shares, the WEF Manager may request that AmalCo include AmalCo Shares held by the WEF Investors in any qualification or registration of AmalCo Shares by AmalCo or another securityholder of AmalCo under applicable securities laws (a "**WEF Piggyback Registration**"). AmalCo must cause to be included in the WEF Piggyback Registration all AmalCo Shares that the WEF Manager requests to be included; provided, however, that if a WEF Piggyback Registration is a distribution of securities by AmalCo and the lead underwriter(s) or agent(s) advise AmalCo that the total number of securities requested to be included in the distribution exceeds the number (the "**Maximum Piggyback Offering Size**") which can be sold in an orderly manner in such offering within a price range acceptable to AmalCo, AmalCo will include in such distribution: (i) first, as many of the AmalCo Shares (or other securities) that AmalCo proposes to sell from treasury as will not cause the distribution to exceed the Maximum Piggyback Offering Size, and (ii) second, as many of the WEF Investors' AmalCo Shares requested to be included in such distribution as will not cause the distribution to exceed the Maximum Piggyback Offering Size.

If a WEF Piggyback Registration is to occur in conjunction with a secondary distribution on behalf of another holder or holders of AmalCo Shares or other securities convertible or exchangeable into or exercisable for AmalCo Shares and the lead underwriter(s) or agent(s) advise AmalCo that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to such holder or holders, then the number of AmalCo Shares requested to be included by the WEF Manager will be included in such distribution pro rata (based upon each securityholder's (including the WEF Investors') relative security holdings to each other) with the AmalCo Shares (or other securities) requested to be included in such distribution.

AmalCo shall have the right to select the investment banker(s) and manager(s) to administer the offering from treasury and the AmalCo Shares which are subject to the WEF Piggyback Registration, subject to the approval of the WEF Manager, which will not be unreasonably withheld. The costs and expenses pursuant to the WEF Piggyback Registration will be paid by AmalCo to the extent permitted by applicable law, provided that the WEF Manager and the WEF Investors shall pay the fees and expenses of their own counsel and the underwriting discounts, commissions and similar fees and transfer taxes applicable to AmalCo Shares held by the WEF Investors included in connection with each WEF Piggyback Registration.

Information Rights

At any time where the WEF Investors own or exercise control or direction over 5% or more of the outstanding AmalCo Shares, AmalCo is obligated to provide the AmalCo Board of Directors, with a monthly financial report after the end of each month, containing the summary monthly and year-to-date operating statistics and financial statements on a consolidated basis as normally prepared by AmalCo management.

Indemnification

AmalCo is obligated to indemnify the WEF Manager and the WEF Investors participating in a WEF Demand Registration or a WEF Piggyback Registration (and their respective managers/general partners and their respective directors, officers, employees, shareholders, partners and agents) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus, final prospectus, shelf prospectus supplement, pricing supplement, or any amendment thereof or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make any statement therein not misleading, except insofar as the same are contained in any information relating solely to a WEF Investor furnished in writing to AmalCo by the WEF Manager or such WEF Investor expressly for use therein or caused by the WEF Manager's or such WEF Investor's failure to deliver a copy of the prospectus or any amendments or supplements thereto after AmalCo has furnished the WEF Manager and the applicable WEF Investor with a sufficient number of copies of same.

Termination

The WEF Investment Rights Agreement will terminate upon the earlier of (i) the written agreement of AmalCo and the WEF Manager to such termination or (ii) at the time that the WEF Investors own, or exercise control or direction over, an aggregate of less than 5% of the outstanding AmalCo Shares over a period of three consecutive months.

RISK FACTORS

Investors should carefully consider the risk factors set out below and elsewhere in this Information Circular. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all of the risks associated with AmalCo's business and its industry generally. Any of the following risks could materially and adversely affect AmalCo's business, financial condition or results of operations. See "Risk Factors" in this Information Circular, as well as Appendix "G" – "Information Concerning Pipestone Energy Corp." and Appendix "H" – "Information Concerning Strathcona Resources Ltd." to this Information Circular.

Absence of public market for the AmalCo Shares

As of the date of this Information Circular, the TSX has not conditionally approved the listing of the AmalCo Shares and there is no assurance that the TSX will do so. Additionally, if the TSX does conditionally approve the listing of the AmalCo Shares, there can be no assurance that an active and liquid market for the AmalCo Shares will develop and a shareholder may find it difficult to resell its AmalCo Shares.

WEF, through the WEF Shareholders, will continue to maintain a significant shareholding position in AmalCo, holding approximately 90.8% of the outstanding AmalCo Shares upon the completion of the Arrangement. WEF's shareholding level and its rights under the WEF Investment Rights Agreement will give it significant influence on the decisions to be made by AmalCo Shareholders and its representation on the AmalCo Board of Directors may give it influence on decisions made by the AmalCo Board of Directors. The interests of WEF may not always be consistent with the interests of AmalCo's other shareholders.

Volatility in market price of AmalCo Shares

The market price for AmalCo Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond AmalCo's control, including actual or anticipated fluctuations in AmalCo's financial results, recommendations by securities research analysts, changes in the economic performance or market valuations of other companies that investors deem comparable to AmalCo, the loss or resignation of members of management or the AmalCo Board of Directors and other key personnel of AmalCo, sales or perceived sales of additional AmalCo Shares, significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving AmalCo or its competitors where AmalCo does not realize its anticipated benefits from such transaction, trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry, and actual or anticipated fluctuations in interest rates.

Cash dividend payments are not guaranteed

AmalCo is not expected to begin paying a dividend immediately upon closing of the Arrangement. Any future payment of dividends under AmalCo's expected dividend policy is not guaranteed and could fluctuate with the performance of AmalCo. The AmalCo Board of Directors will have the discretion to declare the payment of dividends and determine the amount of any such dividends, if any, to be declared and paid to shareholders. AmalCo may alter its dividend policy at any time and the payment of dividends will depend on, among other things, income and cash flow generated by AmalCo, financial requirements for AmalCo's operations and the execution of its growth strategy, capital investment requirements, debt service requirements, debt covenants, the satisfaction of solvency tests imposed by the ABCA for the declaration

and payment of dividends and other business considerations as the AmalCo Board of Directors considers relevant.

Over time, AmalCo's capital and other cash flow requirements may change significantly from its current requirements, which could affect whether AmalCo pays dividends and the amount of dividends, if any, it may pay in the future.

Negative impact of additional sales or issuances of AmalCo Shares

The WEF Shareholders may sell AmalCo Shares from time to time and are not required to consider the potential negative impact of such sales on the trading price of the AmalCo Shares or AmalCo in general. The WEF Investment Rights Agreement will provide for demand registration rights in favour of the WEF Investors that enable the WEF Investors to require AmalCo to qualify by prospectus all or a portion of the AmalCo Shares held, directly and indirectly, by the WEF Investors for a distribution to the public in Canada. The WEF Investment Rights Agreement will also provide the WEF Investors with piggyback registration rights. Where AmalCo proposes to make a distribution, for its own account or for the account of any other holder of securities of AmalCo, the WEF Investors will have the right to include a specified number of their AmalCo Shares in the distribution, subject to certain limitations. Sales of AmalCo Shares owned, directly and indirectly, by the WEF Investors pursuant to the WEF Investment Rights Agreement or otherwise could exert downward pressure on the trading price of the AmalCo Shares and could impair the future ability of AmalCo to raise capital through the sale of its equity securities.

Additionally, the AmalCo Board of Directors may issue an unlimited number of AmalCo Shares without any vote or action by the shareholders, subject to the rules of any stock exchange on which AmalCo's securities may be listed from time to time. AmalCo may make future acquisitions or enter into financings or other transactions involving the issuance of securities. If AmalCo issues any additional equity securities, the percentage ownership of existing shareholders will be reduced and diluted and the price of the AmalCo Shares could decline.

Control of AmalCo by the WEF Shareholders

The WEF Shareholders collectively are expected to hold approximately 90.8% of the AmalCo Shares upon completion of the Arrangement. As a result, the WEF Shareholders collectively will have the ability to control (or veto) certain matters submitted to AmalCo's Shareholders for approval, including, without limitation, the election and removal of directors, amendments to AmalCo's articles and by-laws and the approval of any business combination. This may negatively affect the attractiveness of AmalCo to third parties considering an acquisition of AmalCo or cause the market price of the AmalCo Shares to decline. The interests of the WEF Shareholders may not in all cases be aligned with interests of AmalCo's other shareholders. In addition, the WEF Shareholders may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its equity investment, even though such transactions might involve risks to AmalCo's other shareholders and may ultimately affect the market price of the AmalCo Shares. So long as the WEF Shareholders or their affiliates continue to own, directly or indirectly, a significant amount of the AmalCo Shares, the WEF Shareholders (or their affiliates) will continue to be able to strongly influence or effectively control AmalCo's decisions.

WEF and the WEF Shareholders are in the business of making investments in companies and may in the future acquire interests in businesses that directly or indirectly compete with certain portions of AmalCo's business or which are suppliers or customers of AmalCo.

Evolving corporate governance, sustainability and reporting requirements may result in increased cost and risk

AmalCo's business will be subject to evolving corporate governance and public disclosure regulations that will increase AmalCo's compliance costs and the risk of non-compliance, which could have an adverse effect on the price of AmalCo's securities, including the AmalCo Shares. AmalCo will be subject to changing

rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX and the International Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Further, AmalCo's efforts to comply with these and other new and existing rules and regulations may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

SCHEDULE A

AMALCO BOARD OF DIRECTORS MANDATE

(See attached).



BOARD OF DIRECTORS MANDATE

Effective Date: [●]

1. Purpose

The members of the Board of Directors (the "**Board**") are responsible for supervising the management of the business and affairs of Strathcona Resources Ltd. (the "**Corporation**"). The Board, directly and through its committees and the chair of the Board (the "**Chair**") and lead director of the Board (the "**Lead Director**"), shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Corporation.

2. Membership

Number of Members

Subject to compliance with the Applicable Requirements (as defined below), the Corporation's constituting documents, and any agreements or other arrangements concerning the size of the Board, the Board shall be comprised of such number of members as determined by the Board from time to time.

Term of Members

At each annual meeting of the Corporation's shareholders, the Board must permit shareholders to vote on the election of all members of the Board. Each member of the Board shall serve until the member resigns, ceases to be qualified for service as a member of the Board or is removed in compliance with the Applicable Requirements.

Chair of the Board

Subject to compliance with any agreements or other arrangements concerning such matter, the members of the Board shall designate a Chair by majority vote of the full Board membership, following consideration of the recommendation of the Nominating Committee of the Board (the "**Nominating Committee**").

If the Chair is not an independent member of the Board, the independent directors shall select from among their number, following consideration of the recommendation of the Nominating Committee, a further director who will act as the lead director of the Board (the "**Lead Director**").

General

Each director must have an understanding of the Corporation's principal operational and financial objectives, plans and strategies, and financial position and performance. Each director is expected to attend all meetings of the Board and any Board committee of which they are a

member. Directors are expected to have read and considered, in advance of each meeting, the materials sent to them and to actively participate in the meetings.

Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Nominating Committee of such change.

Directors may serve on the boards of other public issuers so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public issuer.

3. Meetings

Frequency of Meetings

The Board shall meet as often as the Board considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter.

Quorum

No business may be transacted by the Board at a meeting of the Board unless a quorum of the Board is present, as specified in the Corporation's by-laws. Members may participate in a meeting of the Board by electronic means, and a member participating in such a meeting by electronic means is deemed to be present at the meeting.

Secretary and Minutes

The Corporation's Corporate Secretary shall act as secretary at any meeting of the Board, and if the Corporation's Corporate Secretary is absent, the chair of the meeting shall appoint a person, who need not be a director, to act as secretary of the meeting. Minutes and other records of meetings and activities of the Board shall be recorded and maintained in sufficient detail to convey the substance of all discussions held and shall be, on a timely basis, subsequently presented to the Board for approval.

Attendance of Non-Members

The Chair may invite to a meeting of the Board any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

Meetings of Independent Directors

The independent directors may, at their discretion, hold *ad hoc* meetings, either during or outside of a meeting of the Board that are not attended by management or non-independent directors of the Board.

Access to Management and Books and Records

The Board shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the Corporation's management and employees and the books and records of the Corporation.

4. Responsibilities

The Board shall have the responsibilities outlined below and may, subject to compliance with applicable laws and regulations, delegate such responsibilities to a committee of the Board. In addition to these responsibilities, the Board shall perform the responsibilities required of a board of directors by the Corporation's governing corporate statute, applicable Canadian securities laws, any exchange upon which securities of the Corporation are listed, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

Strategic Planning

(a) Strategic Plans

The Board shall periodically review and, if advisable, approve the Corporation's strategic planning process, monitor the implementation thereof and, at least annually, review and, if advisable, approve the Corporation's strategic planning process and short- and long-term strategic and business plans prepared by management (or any material amendments to, or variances from, such plans). In discharging this responsibility, the Board shall review the plans in light of management's assessment of industry practices, emerging trends, the competitive environment, the capital markets, the significant business practices and products and the opportunities and risks for the businesses of the Corporation.

(b) Business and Capital Plans

The Board shall periodically review and, if advisable, approve the policies and processes generated by management relating to the authorization of major investments and significant allocations of capital, monitor the implementation thereof and, at least annually, review and, if advisable, approve the Corporation's annual business and capital plans (or any material amendments to, or variances from, such plans).

Risk Management

(a) General

At least annually, the Board shall review reports provided by management and committees of the Board on the principal risks associated with the Corporation's business and operations (including, but not limited to, risks related to information security, as well as environmental, social and governance, review the implementation by management of appropriate systems to identify, assess, manage and mitigate these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

(b) Verification of Controls

The Board shall verify that appropriate internal, financial, non-financial and business control and management information systems have been established, and are being maintained, by management.

Financial-Related and Reserves Disclosure Matters

(a) Approval of Financial Reports

The Board shall review the annual and interim financial statements of the Corporation, the auditors' report thereon (as applicable) and the related management's discussion and analysis of the Corporation's financial condition and financial performance ("**MD&A**") and earnings press release, as well as the audit committee of the Board's (the "**Audit Committee**") recommendations in respect of the approval thereof. After completing its review, if advisable, the Board shall approve the annual and interim financial statements, the related MD&A and earnings press release.

(b) Nomination and Compensation

The Board shall review the recommendations of the Audit Committee concerning the nomination and compensation of the external auditors and, if advisable, approve such nomination and compensation.

(c) Approval of Annual Reserves Disclosure

The Board shall review the Corporation's statement of reserves and resources, as applicable, and other oil and gas information (the "**Statement of Reserves/Resources Data**"), the reports of the Corporation's independent qualified reserves evaluators regarding the evaluation or audit and review of the Corporation's reserves and resources data, as applicable (the "**Evaluator's Report**") and the report of management and directors in respect of the Statement of Reserves/Resources Data and the Report (the "**Report of Management and Directors**"), as well as the reserves committee of the Board (the "**Reserves Committee**") recommendations in respect of the approval thereof. After completing its review, if advisable, the Board shall approve the content and the filing of the Statement of Reserves/Resources Data and the Report of Management and Directors and the filing of the Evaluator's Report.

Human Resource Management

(a) Chief Executive Officer

The Board shall review the recommendations of the compensation committee of the Board (the "**Compensation Committee**") with respect to organizational goals and objectives relevant to Chief Executive Officer compensation and, if advisable, approve (with or without modifications) such goals and objectives.

Subject to compliance with any agreements or other arrangements concerning such matter, the Board shall review the recommendations of the Compensation Committee concerning the appointment, compensation and other terms of employment of the Chief Executive Officer and, if advisable, approve (with or without modifications) such appointment, compensation and other terms of employment.

(b) Senior Management

The Board shall review the recommendations of the Compensation Committee with respect to the appointment, compensation and other terms of employment of the Corporation's Chief Financial Officer, all senior management reporting directly to the Chief Executive Officer and all other officers appointed by the Board (collectively "**Senior Management**") and, if advisable, approve (with or without modifications) any such appointment, compensation and other terms of employment.

(c) Integrity of Senior Management

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and members of Senior Management and that the Chief Executive Officer and members of Senior Management strive to create a culture of integrity throughout the Corporation.

(d) Director Remuneration

The Board shall review the recommendations of the Compensation Committee concerning the remuneration (fees and/or retainer) to be paid, and the benefits to be provided, to members of the Board and each of its committees for service in applicable capacities and, if advisable, approve (with or without modifications) such remuneration.

Nomination Matters

(a) General

The Board shall periodically review reports of the Nominating Committee concerning nomination matters.

(b) Nominee Identification

The Board shall review the recommendations of the Nominating Committee concerning the potential nominees for election or appointment to the Board and, after considering:

- (i) the results of the Board and director effectiveness evaluation process;
- (ii) the competencies, skills and other qualities that the Nominating Committee considers to be necessary for the Board as a whole to possess, the competencies, skills and other qualities that the Nominating Committee considers each existing director to possess, and the competencies, skills and other qualities each new nominee would bring to the Board;
- (iii) the amount of time and resources that nominees have available to fulfill their duties as Board members;
- (iv) any agreements or other arrangements concerning the size, qualifications or composition of the Board or that provide one or more of the parties with nomination rights; and
- (v) any applicable independence and/or other Applicable Requirements,

approve, if advisable (with or without modifications) the individual nominees for consideration by, and presentation to, the shareholders at the Corporation's next annual meeting of shareholders or appointment to the Board between such meetings.

(c) Committees of the Board

The Board shall annually evaluate the performance, and review the work, of its committees. The Board shall annually, or as otherwise required or deemed advisable, review the recommendations of the Nominating Committee concerning the individual directors to serve on (or to depart from) the standing committees of the Board and, after considering:

- (i) the qualifications for membership on each committee;
- (ii) the extent to which there should be a policy of periodic rotation of directors among the committees;
- (iii) the results of the committee and director effectiveness evaluation process;
- (iv) the number of other boards and committees on which the directors serve; and
- (v) any agreements or other arrangements concerning the size, qualifications or that provide one or more of the parties with nomination rights,

approve the appointment of such directors to (or departure from) the committees as the Board deems advisable.

(d) Director Independence

The Board shall periodically review the Board's and the Board committees' ability to act independently from management in fulfilling their responsibilities and in doing so the Board shall review the application and evaluation by the Nominating Committee of the director independence standards applicable to members of the Board.

(e) Board and Committee Size and Board Renewal

The Board shall review the recommendations of the Nominating Committee concerning: (i) any reductions or increase in the size of the Board or any Board committee; and (ii) mechanisms of Board renewal, and if advisable, approve (with or without modifications) such reduction or increase or the adoption of any such mechanisms.

(f) Succession Review

The Board shall periodically review the recommendations of the Nominating Committee with respect to the succession plans of the Corporation for the Chair. The Board shall also periodically review the recommendations of the Compensation Committee with respect to succession planning matters concerning management, as well as general executive development programs and the development of the succession plans of the Corporation.

Corporate Governance

(a) General

To fulfil its responsibilities with respect to corporate governance matters, the Board shall:

- (i) develop the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation;
- (ii) periodically review overall governance principles, monitor disclosure and best practices of comparable and leading companies and consider corporate governance issues for review, discussion or action by the Board or a committee of the Board;
- (iii) oversee the Corporation's approach to appropriately addressing potential risks related to governance matters;
- (iv) review and approve any governance disclosure of the Corporation before it is publicly disclosed; and
- (v) take such other actions regarding the Corporation's corporate governance that the Board shall reasonably deem to be appropriate and in the best interests of the Corporation or otherwise necessary in accordance with the Applicable Requirements.

(b) Board Effectiveness and Independence

The Board, the Chair and the Lead Director shall ensure that an appropriate system is in place to evaluate the effectiveness of the Board, as well as the committees of the Board and individual directors, with a view to ensuring that they are fulfilling their respective responsibilities and duties and working together effectively.

The Board may consider and adopt procedures to ensure that the Board and committees of the Board function independently of management.

(c) Position Descriptions

The Board will approve position descriptions for the Chair, the Lead Director, the Chief Executive Officer, and the chairs of the standing Board committees. The Board shall periodically review such position descriptions and approve the adoption of any changes as it may determine are necessary or advisable.

(d) Committees of the Board

The Board has established the Audit Committee, the Nominating Committee, the Compensation Committee and the Reserves Committee of the Board. Subject to the Applicable Requirements, the Board may establish other Board committees or merge or dissolve any Board committee at any time. The Board shall approve mandates for any new Board committees and periodically review the mandates for each existing Board committee and approve the adoption of any changes as it may determine are necessary or advisable.

(e) Ethics Monitoring

The Board has adopted the code of ethics of the Corporation (the "**Code**"), which is applicable to directors, officers and employees of the Corporation, among others. The Board, the Chair and Lead Director shall: (i) monitor conflicts of interest (real or perceived) of members of the Board and management in accordance with the Code; (ii) monitor compliance with, material departures from, and investigations and any resolutions of complaints received under, the Code and, if advisable, approve waivers from the Code; and (iii) approve the adoption of any changes to the Code as it may determine are necessary or advisable.

(f) Director Development and Evaluation

The Corporation shall provide the resources, information and training reasonably required for all directors to fulfill their duties as directors. Each new director may request the Corporation to conduct an initial orientation for such director. The Board shall periodically review the recommendations of the Nominating Committee concerning proposed changes to the Corporation's director education programs and if advisable, approve (with or without modifications) the adoption of any such changes.

Environmental and Social Matters

In addition to the specific governance matters covered by this mandate of the Board (this "**Mandate**"), the Board shall oversee the Corporation's general strategy, policies and initiatives relating to material environmental (including, but not limited to, sustainability) and social matters (including, but not limited to, diversity).

Communications

The Corporation will inform its shareholders of its progress through annual financial reporting materials, annual information form, quarterly interim reports and periodic press releases as required pursuant to the Applicable Requirements. Directors and management will meet with the Corporation's shareholders at the annual meeting and will be available to respond to questions at that time.

5. Outside Advisors

The Board shall have the authority to seek, retain and terminate, from a source independent of management, external accounting, legal, consulting or other advisors from a source independent of management, at the expense of the Corporation to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of any officer of the Corporation. The Corporation shall provide appropriate funding, as determined by the Board, for the services of these advisors.

6. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Corporation. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Corporation's constating documents, it is not intended to establish any legally binding obligations.

7. Mandate Review

The Board shall periodically review and assess the adequacy of this Mandate and approve the adoption of any changes as it may determine are necessary or advisable.

SCHEDULE B

AUDIT COMMITTEE MANDATE

(See attached).



AUDIT COMMITTEE MANDATE

Effective Date: [●]

1. Purpose and Scope

The Audit Committee (the "**Committee**") of Strathcona Resources Ltd. (the "**Corporation**") is a committee of the Board of Directors (the "**Board**"). As delegated by the Board, the Committee shall attend to the responsibilities set out in this mandate of the Committee (this "**Mandate**").

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board. The Board may fill vacancies in the Committee by appointment, and if and whenever a vacancy shall exist in the Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

Independence of Members

Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time ("**NI 52-110**"), unless the Board determines that an individual qualifies under an exception contained in NI 52-110.

Term of Members

The members of the Committee shall be appointed by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

Committee Chair

The Board may appoint a chair of the Committee (the "**Committee Chair**"). If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership. Notwithstanding any of the foregoing, the Committee Chair must be: (a) a member of the Committee; and (b) independent within the meaning of NI 52-110.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

Financial Literacy of Members

At the time of their appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Meetings

Frequency of Meetings

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter.

Quorum

No business may be transacted by the Committee at a meeting of the Committee unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum. Members may participate in a meeting of the Committee by electronic means, and a member participating in such a meeting by electronic means is deemed to be present at the meeting.

Calling of Meetings

The Committee Chair, any member of the Committee, the Corporation's external auditor's (the "**External Auditors**"), the Chair of the Board, the Corporation's Chief Executive Officer or Chief Financial Officer may call a meeting of the Committee by notifying the Corporation's Corporate Secretary who will notify the members of the Committee.

Minutes; Reporting to the Board

The Corporation's Corporate Secretary shall act as secretary at any meeting of the Committee, unless an alternative secretary is appointed by the Committee (who need not be a member of the Committee). Minutes and other records of meetings and activities of the Committee shall be recorded and maintained in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Committee Chair may report orally to the Board on any matter in their view requiring the immediate attention of the Board.

Attendance of Non-Members

The External Auditors are entitled to receive notice of each Committee meeting and, at the expense of the Corporation, to attend and be heard at the meeting, and, if so requested by a member of the Committee, shall attend every meeting of the Committee held during the term of office of the External Auditor. In addition, the Committee may invite to a meeting of the Committee any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

At least once per year, the Committee or the Committee Chair is entitled to meet with the internal auditor, if any, and management in separate sessions to discuss matters that the Committee, the Committee Chair or such individuals consider appropriate.

Meetings Without Management and Executive Sessions

The independent directors of the Committee may, at their discretion, hold *ad hoc* meetings, either during or outside of a meeting of the Committee that are not attended by management or non-independent directors of the Committee.

The Committee may also meet separately, at unscheduled or regularly scheduled meetings or portions of meetings, in executive session or otherwise with each of the External Auditor and management, as the Committee deems appropriate.

Access to Management and Books and Records

The Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the Corporation's management and employees and the books and records of the Corporation.

4. Responsibilities

The Committee shall have the responsibilities outlined below as well as any other responsibilities that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these responsibilities, the Committee shall perform the responsibilities required of an audit committee by the Corporation's governing corporate statute, applicable Canadian securities laws, any exchange upon which securities of the Corporation are listed, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

Financial Reports

(a) General

The Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the financial reporting policies used by the Corporation. The External Auditors are responsible for auditing the annual financial statements of the Corporation and for reviewing the unaudited interim financial statements of the Corporation.

(b) Review of Annual Financial Reports

The Committee shall review the annual audited financial statements of the Corporation, the auditors' report thereon and the related management's discussion and analysis of the Corporation's financial condition and financial performance ("**MD&A**"). After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements and the related MD&A for Board approval.

(c) Review of Interim Financial Reports

The Committee shall review the interim financial statements of the Corporation, the auditors' review report thereon, if any, and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A for Board approval.

(d) **Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the External Auditors to discuss the financial statements and related MD&A;
- (ii) review the disclosures in the financial statements and the related MD&A and earnings press release before the Corporation publicly discloses such information;
- (iii) review the audit report or interim review report, if any, thereon prepared by the External Auditors;
- (iv) discuss with management, the External Auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements unless such matter has been dealt with at the Board level;
- (v) review the Corporation's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- (vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;
- (viii) review significant recorded and unrecorded audit adjustments;
- (ix) review any material financial outlooks and future-oriented financial information before the Corporation publicly discloses such information;
- (x) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles ("**GAAP**");
- (xi) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (xii) inquire at least annually of both the Corporation's management, accounting group and the Corporation's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;
- (xiii) review with the auditors alternative accounting treatments that have been discussed with management;

- (xiv) review with management any significant changes in GAAP, as well as emerging accounting and auditing issues, and their potential effects;
- (xv) review with management matters that may have a material effect on the financial statements;
- (xvi) review management's report on the effectiveness of internal controls over financial reporting;
- (xvii) review the factors identified by management as factors that may affect future financial results;
- (xviii) review results of the Audit Committee's whistleblower hotline program, if any; and
- (xix) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

External Auditors

(a) General

The Committee shall be directly responsible for oversight of the work of the External Auditors, including the External Auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of External Auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

(b) Nomination and Compensation

The Committee shall review and, if advisable, recommend for Board approval the External Auditors to be nominated for appointment by the shareholders of the Corporation and the compensation of such External Auditors. The Committee shall have ultimate authority to approve all audit engagement terms, including the External Auditors' audit plan.

(c) Resolution of Disagreements

The Committee shall assess the effectiveness of the working relationship of the External Auditors with management and resolve any disagreements between management and the External Auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the External Auditors, whether or not there is to be a change of External Auditors, and receive and review all reports prepared by the External Auditors.

(d) Discussions with External Auditors

At least annually, the Committee shall discuss with the External Auditors such matters as are required by applicable auditing standards to be discussed by the External Auditors with the Committee.

(e) **Audit Plan**

At least annually, the Committee shall review a summary of the External Auditors' annual audit plan. The Committee shall consider and review with the External Auditors any material changes to the scope of the plan.

(f) **Independence of External Auditors**

At least annually, and before the External Auditors issue their report on the annual financial statements of the Corporation, the Committee shall obtain from the External Auditors a formal written statement describing all relationships between the External Auditors and the Corporation; discuss with the External Auditors any disclosed relationships or services that may affect the objectivity and independence of the External Auditors; and obtain written confirmation from the External Auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the External Auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the External Auditors.

(g) **Evaluation of Lead Partner**

At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the External Auditors and determine whether it is appropriate to adopt a policy of rotating lead partners of the External Auditors.

(h) **Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the External Auditors for the Corporation or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures, and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the External Auditors. The Committee may delegate pre-approval authority to a member of the Committee, provided that the decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(i) **Approval of Hiring Policies**

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former External Auditors of the Corporation.

Internal Auditors and Financial Executives

(a) **Internal Auditor**

The Committee shall periodically review, assess, and consider the approval of the creation and the mandate, plan, budget and staffing of an internal audit department. The Committee shall direct management of the Corporation to make changes it deems advisable in respect of the internal audit function. The Committee shall review the appointment, performance and replacement of a senior internal auditing executive and the activities, organization structure and qualifications of the persons responsible for such internal audit function.

(b) Financial Executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the compensation committee of the Board, as appropriate.

Internal Controls

(a) General

The Committee shall review the Corporation's system of internal controls.

(b) Establishment, Review and Approval

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall periodically consider and review with management and the External Auditors:

- (i) the adequacy of the procedures in place for the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements;
- (ii) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (iii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;
- (iv) any material issues raised by any inquiry or investigation by the Corporation's regulators;
- (v) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (vi) any related significant issues and recommendations of the External Auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Risk Management

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Corporation and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Corporation and to the long-term viability of the Corporation. In this regard, the Committee shall require management to report at least annually to the Committee, and the Committee shall review such reports provided by management and report to the board at least annually, on the principal risks associated with the Corporation's business and operations (including, but not limited to, risks related to information security, as well as environmental, social and governance matters), the implementation by management of appropriate systems to identify, assess, manage and mitigate these risks, and the operation of, and any material deficiencies in, these systems.

Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the Corporation's Corporate Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Corporation; (b) the effectiveness of the Corporation's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable laws and guidance, and management's plans to remediate any deficiencies identified.

Whistleblower Procedures

The Committee shall establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received shall be reviewed by the Committee and Lead Director and, if the Committee and Lead Director determines that the matter requires further investigation, it will direct the Lead Director to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the Corporation's legal counsel to reach a satisfactory conclusion.

Audit Committee Disclosure

The Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.

Delegation

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee or any member of the Committee to review any matter within this Mandate as the Committee deems appropriate.

5. Conflicts of Interest

The Committee, in consultation with the Lead Director, shall review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board

or any significant shareholders of the Corporation, as may be necessary or desirable under the Applicable Requirements. The Committee shall consider the results of any review of these policies and procedures by the External Auditors.

6. Outside Advisors

The Committee shall have the authority to seek, retain and terminate external accounting, legal, consulting or other advisors from a source independent of management, at the expense of the Corporation, with notice to either the Chair of the Board, the Lead Director of the Board or the Corporation's Chief Executive Officer, as deemed appropriate by the Committee, to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Corporation shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

7. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Corporation. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Corporation's constating documents, it is not intended to establish any legally binding obligations.

8. Mandate Review

The Committee shall periodically review and assess the adequacy of this Mandate and recommend any proposed changes to this Mandate to the Board for consideration.

QUESTIONS? NEED HELP VOTING?



CONTACT US

North American Toll-Free Phone

1.877.659.1824

 **Website:** www.pipestonestrathcona.com

 **E-mail:** contactus@kingsdaleadvisors.com

 **Fax:** 416.867.2271

Toll Free Facsimile: 1.866.545.5580

 **Outside North America, Banks and Brokers**
Call Collect: 416.623.2514

