

Strathcona Resources Ltd. Reports Third Quarter 2023 Results and Announces 2023 and 2024 Guidance

Calgary, Alberta (Nov. 13, 2023) - Strathcona Resources Ltd. ("Strathcona" or the "Company") (TSX: SCR) today reported its third quarter 2023 financial and operational results. These results do not include contribution from Pipestone Energy Corp. ("Pipestone"), one of the Company's predecessors which was acquired by Strathcona by way of a plan of arrangement (the "Pipestone Transaction"), which was completed subsequent to the quarter end, on October 3, 2023. A copy of Pipestone's 2023 interim and 2022 annual financial statements and associated MD&A are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Highlights

- Production of 147,461 boe / d (81% oil and condensate, 86% total liquids)⁽¹⁾
- Operating Earnings of \$289.9 million (\$0.13 / share)⁽²⁾
- Free Cash Flow of \$154.5 million (\$0.07 / share)⁽²⁾

(\$ millions, unless otherwise indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Bitumen (bbls/d)	58,179	50,951	53,825	54,393	45,460
Heavy oil (bbls/d)	51,256	37,693	53,470	54,034	25,906
Condensate and light oil (bbls/d)	10,092	7,884	10,600	9,594	8,261
Total oil production (bbls/d)	119,527	96,528	117,895	118,021	79,627
Other NGLs (bbls/d)	7,873	6,386	7,780	8,049	7,055
Natural gas (mcf/d)	120,366	101,491	108,612	114,450	107,757
Production (boe/d)	147,461	119,829	143,778	145,145	104,642
Sales (boe/d)	148,874	119,992	143,239	146,338	103,783
% Oil and condensate	81 %	81 %	82 %	81 %	76 %
% Total liquids ⁽¹⁾	86 %	86 %	87 %	87 %	83 %
Oil and natural gas sales, net of blending and other income ⁽²⁾	1,063.0	875.3	862.6	2,687.1	2,449.8
Royalties	202.7	170.6	106.2	422.0	531.8
Production and operating - Energy	81.4	77.4	79.7	249.8	213.1
Production and operating - Non-energy	113.9	75.9	110.9	340.7	212.4
Transportation and processing	114.5	63.6	104.8	347.2	143.1
General and administrative	20.7	16.2	20.8	67.4	44.6
Depletion, depreciation and amortization	171.6	96.5	170.7	505.4	251.3
Interest and finance costs	68.3	36.6	68.1	208.3	80.6
Acquired inventory	—	54.2	—	—	54.2
Operating Earnings⁽²⁾	289.9	284.3	201.4	546.3	918.7
Current income tax recovery	—	—	—	(46.9)	—
Other expenses (gain) ⁽³⁾	331.0	(322.0)	(72.7)	269.7	(377.3)
(Loss) income and comprehensive (loss) income	(41.1)	606.3	274.1	323.5	1,296.0
Operating Earnings ⁽²⁾	289.9	284.3	201.4	546.3	918.7
Non-cash items ⁽⁴⁾	189.7	103.6	188.5	558.8	267.1
Loss on risk management contracts - realized	(56.1)	(68.1)	(0.4)	(61.9)	(262.8)
Foreign exchange gain (loss) - realized	1.8	3.1	(0.3)	1.3	2.8
Current income tax recovery	—	—	—	46.9	—
Funds from Operations⁽²⁾	425.3	322.9	389.2	1,091.4	925.8
Capital expenditures	(260.2)	(157.5)	(231.7)	(720.6)	(392.4)
Decommissioning costs	(7.1)	(8.3)	(4.9)	(24.1)	(18.7)
Transaction costs	(3.5)	(2.3)	(0.4)	(5.1)	(5.2)
Free Cash Flow⁽²⁾	154.5	154.8	152.2	341.6	509.5

(1) See "Presentation of Oil and Gas Information" section of this press release.

(2) A non-GAAP financial measure which does not have a standardized meaning under IFRS; see "Specified Financial Measures" section of this press release.

(3) Other expenses (gain) is an aggregation of risk management contracts, foreign exchange, transaction related costs, unrealized loss on Sable remediation fund, share of equity investment income, gain on step acquisitions of equity method investee, loss on termination of lease liability and deferred tax expense (recovery).

(4) Non-cash items is an aggregation of depletion, depreciation and amortization, finance costs, other income - ARO government grant and termination of lease liability.

(\$/boe)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Oil and natural gas sales, net of blending costs and other income ⁽¹⁾	77.62	79.29	66.17	67.27	86.22
Royalties	14.80	15.45	8.15	10.56	18.62
Production and operating – Energy	5.94	7.01	6.11	6.25	7.46
Production and operating - Non-energy	8.32	6.88	8.51	8.53	7.44
Transportation and processing	8.36	5.76	8.04	8.69	5.01
General and administrative	1.51	1.47	1.59	1.69	1.56
Depletion, depreciation and amortization	12.53	8.74	13.10	12.65	8.80
Interest and finance costs	4.99	3.31	5.22	5.21	2.82
Acquired inventory	—	4.92	—	—	1.90
Operating Earnings ⁽¹⁾	21.17	25.75	15.45	13.69	32.61
Effective royalty rate (%) ⁽¹⁾	19.1%	19.5%	12.3%	15.7%	21.7%

(1) A non-GAAP measure which does not have a standardized meaning under IFRS; see “Specified Financial Measures” section of this press release.

Quarter Review and Near-Term Priorities

In the third quarter of 2023, Strathcona received requisite shareholder and regulatory approvals for the Pipestone Transaction, and completed the transaction shortly thereafter on October 3, 2023. As a result of the Pipestone Transaction, Strathcona is now a reporting issuer in Canada, with its common shares listed and trading under the ticker “SCR” on the Toronto Stock Exchange. Waterous Energy Fund, Strathcona’s controlling shareholder, continues to retain approximately 91% ownership in the Company.

Also in the third quarter of 2023, Strathcona completed the expansion of its Groundbirch gas plant to 60 MMcf / d (from 30 MMcf / d) and subsequently brought on three new wells to fill capacity, which are performing in-line with expectations. In addition, Strathcona tied-in and began steam circulation at the 8 well pair H-pad at Tucker, marking the first new well pairs to be added to the property in approximately five years. The H-pad is expected to benefit from improved reservoir characterization when compared to the majority of the previously drilled well pairs, driving higher production and a lower steam oil ratio for the asset into 2024.

2023 Guidance

The Company expects production for 2023 to average approximately 155 Mboe / d, including approximately 185 Mboe / d in the fourth quarter of 2023. Capital expenditures are expected to total approximately \$1.0 billion on a full-year basis. The Company expects to exit 2023 with approximately \$2.8 billion in debt outstanding and is on track to repay its bank term loan by the end of February 2024.

2024 Capital Budget and Production Guidance

Capital Budget

Strathcona’s board of directors has approved a 2024 capital budget of approximately \$1.3 billion. The budget is composed of:

- Approximately \$800 million of sustaining capital, being the capital required to replace produced reserves, including:
 - o \$200 million in Cold Lake Thermal
 - o \$300 million in Lloydminster Heavy Oil
 - o \$300 million in the Montney
- Approximately \$250 million of growth capital directed towards filling existing facility capacity and contributing to near-term production growth, including:
 - o \$150 million in Cold Lake Thermal, focused in Tucker and Orion
 - o \$100 million in the Montney, focused in Kakwa and Groundbirch
- Approximately \$250 million of long-lead debottlenecking and brownfield facility expansion capital, which is expected to contribute to longer-term production growth and operating cost reduction, including:
 - o \$100 million in Cold Lake Thermal, to add water handling and steam generation capacity at Lindbergh and a waste heat recovery unit at Orion
 - o \$150 million in Lloydminster Heavy Oil, to add steam generation capacity at Meota and expand the existing polymer flood pilot at Bellis
 - o On a combined basis, these expansion projects are expected to increase total production capacity by more than 25 Mbbls / d above current capacity by the end of 2026, at a combined capital efficiency of approximately \$25,000 / bbl / d

Production Guidance

Strathcona expects 2024 production of 190 to 195 Mboe / d (70% oil and condensate, 77% total liquids).

The mid-point of this guidance reflects approximately 9% year-over-year production growth from Strathcona's 2023 legacy assets of 147 Mboe / d, and approximately flat production on Pipestone's full-year 2023 production of 33 Mboe / d (6% to 8% on a combined basis). Strathcona's 2024 guidance for the legacy Pipestone assets reflects a disciplined capital program of approximately \$120 million, focused on optimization of base production, which is expected to result in a reduced base decline rate and improved go-forward well economics.

Capital Allocation Plan

Strathcona's 2024 capital budget is expected to generate approximately \$1.0 billion of Adjusted Free Cash Flow⁽¹⁾, at US\$80 / bbl WTI, assuming a US\$15 / bbl WCS-WTI differential, 0.73 USD-CAD, and C\$3 / Mcf AECO, and is expected to be fully funded down to approximately US\$40 / bbl WCS. These figures exclude the retirement of approximately \$150 million of previously disclosed call premiums and foreign exchange derivatives inherited from a previous acquisition, which are not sensitive to oil or gas prices.

Strathcona's board of directors has approved a debt target of \$2.5 billion, which is expected to be reached in 2024. The Company intends to allocate 100% of its free cash flow towards debt repayment until this debt target is reached, after which a shareholder return program is expected to be announced.

(1) A non-GAAP measure which does not have any standardized meaning under IFRS; see "Specified Financial Measures" section of this press release.

Conference Call Details

Strathcona will host a conference call on November 14, 2023, starting at 9:00AM MT (11:00AM ET), to review the Company's third quarter 2023 results.

Date: Tuesday, November 14, 2023

Time: 11:00AM ET (9:00AM MT)

URL Entry: To join without operator assistance, [register here](#) up to 15 minutes before the start time. Enter your name and phone number to receive an automated call-back.

Telephone Entry: Alternatively, you can join with operator assistance by dialing 1 (888) 390-0605 (North American Toll Free) and quote conference ID 256954.

Webcast Link: <https://app.webinar.net/Y34IWwL1ORD>

For those unable to participate in the conference call at the scheduled time, a recording of the conference call will be available for seven days following the call and can be accessed by dialing 1 (888) 390-0541 and entering the conference number 256954.

About Strathcona

Strathcona is one of North America's fastest growing oil and gas producers with operations focused on thermal oil, enhanced oil recovery and liquids-rich natural gas. Strathcona is built on an innovative approach to growth achieved through the consolidation and development of long-life oil and gas assets. Strathcona's common shares (symbol SCR) are listed on the Toronto Stock Exchange.

For more information about Strathcona, visit www.strathconaresources.com.

Investor inquiries:

info@strathconaresources.com

Media inquiries:

communications@strathconaresources.com

Specified Financial Measures

This press release makes reference to certain financial measures and ratios which are not recognized measures under generally accepted accounting principles ("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 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.

Non-GAAP Measures and Ratios

"Oil and natural gas sales, net of blending and other income" is calculated by deducting purchased product and blending costs from oil and natural gas sales, sales of purchased product and other income. Management uses this metric to isolate the revenue associated with Company production after accounting for the unavoidable cost of blending.

(\$ millions, unless otherwise indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Oil and natural gas sales	1,300.2	1,112.6	1,112.8	3,460.7	3,218.5
Sales of purchased products	7.2	3.9	14.0	35.0	46.5
Other income	0.9	1.2	0.2	1.1	3.8
Purchased product	(6.8)	(3.9)	(14.6)	(36.2)	(47.2)
Blending costs	(238.5)	(238.5)	(249.8)	(773.5)	(771.8)
Oil and natural gas sales, net of blending and other income	1,063.0	875.3	862.6	2,687.1	2,449.8

"Operating Earnings" is considered a key financial metric for evaluating the profitability of Strathcona's principal business and is derived from (loss) income and comprehensive (loss) income adjusted for amounts which are considered non-recurring or not directly attributable to the Company's operations.

"Funds from Operations" is used by management to analyze operating performance and provides an indication of the funds generated by Strathcona's principal business to either fund operating activities, re-invest to either maintain or grow the business or make debt repayments. Funds from operations is derived from (loss) income and comprehensive (loss) income adjusted for non-cash items and transaction costs.

"Free Cash Flow" and **"Adjusted Free Cash Flow"** indicates funds available for deleveraging, funding future growth, or, at some point in the future, shareholder returns. Free Cash Flow and Adjusted Free Cash Flow are derived from (loss) income and comprehensive (loss) income adjusted for non-cash items, transaction costs, capital expenditures and decommissioning costs and, in the case of the latter, adjusted for call premiums and losses on foreign exchange collars.

A quantitative reconciliation of Operating Earnings, Funds from Operations, Free Cash Flow and Adjusted Free Cash Flow to the most directly comparable GAAP financial measure, (loss) income and comprehensive (loss) income, is set forth below.

(\$ millions, unless otherwise indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
(Loss) income and comprehensive (loss) income	(41.1)	606.3	274.1	323.5	1,296.0
Loss (gain) on risk management contracts	265.8	(183.3)	(142.1)	59.5	111.1
Foreign exchange loss (gain)	16.9	50.0	(12.2)	(1.2)	61.8
Transaction related costs	3.5	2.3	0.4	5.1	5.2
Unrealized loss on Sable remediation fund	0.2	—	0.1	0.1	0.7
Share of equity investment income	—	—	—	—	(11.3)
Gain on step acquisitions of equity method investee	—	—	—	—	(132.1)
Loss on termination of lease liability	—	—	—	—	1.4
Current income tax recovery	—	—	—	(46.9)	—
Deferred tax expense (recovery)	44.6	(191.0)	81.1	206.2	(414.1)
Operating Earnings	289.9	284.3	201.4	546.3	918.7
Depletion, depreciation and amortization	171.6	96.5	170.7	505.4	251.3
Finance costs	18.1	8.3	17.8	53.7	21.1
Other income – ARO government grant	—	(1.2)	—	(0.3)	(3.5)
Current income tax recovery	—	—	—	46.9	—
Gain on termination of lease liability	—	—	—	—	(1.8)
Loss on risk management contracts – realized	(56.1)	(68.1)	(0.4)	(61.9)	(262.8)
Foreign exchange gain (loss) – realized	1.8	3.1	(0.3)	1.3	2.8
Funds from Operations	425.3	322.9	389.2	1,091.4	925.8
Capital expenditures	(260.2)	(157.5)	(231.7)	(720.6)	(392.4)
Decommissioning costs	(7.1)	(8.3)	(4.9)	(24.1)	(18.7)
Transaction related costs	(3.5)	(2.3)	(0.4)	(5.1)	(5.2)
Free Cash Flow	154.5	154.8	152.2	341.6	509.5
Call premiums and losses on foreign exchange collars ⁽¹⁾	—	15.3	—	—	15.3
Adjusted Free Cash Flow	154.5	170.1	152.2	341.6	524.8

(1) Call premiums on WTI call options and losses on foreign exchange collars relate to certain contracts assumed in the Serafina Acquisition, which are not part of Strathcona's continuing hedge strategy.

“Effective royalty rate” is calculated by dividing royalties by oil and natural gas sales, net of blending. This metric allows management to analyze the movement of royalty expense in relation to realized and benchmark commodity prices.

Supplementary Financial Measures

Readers are referred to “Specified Financial Measures” in Strathcona's third quarter 2023 MD&A for supplementary financial measures, which information is incorporated by reference to this new release.

“Interest and finance costs” is an aggregation of interest and finance costs. Management uses this metric to obtain a fulsome understanding of all interest and accretion costs the Company is subject to.

“**Other expenses (gain)**” is an aggregation of risk management contracts, foreign exchange, transaction related costs, unrealized loss on Sable remediation fund, share of equity investment income, gain on step acquisitions of equity method investee, loss on termination of lease liability and deferred tax expense (recovery). They are presented in such a manner to yield prominence to key financial metrics such as loss (income) and comprehensive loss (income), Funds from Operations and Free Cash Flow.

(\$ millions, unless otherwise indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Loss (gain) on risk management contracts	265.8	(183.3)	(142.1)	59.5	111.1
Foreign exchange loss (gain)	16.9	50.0	(12.2)	(1.2)	61.8
Transaction related costs	3.5	2.3	0.4	5.1	5.2
Unrealized loss on Sable remediation fund	0.2	—	0.1	0.1	0.7
Share of equity investment income	—	—	—	—	(11.3)
Gain on step acquisitions of equity method investee	—	—	—	—	(132.1)
Loss on termination of lease liability	—	—	—	—	1.4
Deferred tax expense (recovery)	44.6	(191.0)	81.1	206.2	(414.1)
Other expenses (gain)	331.0	(322.0)	(72.7)	269.7	(377.3)

“**Non-cash items**” is an aggregation of depletion, depreciation and amortization, finance costs, other income - ARO government grant and loss on termination of lease liability. They are presented in such a manner to yield prominence to key financial metrics such as loss (income) and comprehensive loss (income), Funds from Operations and Free Cash Flow.

(\$ millions, unless otherwise indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Depletion, depreciation and amortization	171.6	96.5	170.7	505.4	251.3
Finance costs	18.1	8.3	17.8	53.7	21.1
Other income – ARO government grant	—	(1.2)	—	(0.3)	(3.5)
Loss on termination of lease liability	—	—	—	—	(1.8)
Non-cash items	189.7	103.6	188.5	558.8	267.1

“**Capital efficiency**” is a supplementary financial measure which represents how efficiently capital is deployed to operate and grow the business. It is calculated by dividing capital expenditures by the incremental production realized as result of the expenditures.

Presentation of Oil and Gas Information

This press release contains various references to the abbreviation “boe” which means barrels of oil equivalent. All boe conversions in this press release 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 press release 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). References to “oil and condensate” in this press release refer to, collectively, light and medium crude oil, heavy crude oil, bitumen and natural gas liquids. References to “natural gas” in this press release refer to, collectively, conventional natural gas.

Forward-Looking Information

Certain statements contained in this press release constitute forward-looking information within the meaning of applicable securities laws. The forward-looking information in this press release is based on Strathcona’s current internal expectations, estimates, projections, assumptions and beliefs. The Company believes the material factors, expectations and assumptions reflected in the forward-looking

information are reasonable as of the time of such information, but no assurance can be given that these factors, expectations and assumptions will prove to be correct, and such forward-looking information included in this press release should not be unduly relied upon.

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 information. In particular, but without limiting the generality of the foregoing, this press release contains forward-looking information pertaining to the following: the Company’s business strategy and future plans, including plans to grow production by 2026 and beyond; expected operating strategy, including the anticipated benefits resulting from Strathcona’s operatorship of the H-pad at Tucker; the Company’s production, capital spending and debt guidance for 2023 and 2024; the Company’s 2024 capital budget, including the anticipated composition, timing, benefits thereof, including increased production capacity and capital efficiencies, and cash flow to be generated therefrom; Strathcona’s debt repayment plans, including the anticipated percentage of free cash flow planned to be used for such debt repayment and plans to repay the Company’s bank term loan by the end of February 2024; and plans regarding the Company’s shareholder return program.

All forward-looking information reflects Strathcona’s beliefs and assumptions based on information available at the time the applicable forward-looking information is disclosed and in light of the Company’s current expectations with respect to such things as: Strathcona’s ability to generate sufficient cash flow to fund debt repayment; the success of Strathcona’s operations and growth and expansion projects; expectations regarding production growth, future well production rates and reserve volumes; expectations regarding Strathcona’s capital program, including the outlook for general economic trends, industry trends, prevailing and future commodity prices, foreign exchange rates and interest rates; the availability of third party services; 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; and the governmental, regulatory and legal environment. In addition, certain forward-looking information with respect to the Company’s 2024 capital budget assumes commodity prices and exchange rates of: US\$80 WTI / bbl, assuming a US\$15 / bbl WCS-WTI differential, 0.73 USD-CAD, and C\$3 / Mcf AECO. Management believes that its assumptions and expectations reflected in the forward-looking information 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 information included in this press release is not a guarantee of future performance and involves 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, 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 inflation and/or certain geopolitical conflicts, such as the ongoing Russia/Ukraine conflict and the conflict in Israel, and other heightened geopolitical risks and the ability of the Company to carry on operations as contemplated in light of the foregoing; determinations by the Organization of the Petroleum Exporting Countries 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 the other factors discussed under the “Risk Factors” section in each of Appendix H - *“Information Concerning Strathcona Resources Ltd.”* and Appendix “I” – *“Information Concerning AmalCo After Giving Effect to the Arrangement”* to the management information circular of Pipestone dated August 25, 2023, regarding the special meeting of the shareholders of Pipestone held on September 27, 2023, with respect to the Arrangement, and from time to time in Strathcona’s public disclosure documents, which are available at www.sedarplus.ca. The foregoing risks should not be construed as exhaustive.

Management approved the free cash flow, capital expenditure and debt guidance contained herein as of the date of this press release. The purpose of the free cash flow, capital expenditure and debt guidance is to assist readers in understanding Strathcona’s expected and targeted financial position and performance, and this information may not be appropriate for other purposes.

Any forward-looking information contained herein is expressly qualified by this cautionary statement. The forward-looking information contained in this press release speaks only as of the date of this press release and Strathcona does not assume any obligation to publicly update or revise such forward-looking information to reflect new events or circumstances, except as may be required pursuant to applicable laws.