Strathcona Resources Ltd. Announces Sale of Montney Business for $2.84 Billion and Acquisition of Hardisty Rail Terminal

15.05.2025 | CNW

CALGARY, May 14, 2025 - Strathcona Resources Ltd. ("Strathcona" or the "Company") (TSX: SCR) is pleased to anno
has entered into definitive agreements to sell substantially all of its Montney assets for approximately $2.84 billion, purs
three separate transactions:

1. The sale of its Kakwa asset (the "Kakwa Sale") to ARC Resources Ltd. for approximately $1,695 million in total va
million in cash and approximately $45 million in assumed lease obligations)
2. The sale of its Grande Prairie asset (the "Grande Prairie Sale") for approximately $850 million in total value ($750
cash and approximately $100 million in assumed lease obligations)
3. The sale of its Groundbirch asset (the "Groundbirch Sale") to Tourmaline Oil Corp. ("Tourmaline") for $291.5 milli
common shares of Tourmaline

Taken together, the disposed assets generated $149 million of operating earnings in 2024 (12% of total Strathcona YE
operating earnings, excluding interest and other corporate items) and had a YE 2024 proved PV-10 before-tax of appro
$2.3 billion (15% of total Strathcona YE 2024 proved PV-10), while the combined sale price represents approximately 3
Strathcona's current enterprise value. The table below shows Strathcona's consolidated results for the year ended Dec
2024, less the Montney dispositions.

	As at and for the year ended December 31, 2024[1]		
	Consolidated	Montney Dispositions	Consolidated excl. Montney Dispositions
Production (Mboe / d)	183	72	111
% Oil and Condensate	71 %	28 %	100 %
Operating Earnings ($ millions)			
Field Operating Income[2]	2,203.5	482.9	1,720.6
General and administrative	(101.1)	(25.0)	(76.1)
Depletion, depreciation and amortization	(856.7)	(278.5)	(578.2)
Finance costs	(38.2)	(30.5)	(7.7)
Operating Earnings, excluding Corporate	1,207.5	148.9	1,058.6
Interest Expense and Other Corporate Items	(237.0)	-	(237.0)
Operating Earnings	$970.5	148.9	821.6
Reserves (MMboe)			
PDP	367	131	236
Reserve Life Index (Years)[3]	5	5	6
1P	1,534	365	1,169
Reserve Life Index (Years)[4]	23	14	29
2P	2,655	635	2,020
Reserve Life Index (Years)[5]	40	24	50
Before-Tax PV-10 ($ millions)			
PDP	6,113	1,159	4,954
1P	14,971	2,322	12,649
2P	21,997	4,092	17,905
Total Enterprise Value ("TEV") ($ millions)			
Market Capitalization as of 5/14/2025	5,811.2		5,811.2
Debt[6]	2,461.6	2,579.1	(117.5)
Lease and Other Obligations[7]	347.0	257.4	89.6
TEV[2]	8,619.8	2,836.5	5,783.3

TEV / Operating Earnings, excluding Corporate	7.1x	19.0x	5.5x
TEV / 1P Before-Tax PV-10	0.58x	1.22x	0.46x

(1) See "2024 Segment Information" section of this press release.

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

(3) Calculated by dividing gross PDP reserves by 2024 production.

(4) Calculated by dividing gross 1P reserves by 2024 production.

(5) Calculated by dividing gross 2P reserves by 2024 production.

(6) Assumes cash and share disposition proceeds of $2,691.5 million are used to repay $2,579.1 of Debt and $112.4 million of Other Obligations pertaining to an asset-backed financing agreement on certain facility processing interests.

(7) As at December 31, 2024 approximately $145.0 of lease liabilities were outstanding relating to the Montney segment. These liabilities transfer to the purchasers on close of each of the transactions; Strathcona will also repay $112.4 million of Other Obligations pertaining to an asset-backed financing agreement on certain facility processing interests.

The Kakwa Sale is expected to occur early in the third quarter of 2025, subject to receipt of regulatory approvals and the satisfaction of other customary closing conditions.

The Grande Prairie Sale is expected to occur early in the third quarter of 2025, subject to receipt of regulatory approvals and the satisfaction of other customary closing conditions.

The Groundbirch sale is expected to occur in the second quarter of 2025, subject to receipt of regulatory approvals and the satisfaction of other customary closing conditions. The share consideration is not subject to any lock-up periods beyond a four-month statutory hold period. Strathcona is delighted to be a shareholder of Tourmaline and has no plans to dispose of the shares at this time.

Strathcona has $5.5 billion of tax pools at March 31, 2025 and does not expect any cash taxes to result from the Montney dispositions.

Strathcona would like to thank its entire Montney team, led by President Al Grabas, for their invaluable contributions in growing the Montney business from just 5 Mboe / d in January 2017 to 72 Mboe / d in 2024. Strathcona would also like to congratulate each of the purchasers, each of whom are well positioned to maximize value for the assets going forward given the hand-in-glove fit with each of their existing operations and their long track records of first-class operations in the surrounding areas.

Updated Guidance and Long-Range Plan

Upon completion of the Montney dispositions, Strathcona will be a pure-play heavy oil company producing approximately 120 Mbbls / d (100% oil, 95 Mbbls / d thermal, 25 Mbbls / d conventional) with a 50-year 2P reserve life index and positive net cash (including marketable securities).

Updated 2025 Guidance

Strathcona expects Q2 2025 production of 180 Mboe / d, which includes an approximately 7 Mbbls / d impact from a major turnaround (5-year cycle) at Tucker. Full year 2025 production is expected to average 150 - 160 Mboe / d, with 120 to 125 Mbbls / d expected in the third and fourth quarters post the Montney dispositions.

The full year range includes an approximately 5 Mbbls / d increase compared to original 2025 guidance, normalized for the Montney dispositions, driven by outperformance at Cold Lake.

Full year capital expenditures are estimated at $1.2 billion (from $1.35 billion previously), which reflects the removal of Montney capital from the second half of 2025.

Updated Long-Range Plan

Pro forma for the Montney dispositions, Strathcona's current long-range plans sees growth to 195 Mbbls / d by 2031, reflecting an 8% 7-year CAGR versus 2024. Upon reaching this plateau level, Strathcona's 2P Reserve Life Index is expected to still be approximately 25 years based on current 2P reserves (assuming no reserve additions between year-end 2024 and 2031).

Substantially all production growth is expected to come from Strathcona's thermal properties, with thermal production in Cold Lake and Lloydminster reaching approximately 170 Mbbls / d in 2031. Strathcona's current long-range plan only reflects the development of existing projects and brownfield expansions, and does not include greenfield projects.

Capital expenditures are expected to average $0.9 - $1.0 billion in 2026 and $1.1 - $1.2 billion in 2027 - 2029, before returning to sustaining expected capital of $0.8 and $0.85 billion in 2030 and 2031. In light of low current oil prices, Strathcona's updated long-range plan reflects a deferral of the sanction of the Lindbergh Phase 2 expansion project from 2026 to 2027 to prioritize near-term free cash flow generation.

Strathcona will remain nimble in allocating capital and will update its plans over time based on its view of risk-adjusted returns, bearing in mind commodity prices and capital market dynamics. A full reconciliation of Strathcona's current long-range plan to the plan presented by the Company at its 2024 Investor Day is shown below.

Production (Full-Year Annualized) (Mboe / d)

	2024 Investor Day	Montney Dispositions	Revisions	Lindbergh Phase 2 Deferral	Long-Range Plan
2025	190	(75)	5.0	-	120.0
2026	200	(80)	5.0	-	125.0
2027	220	(80)	2.5	-	142.5
2028	240	(90)	-	-	150.0
2029	265	(95)	-	(10)	160.0
2030	290	(95)	-	(10)	185.0
2031					195.0

Capital Expenditures (Full-Year Annualized) (C$mm)

	2024 Investor Day	Montney Dispositions	Revisions	Lindbergh Phase 2 Deferral	Long-Range Plan
2025	$1,350	($380)	-	-	$970
2026	$1,500 - $1,600	($450)	-	($150)	$900 - $1,000
2027	$1,500 - $1,600	($500)	-	$100	$1,100 - $1,200
2028	$1,500 - $1,600	($400)	-	-	$1,100 - $1,200
2029	$1,500 - $1,600	($450)	-	$50	$1,100 - $1,200
2030	$1,250	($450)	-	-	$800
2031					$850

Hardisty Rail Terminal Acquisition

Also in the first quarter of 2025, Strathcona signed a definitive agreement to acquire the Hardisty Rail Terminal ("HRT") for cash consideration of approximately $45 million and closed on the acquisition early in the second quarter. HRT, located in Hardisty, Alberta, is the largest crude-by-rail terminal in Western Canada with capacity of 262 Mbbls / d and year-to-date throughput of approximately 50 Mbbls / d. HRT is directly connected to the Hardisty Diluent Recovery Unit, an innovative facility which separates diluent from raw bitumen prior to rail transportation, allowing for a competitive netback for upstream producers versus pipeline alternatives.

HRT has an estimated replacement cost of approximately $200 million and free cash flow over the past twelve months of approximately $12 million, 80% of which is underpinned by long-term take-or-pay contracts with an investment grade counterparty. Together with Strathcona's Hamlin Terminal, Strathcona now owns and operates rail terminals servicing approximately 80% of the total current crude-by-rail volumes in western Canada, allowing for meaningful economies of scale.

The HRT acquisition is a continuation of Strathcona's countercyclical acquisition strategy focused on core area consolidation. While HRT is only 19% utilized today, it has been up to 82% utilized historically during periods of tight pipeline egress, providing Strathcona with a natural hedge against future egress bottlenecks.

First Quarter Earnings Release and Conference Call

Strathcona will release its first quarter earnings after market on May 15, 2025, with a conference call to follow the morning of May 16, 2025.

Advisors

BMO Capital Markets acted as lead financial advisor, and CIBC Capital Markets and Jefferies acted as financial advisors to Strathcona on the Kakwa Sale.

BMO Capital Markets acted as exclusive financial advisor and RBC Capital Markets acted as strategic advisor to Strathcona on the Grande Prairie Sale.

Scotiabank acted as lead financial advisor and RBC Capital Markets and ATB Capital Markets acted as financial advisors on the Groundbirch Sale.

National Bank Financial acted as financial advisor to Strathcona on the Hardisty Rail Terminal acquisition.

Blake, Cassels & Graydon LLP acted as legal advisor to Strathcona in respect of each of the transactions.

About Strathcona

Strathcona is one of North America's fastest growing oil and gas producers with operations focused on thermal oil and enhanced oil recovery. 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 (TSX).

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

2024 Segment Information

The following table presents financial performance by reportable segment for the year ended December 31, 2024. Certain information related to general and administrative and finance costs has been represented to allocate by segment to conform with presentation as at March 31, 2025. Operating earnings is the metric used by the Company's Chief Operating Decision Makers to evaluate segment profit or loss.

For the Year Ended	Cold Lake Segment	Lloydminster Segment	Montney Segment	Corporate	Cons
($ millions, unless otherwise indicated)	December 31, 2024	December 31, 2024	December 31, 2024	December 31, 2024	Dece 2024
Production volumes					
Bitumen (bbl/d)	59,516	-	-	-	59,51
Heavy oil (bbl/d)	-	51,107	-	-	51,10
Condensate and light oil (bbl/d)	-	42	19,880	-	19,92
Other NGLs (bbl/d)	-	2	11,956	-	11,95
Natural gas (mcf/d)	-	1,232	242,224	-	243,4
Production volumes (boe/d)	59,516	51,357	72,207	-	183,0
Sales volumes (boe/d)	59,491	51,097	72,206	-	182,7
Segment revenues					
Oil and natural gas sales	2,576.0	1,797.1	963.0	0.3	5,336
Sales of purchased product	18.3	26.0	-	30.7	75.0
Blending costs	(929.9)	(151.6)	-	-	(1,08
Purchased product	(18.2)	(25.8)	-	(31.0)	(75.0)
Oil and natural gas sales, net of blending(1)	1,646.2	1,645.7	963.0	-	4,254
Segment expenses					
Royalties					

385.3

385.3

181.7

95.7

-

662.7

Production and operating - Energy	127.9	112.8	7.4	-	248.1
Production and operating - Non-energy	196.0	203.7	163.9	-	563.6
Transportation and processing	87.7	276.2	213.1	-	577.0
Field Operating Income[(1)]	849.3	871.3	482.9	-	2,203
Depletion, depreciation and amortization	167.1	411.1	278.5	16.8	873.5
General and administrative	27.8	48.3	25.0	-	101.1
Finance costs	3.4	4.3	30.5	50.1	88.3
Other income	-	-	-	(0.1)	(0.1)
Interest expense	-	-	-	170.2	170.2
Current income tax (recovery)	-	-	-	-	-
Operating Earnings	651.0	407.6	148.9	(237.0)	970.5
Loss (gain) on risk management contracts - realized	-	-	-	107.0	107.0
(Gain) loss on risk management contracts - unrealized	-	-	-	(63.0)	(63.0)
Foreign exchange loss (gain) - realized	-	-	-	0.5	0.5
Foreign exchange loss (gain) - unrealized	-	-	-	67.7	67.7
Transaction related costs	-	-	-	1.0	1.0
Unrealized (gain) loss on Sable remediation fund	-	-	-	(0.1)	(0.1)
Loss on settlement of other obligations	-	-	-	4.4	4.4
Deferred tax expense	-	-	-	249.3	249.3
Income and comprehensive income					603.7

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

SPECIFIED FINANICAL MEASURES

Non-GAAP Financial Measures and Ratios

This press release makes reference to certain financial measures and ratios, including field operating income and oil and natural gas sales, net of blending, which are not standardized financial measures under IFRS® Accounting Standards (the "Accounting Standards") and might not be comparable to similar financial measures disclosed by other issuers. 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. Investors are cautioned that these measures should not be construed as an alternative to financial measures determined in accordance with generally accepted accounting principles ("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" is calculated by deducting purchased product and blending costs from oil and natural gas sales and sales of purchased product. Management uses this metric to isolate the revenue associated with the Company's production after accounting for the unavoidable cost of blending. A quantitative reconciliation of Oil and natural gas sales, net of blending to the most directly comparable GAAP financial measure, Oil and natural gas sales, is contained under the heading "2024 Segment Information" of this press release.

"Field Operating Income" is a common metric used in the oil and natural gas industry to assess the profitability and efficiency of the Company's field operations.

The following table reconciles "Field Operating Income" to the nearest GAAP measure.

($ millions, unless otherwise indicated)	Year Ended December 31, 2024
Oil and natural gas sales	5,336.4
Sales of purchased products	75.0
Purchased product	(75.0)
Blending costs	(1,081.5)
Oil and natural gas sales, net of blending	4,254.9
Royalties	662.7
Production and operating	811.7
Transportation and processing	577.0
Field Operating Income	2,203.5

Supplementary Financial Measures

"TEV" is an aggregation of the Company's market capitalization, debt and lease and other obligations. Market capitalization is determined by multiplying outstanding common shares by the common share price. Debt and other obligations are as derived under IFRS Accounting Standards.

Presentation of Oil and Gas Information

In respect of 2024 year-end reserves information contained in this press release, Strathcona's reserves have been evaluated in accordance with Canadian reserve evaluation standards under National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). McDaniel & Associates Consultants Ltd., 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. Such estimates constitute forward-looking information, which are based on values that Strathcona's management believes to be reasonable and are subject to the same limitations discussed under "Forward-Looking Information" below. A complete filing of our oil and gas reserves and other oil and gas information presented in accordance with NI 51-101 are included in Strathcona's Annual Information Form for the year ended December 31, 2024, which can be found at www.sedarplus.ca and www.strathconaresources.com.

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 in this press release to initial production rates and other short-term production rates and test results are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for the Company or the assets for which such rates are provided. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the test results should be considered to be preliminary.

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. Such forward-looking information 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. Strathcona 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", "target", "anticipate", "intend", "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: Strathcona's business strategy and future plans; expected operating strategy; the expected sale of substantially all of Strathcona's Montney assets, including the expected timing and pro forma effects; Strathcona's plans for its shareholdings in Tourmaline; the expected tax treatment of Strathcona's disposition of the Montney assets, including the use and availability of tax pools; in respect of HRT, the estimated replacement cost and expected free cash flow over the next twelve months; the expected benefits of the HRT acquisition, including HRT"s ability to provide Strathcona with a natural hedge against future egress bottlenecks; Strathcona's 2025 production, reserves, liquidity and capital spending guidance; the impact of the major turnaround at Tucker ; Strathcona's long-range plan, including production growth to 195 Mbbls / d by 2031, capital expenditures averaging $0.9 - $1.0 billion in 2026 and $1.1 to 1.2 billion in 2027-2029, before returning to sustaining expected capital of $0.8 and $0.85 billion in 2030 and 2031; the deferral of the sanction of the Lindbergh Phase 2 expansion project to 2027; and the full reconciliation of Strathcona's long-range plan showing expectations in respect of production and capital expenditures.

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 Strathcona's current expectations with respect to such things as: 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; the completion of transactions to dispose of Strathcona's Montney assets; the availability of Strathcona's tax pools; expectations regarding the benefits of the HRT acquisition; Strathcona's ability to generate sufficient cash flow to fund debt repayment and declare and pay dividends; expectations regarding the impact of tariffs on Strathcona's operations and its ability to effectively mitigate the impact thereof; 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; Strathcona's ability to comply with its financial covenants; and the governmental, regulatory and legal environment, including expectations regarding the current and future carbon tax regime and regulations. In addition, certain forward-looking information with respect to Strathcona's 2025 guidance assumes commodity prices and exchange rates of: US$70 / bbl WTI, US$13 / bbl WCS-WTI differential, 1.38 USD-CAD and C$3 / GJ 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, the conflict in the Middle East, and other heightened geopolitical risks, including the imposition of tariffs or other trade barriers, and the ability of Strathcona 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; failure to achieve anticipated results of its operations; competition from other producers; inability to retain drilling rigs and other services; failure to complete or realize the anticipated benefits of Strathcona's acquisitions, dispositions or corporate reorganizations, including disposition of substantially all of Strathcona's Montney assets and the acquisition of HRT; 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 Strathcona's Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2024 and from time to time in Strathcona's public disclosure documents, which are available under Strathcona's profile on SEDAR+ at www.sedarplus.ca.

Management approved the capital expenditure and production guidance and long-range plan contained herein as of the date of this press release. The purpose of the capital expenditure and production guidance and long-range plan 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.

This release contains information that may constitute future-oriented financial information or financial outlook information (collectively, "FOFI") about Strathcona's prospective financial performance, financial position or cash flows, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Strathcona's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Strathcona has included FOFI in order to provide readers with a more complete perspective on Strathcona's future operations and management's current expectations relating to Strathcona's future performance. Readers are cautioned that such information may not be appropriate for other purposes.

The foregoing risks should not be construed as exhaustive. 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. Any forward-looking information contained herein is expressly qualified by this cautionary statement.

View original content to download multimedia:https://www.prnewswire.com/news-releases/strathcona-resources-ltd-announces-sale-of-montney-business

SOURCE Strathcona Resources Ltd.

Contact
Investor inquiries: info@strathconaresources.com; Media inquiries: communications@strathconaresources.com