



June 14, 2018

News Release: Strath Resources Announces Transformative Acquisition of Montney Assets

Strath Resources Ltd. (“Strath”) is pleased to announce that it has reached an agreement with Paramount Resources Ltd. (“Paramount”) for the acquisition of Paramount’s assets in the Resthaven/Jayar area of the Kakwa region for total consideration of \$340 million.

Acquisition Highlights

- 201 sections of land (152 net) with multi-zone potential, including 77 sections of Montney rights (75 net)
- 62 mmcf/d of owned processing capacity at the Pembina 8-11 and Cenovus 1-36 Resthaven gas plants
- 29 mmcf/d of firm service on TCPL and 4,000 bbls/d of firm liquids transportation
- 5,300 boe/d of current production (36% liquids)

The assets acquired in this transaction directly offset and complement Strath’s existing Kakwa property.

Acquisition Structure

The purchase price of \$340 million will be paid 50% in cash and 50% in Strath common shares. The cash component will be entirely funded by Strath’s majority owner, Waterous Energy Fund. The remaining \$170 million will be funded by the issuance to Paramount of 85 million common shares in Strath at a price of \$2.00/share. In addition, Paramount will receive warrants to acquire 8.5 million common shares at an exercise price of \$2.00/share. At closing of this transaction, anticipated for early July, Paramount will own 15.6% of Strath. Strath is pleased to have Jim Riddell, Paramount’s President and CEO, join its Board of Directors at closing.

Strath Resources Update

Since acquiring its initial interest in the Kakwa region in January 2017, Strath has drilled 8 Montney horizontal wells, growing production from 5,500 boe/d to 16,000 boe/d (52% liquids). With this transaction Strath’s asset base will include:

- 416 sections of land (305 net) with proven development potential in the Montney, Dunvegan, and Wilrich
- 134 sections of Montney rights (123 net)
- Firm processing capacity (owned or contracted) of 117 mmcf/d
- 129 mmcf/d of firm transportation capacity on TCPL, and
- Current production of approximately 21,300 boe/d (48% liquids)

The increased processing and transportation capacity from the acquired assets positions Strath for further growth and reduces combined operating and transportation costs to approximately \$11/boe. The expanded land base substantially increases Strath’s scale, more than doubling Strath’s total drill inventory in the Montney, Dunvegan, and Wilrich. Strath is well positioned to fund its near-term growth from its strong balance sheet (with post-transaction debt to cash flow of 0.3x).

Scotiabank acted as exclusive financial advisor to Strath in connection with this transaction. Blake, Cassels & Graydon LLP acted as legal counsel to Strath, and Stikeman Elliott LLP acted as legal advisor to Waterous Energy Fund.

About Strath

Strath Resources Ltd. is a private intermediate exploration and production company founded in 2017 to develop condensate-rich natural gas in the Kakwa region of NW Alberta. Further information can be found on the company’s website at www.strathresources.com or by contacting Steve Fagan, President and CEO of Strath, at 587-393-7286 or by email at sfagan@strathresources.com.