



STRATHCONA
RESOURCES LTD

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

millions of Canadian dollars (unaudited)

As at	Note	September 30, 2024	December 31, 2023
Assets			
Current			
Accounts receivable	12	289.1	334.6
Inventory		35.2	43.3
Prepaid expenses and deposits		42.0	28.1
Other assets		4.6	—
Risk management asset	12	1.3	41.3
Total current assets		372.2	447.3
Property, plant and equipment	3	10,276.2	10,030.1
Other assets		14.9	19.5
Total assets		10,663.3	10,496.9
Liabilities			
Current			
Accounts payable and accrued liabilities		698.2	783.8
Deferred revenue		26.2	37.5
Cross-currency swap liability	4, 12	10.1	39.6
Lease and other obligations	5	57.9	43.8
Decommissioning provision	6	36.7	36.6
Risk management liability	12	5.5	125.4
Total current liabilities		834.6	1,066.7
Debt	4	2,449.9	2,665.0
Lease and other obligations	5	294.9	362.4
Decommissioning provision	6	316.1	314.7
Deferred tax liability	11	926.4	741.4
Risk management liability	12	52.1	19.6
Total liabilities		4,874.0	5,169.8
Equity			
Share capital		3,590.5	3,590.5
Contributed surplus		49.9	49.9
Retained earnings		2,148.9	1,686.7
Total equity		5,789.3	5,327.1
Total liabilities and equity		10,663.3	10,496.9

Commitments and contingencies (Note 13)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

millions of Canadian dollars, except per share amounts (unaudited)

For the Three and Nine Months Ended September 30, Note	Three Months Ended		Nine Months Ended		
	2024	2023	2024	2023	
Revenues and other income					
Oil and natural gas sales	7	1,272.5	1,300.2	4,043.6	3,460.7
Sale of purchased products		44.4	7.2	59.4	35.0
Royalties		(134.0)	(202.7)	(454.2)	(422.0)
Oil and natural gas revenues		1,182.9	1,104.7	3,648.8	3,073.7
Loss on risk management contracts	12	(16.6)	(265.8)	(54.2)	(59.5)
Other income		0.1	0.9	0.1	1.1
		1,166.4	839.8	3,594.7	3,015.3
Expenses					
Purchased product		43.9	6.8	58.9	36.2
Blending costs		231.8	238.5	813.8	773.5
Production and operating		185.9	195.3	614.5	590.5
Transportation and processing		140.2	114.5	432.8	347.2
General and administrative		25.5	20.7	72.7	67.4
Interest	4	42.1	50.2	131.2	154.6
Transaction related costs		0.3	3.5	0.7	5.1
Finance costs	8	21.9	18.1	67.3	53.7
Depletion, depreciation and amortization	3	226.3	171.6	677.2	505.4
Foreign exchange (gain) loss	9	(6.8)	16.9	20.5	(1.2)
Unrealized (gain) loss on Sable remediation fund		(0.2)	0.2	(0.1)	0.1
		910.9	836.3	2,889.5	2,532.5
Loss on settlement of other obligations	5	(4.4)	—	(4.4)	—
Income before income taxes		251.1	3.5	700.8	482.8
Income tax expense	11	63.1	44.6	185.0	159.3
Income (loss) and comprehensive income (loss)		188.0	(41.1)	515.8	323.5
Net income (loss) per share					
Basic and Diluted	10	0.88	(0.02)	2.41	0.15

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
millions of Canadian dollars (unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance as at December 31, 2022	3,052.8	49.9	1,099.5	4,202.2
Equity issuance - employees	0.7	—	—	0.7
Income and comprehensive income	—	—	323.5	323.5
Balance as at September 30, 2023	3,053.5	49.9	1,423.0	4,526.4
Balance as at December 31, 2023	3,590.5	49.9	1,686.7	5,327.1
Dividends declared	—	—	(53.6)	(53.6)
Income and comprehensive income	—	—	515.8	515.8
Balance as at September 30, 2024	3,590.5	49.9	2,148.9	5,789.3

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

millions of Canadian dollars (unaudited)

For the Three and Nine Months Ended September 30, Note	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Cash flow from (used in) operating activities				
Net income (loss)	188.0	(41.1)	515.8	323.5
Items not involving cash	14	340.4	462.9	1,015.4
Decommissioning costs	6	(8.5)	(7.1)	(23.0)
Changes in non-cash working capital	14	2.0	15.8	(57.8)
		521.9	430.5	1,450.4
Cash flow from (used in) financing activities				
Draw (repayment) of debt	4, 9	14.8	(164.6)	(263.6)
Lease and other obligations	5	(176.7)	(12.4)	(215.3)
Debt issuance costs		—	—	(11.4)
Issuance of common shares, net of share purchases		—	—	—
Cash dividends paid		(53.6)	—	(53.6)
Changes in non-cash working capital	14	—	—	—
		(215.5)	(177.0)	(543.9)
Cash flow from (used in) investing activities				
Property, plant and equipment expenditures	3	(319.6)	(260.2)	(903.1)
Changes in non-cash working capital	14	13.2	6.7	(3.4)
		(306.4)	(253.5)	(906.5)
Change in cash		—	—	—
Cash, beginning of period		—	—	—
Cash, end of period		—	—	—
Cash interest paid		54.7	69.6	149.3

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

1. DESCRIPTION OF BUSINESS

Strathcona Resources Ltd. ("**Strathcona**" or the "**Company**") is a corporation resulting from the amalgamation of Strathcona Resources Ltd. and Pipestone Energy Corp. ("**Pipestone**") on October 3, 2023, pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the "**ABCA**"), (the "**Arrangement**"). Upon completion of the Arrangement, Strathcona's Common Shares were listed on the TSX under the trading symbol "SCR" and commenced trading on October 5, 2023. Strathcona exists under, and is governed by, the provisions of the ABCA. These condensed consolidated interim financial statements reflect the historical financial information of Strathcona Resources Ltd., and commencing on October 3, 2023, also reflect the results of Pipestone.

At September 30, 2024, approximately 90.8% of the Company's shares were owned by certain limited partnerships comprising of Waterous Energy Fund and its affiliates (collectively, "**WEF**").

Strathcona 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.

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, 2023 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, 2023.

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.

These financial statements were authorized for issue by the Board of Directors (the "**Board**") on November 13, 2024.

New Accounting Policies

The Company has adopted all of the published standards, interpretations or amendments to accounting standards, issued by the International Accounting Standards Board, that are effective for annual periods beginning on or after January 1, 2024, and there was no material impact to the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

	Oil and natural gas properties	Exploration and evaluation assets	Corporate assets	Right of use assets	Total
Cost					
Balance as at December 31, 2023	11,704.4	117.3	48.5	295.4	12,165.6
Additions	897.7	—	6.0	13.4	917.1
Change in decommissioning provision	3.5	—	—	—	3.5
Balance as at September 30, 2024	12,605.6	117.3	54.5	308.8	13,086.2
Accumulated Depletion, Depreciation, Amortization					
Balance as at December 31, 2023	(2,045.5)	—	(34.9)	(55.1)	(2,135.5)
Depletion, depreciation and amortization	(634.1)	—	(5.1)	(35.3)	(674.5)
Balance as at September 30, 2024	(2,679.6)	—	(40.0)	(90.4)	(2,810.0)
Net book value, December 31, 2023	9,658.9	117.3	13.6	240.3	10,030.1
Net book value, September 30, 2024	9,926.0	117.3	14.5	218.4	10,276.2

For the three and nine months ended September 30, 2024, \$12.8 million and \$36.9 million, respectively of direct and incremental overhead charges were capitalized (for the three and nine months ended September 30, 2023 – \$9.0 million and \$27.9 million, respectively).

The calculation of depletion for the nine months ended September 30, 2024 includes \$12.1 billion of estimated future development costs required to bring the Company's estimated proved plus probable reserves on production (December 31, 2023 – \$13.0 billion). Depletion for the nine months ended September 30, 2024 includes an adjustment related to oil inventory of \$2.7 million (September 30, 2023 – \$9.7 million).

At September 30, 2024, the Company evaluated its CGUs for indicators of impairment and determined that no indicators were present.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

4. DEBT

As at	September 30, 2024	December 31, 2023
Revolving Credit Facility - due Mar 28, 2028 ⁽¹⁾	1,803.2	2,036.3
Senior Notes - due Aug 1, 2026	676.3	662.2
Unamortized debt issuance costs	(29.6)	(33.5)
Debt	2,449.9	2,665.0

- (1) The Company periodically borrows from its Revolving Credit Facility 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 offset at the time of borrowing using CCS contracts (see Note 12). 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 September 30, 2024, the CCS contracts had a liability value of \$10.1 million (December 31, 2023 - \$39.6 million liability) and total debt includes an unrealized gain of \$10.7 million (December 31, 2023 - unrealized gain of \$41.3 million) related to USD borrowings on the Revolving Credit Facility. 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 9).

Bank Credit Facility

(a) Covenant-Based Revolving Credit Facility

As at September 30, 2024, the Company had a covenant-based revolving credit facility of \$2.5 billion (December 31, 2023 - \$2.3 billion) with a syndicate of Canadian, U.S. and international financial institutions (the "Revolving Credit Facility").

The Revolving Credit Facility has a maturity date of March 28, 2028, provided that the maturity date will be May 1, 2026 if the Senior Notes (as defined below) remain outstanding and have not been refinanced or legally defeased at such date. There are no mandatory payments on the Revolving Credit Facility. Borrowings under the Revolving Credit Facility may be drawn and repaid from time to time by the Company in Canadian or U.S. dollars. 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, Canadian Overnight Repo Rate Average ("CORRA") 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 guaranteed by the Company's subsidiaries, and is secured by a security interest in substantially all of the existing and future assets of the Company and its subsidiaries, including by way of a floating charge debenture granted by the Company and each of its subsidiaries.

As at September 30, 2024, the Company had letters of credit outstanding under the Revolving Credit Facility of \$1.6 million (December 31, 2023 - \$10.6 million).

(b) Availability under bank credit facility and liquidity

Availability under the Company's Revolving Credit Facility is calculated as follows:

As at	September 30, 2024	December 31, 2023
Credit capacity	2,500.0	2,300.0
Credit facility debt at period end exchange rate	(1,803.2)	(2,036.3)
Unrealized gain on US borrowings	(10.7)	(41.3)
Letters of credit outstanding	(1.6)	(10.6)
Availability	684.5	211.8

(c) Financial Covenants

As at September 30, 2024, the Revolving Credit Facility had three financial covenants which are calculated quarterly (as set out below) in accordance with the credit agreement governing the Revolving Credit Facility (the "Credit Agreement").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

- (i) Total Debt to Adjusted EBITDA Ratio – All debt excluding the Financing Agreement (see Note 5), capital leases and letters of credit constituting debt (“**Total Debt**”), each as defined in the Credit Agreement 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 Agreement (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 Agreement, 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 Agreement.

As at September 30, 2024, the Company was in compliance with such financial covenants, which are summarized in the following table:

As at	September 30, 2024
Total Debt to Adjusted EBITDA Ratio (≤ 4.00)	1.17
Senior Debt to Adjusted EBITDA Ratio (≤ 3.50)	0.85
Interest Coverage Ratio (≥ 3.50)	10.70

Senior Notes

As at September 30, 2024, Strathcona had \$676.3 million (December 31, 2023 - \$662.2 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, at the following redemption prices:

Date	Price
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

As at September 30, 2024, the Company had a \$100.0 million (December 31, 2023 - \$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 Company and its subsidiaries have indemnified Export Development Canada for the amount of any payment made by Export Development Canada to the financial institution pursuant to such account performance security guarantee; however, the obligations under such indemnity are unsecured. The letters of credit outstanding under the LC Facility do not impact the Company’s borrowing capacity under the Revolving Credit Facility. As at September 30, 2024, the Company had letters of credit in the amount of \$65.4 million (December 31, 2023 - \$69.0 million) outstanding under the LC Facility.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

Interest Expense

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Credit facilities interest ⁽¹⁾	35.7	45.8	115.6	131.1
Senior Notes interest	11.7	11.5	35.1	34.7
Realized gain on interest rate swaps	(5.3)	(7.1)	(19.5)	(11.2)
Interest expense	42.1	50.2	131.2	154.6

(1) Interest on bank credit facilities in 2023 includes interest on the Revolving Credit Facility and, prior to its repayment on December 28, 2023, the term credit facility.

5. LEASE AND OTHER OBLIGATIONS

As at	September 30, 2024	December 31, 2023
Lease obligations, beginning of period	258.8	119.5
Leases acquired through acquisitions	—	106.2
Additions	13.4	61.8
Accretion (Note 8)	18.2	14.5
Settlements	(51.0)	(43.6)
Foreign exchange	1.0	0.4
Lease obligations, end of period	240.4	258.8
Other obligations, beginning of period	147.4	137.0
Additions	112.4	—
Accretion (Note 8)	12.5	19.1
Settlements	(164.3)	(8.7)
Loss on settlement	4.4	—
Other obligations, end of period	112.4	147.4
Lease and other obligations, end of period	352.8	406.2
Lease and other obligations current portion	57.9	43.8
Lease and other obligations long-term portion	294.9	362.4

Other obligations, beginning of the period included an asset-backed financing agreement on certain processing facility interests with a maturity date of January 1, 2031. This asset-backed financing arrangement gave the Company the option to repurchase the processing facilities interest at any time at specified prices. On July 15, 2024, Strathcona exercised this repurchase option for \$157.6 million.

On August 9, 2024 Strathcona entered into a new asset-backed financing agreement backed by its interest in certain processing facility interests (the “**Financing Agreement**”) for \$112.4 million, which consideration was provided by way of the lender's concurrent assumption of premiums on bought calls from Strathcona (see Note 12).

The Financing Agreement has a maturity date of July 31, 2029 and bears interest at a fixed rate. Principal and interest payments are due monthly, with principal payments commencing February 1, 2025. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

6. DECOMMISSIONING PROVISION

As at	September 30, 2024	December 31, 2023
Balance, beginning of period	351.3	291.5
Additions	5.4	1.6
Liabilities acquired through acquisitions	—	3.1
Liabilities disposed	(0.4)	—
Settlements – government grant ⁽¹⁾	0.2	(0.3)
Settlements – other	(23.0)	(37.9)
Changes in estimates	(1.9)	64.6
Accretion (Note 8)	21.2	28.7
Balance, end of period	352.8	351.3
Current portion	36.7	36.6
Long-term portion	316.1	314.7

(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 September 30, 2024, the uninflated and undiscounted estimated cash flows required to settle the obligation were \$1,044.1 million (December 31, 2023 – \$1,012.9 million), which have been inflated at a rate of 2.00% (December 31, 2023 – 2.00%) and discounted using a credit adjusted rate of 8.00% (December 31, 2023 – 8.00%). The expected timing of payment of the cash flows required for settling the obligations are substantially expected to be incurred between 2024 and 2083.

7. OIL AND NATURAL GAS SALES

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Bitumen blend	616.8	670.8	1,943.8	1,689.0
Heavy oil, blended and raw	441.8	489.5	1,385.8	1,371.8
Light oil and condensate	169.9	94.4	524.4	258.7
Other natural gas liquids	24.0	16.0	78.9	52.5
Natural gas	20.0	29.5	110.7	88.7
Oil and natural gas sales	1,272.5	1,300.2	4,043.6	3,460.7

8. FINANCE COSTS

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Accretion of lease obligations (Note 5)	5.9	3.0	18.2	8.6
Accretion of other obligations (Note 5)	2.6	4.8	12.5	14.0
Accretion of decommissioning provision (Note 6)	7.1	7.1	21.2	21.6
Amortization of debt issuance costs	6.3	3.2	15.4	9.5
Finance costs	21.9	18.1	67.3	53.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

9. FOREIGN EXCHANGE (GAIN) LOSS

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Realized loss (gain) – foreign exchange	2.6	(1.8)	4.1	(1.3)
Unrealized (gain) loss – Senior Notes	(7.7)	16.8	14.1	1.2
Unrealized loss (gain) – Credit facilities ⁽¹⁾	1.0	33.9	30.5	(9.2)
Unrealized (gain) loss – cross-currency swaps ⁽¹⁾	(0.9)	(33.3)	(29.5)	7.2
Unrealized (gain) loss – other	(1.8)	1.3	1.3	0.9
Foreign exchange (gain) loss	(6.8)	16.9	20.5	(1.2)

(1) Strathcona enters into CCS contracts, which offset foreign currency risk on USD denominated debt drawn under the bank 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 4.

10. SHARE CAPITAL

(a) Share Capital

	Total Common Shares	
	Shares	\$
Balance as at September 30, 2024 and December 31, 2023	214.2	3,590.5

(b) Net Income (Loss) per Share

Basic and diluted per share amounts are calculated as net income divided by the weighted average number of common shares outstanding. At September 30, 2024 and 2023, the Company had no dilutive instruments outstanding.

In connection with the Arrangement, existing Strathcona shareholders received 0.089278 common shares of Strathcona Resources Ltd. for each Class A or Class B common share held, and existing Pipestone shareholders received 0.067967 common shares of Strathcona Resources Ltd. for each Pipestone common share held. The weighted average common shares as at September 30, 2024 are adjusted for the exchange ratios pursuant to the Arrangement (Note 1). At September 30, 2023, the weighted average common shares are not adjusted for the Class A and Class B common share exchange ratios pursuant to the Arrangement (Note 1).

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Weighted average common shares (millions) – basic and diluted	214.2	2,186.7	214.2	2,186.6

(c) Dividends

During the three and nine months ended September 30, 2024, Strathcona declared and paid total dividends of \$53.6 million, or \$0.25 per common share (\$nil - in the three and nine months ended September 30, 2023).

On November 13, 2024, the Board declared a quarterly dividend of \$0.25 per common share to be paid on December 31, 2024 to all shareholders of record on December 16, 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

All amounts are expressed in millions of Canadian dollars unless otherwise noted (unaudited)

11. INCOME TAXES

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Current tax (recovery)	—	—	—	(46.9)
Deferred tax expense	63.1	44.6	185.0	206.2
Income tax expense	63.1	44.6	185.0	159.3

The deferred tax expense for the three and nine months ended September 30, 2024 relates primarily to net income for the period.

During the nine 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 nine months ended September 30, 2023 relates primarily to net income for the period.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At September 30, 2024, 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 September 30, 2024, the fair value of the Company’s Senior Notes was \$675.8 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 nine months ended September 30, 2024.

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 or about 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 September 30, 2024 is in respect of accounts receivable, net of expected credit losses provision. As at September 30, 2024, \$0.9 million of accounts receivable were past due, all of which were considered collectable (December 31, 2023 – \$2.1 million).

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The following table provides a summary of the Company's maximum exposure to credit risk:

As at	September 30, 2024	December 31, 2023
Oil and natural gas sales	246.9	298.3
Joint interest partners	5.1	7.1
Other	38.6	30.8
	290.6	336.2
Allowance for credit losses	(1.5)	(1.6)
Accounts receivable	289.1	334.6
Risk management asset	1.3	41.3
Total credit exposure	290.4	375.9

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 oil and natural gas sales receivables are current. All other accounts receivable are generally contractually due within 30 days.

The Company had no external customers exceeding 10% of total oil and natural gas sales for the nine months ended September 30, 2024 (September 30, 2023 – one external customers for 16% or \$539.0 million). Included in accounts receivable at September 30, 2024 was \$246.9 million of accrued sales revenue for September 2024 production (December 31, 2023 - \$298.3 million for December 2023 production). At September 30, 2024, one external customers accounted for approximately 16% or \$42.1 million of the total accounts receivable balance (December 31, 2023 – two external customers for 31% or \$104.6 million).

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 financial covenants. 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 Revolving Credit Facility and that the Company has sufficient resources to manage the working capital deficit.

At September 30, 2024, the Company had availability under the Revolving Credit Facility of \$684.5 million after considering letters of credit outstanding. At December 31, 2023, availability under the Revolving Credit Facility was \$211.8 million, see Note 4.

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.

At September 30, 2024, the Company had a working capital deficit of \$353.5 million (December 31, 2023 - \$415.3 million). The deficit primarily results from accounts payable and accrued liabilities exceeding accounts receivable.

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The following tables detail the cash flows and contractual maturities of the Company's financial liabilities:

As at September 30, 2024	Total	<1 year	1-3 years	4-5 years	> 5 years
Revolving Credit Facility ⁽¹⁾ (Note 4)	1,813.9	—	1,813.9	—	—
Senior Notes ⁽²⁾ (Note 4)	769.2	46.5	722.7	—	—
Accounts payable and accrued liabilities	698.2	698.2	—	—	—
Risk management contract liability	57.6	5.5	52.1	—	—
Lease and other obligations ⁽³⁾ (Note 5)	480.0	86.5	152.3	150.4	90.8
Total	3,818.9	836.7	2,741.0	150.4	90.8

- (1) Contractual amount reflects contracted settlement price on cross-currency interest rate swap ("CCS") contracts and excludes future interest payments on borrowings.
- (2) Amounts represent repayment of the Senior Notes (\$676.3 million) and associated interest payments (\$92.9 million) based on the foreign exchange rate in effect on September 30, 2024.
- (3) Amounts relate to undiscounted payments for lease and other obligations. The estimation of future cash payments related to other obligations reflects minimum required payments and may change based on the principal and interest payment options taken. See Note 5.

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.

As at September 30, 2024, the following table summarizes the fair values of the Company's risk management contracts (excluding cross-currency interest rate swaps):

As at	September 30, 2024			
	Commodity	Foreign Exchange	Interest Rate	Total
Risk management asset – current	1.2	—	0.1	1.3
Risk management liability – current	(0.8)	(4.7)	—	(5.5)
Risk management liability – long-term	—	(26.1)	(26.0)	(52.1)
Total (liability) asset	0.4	(30.8)	(25.9)	(56.3)

As at	December 31, 2023			
	Commodity	Foreign Exchange	Interest Rate	Total
Risk management asset – current	23.5	—	17.8	41.3
Risk management liability – current	(101.9)	(23.5)	—	(125.4)
Risk management liability – long-term	—	(4.6)	(15.0)	(19.6)
Total (liability) asset	(78.4)	(28.1)	2.8	(103.7)

The Company's loss on risk management contracts was as follows:

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Loss on risk management contracts - realized ⁽¹⁾	(94.7)	(56.1)	(101.6)	(61.9)
Gain (loss) on risk management contracts - unrealized	78.1	(209.7)	47.4	2.4
Total loss on risk management contracts	(16.6)	(265.8)	(54.2)	(59.5)

- (1) During the three months ended September 30, 2024, the Company settled premiums associated with expired bought calls for non-cash consideration of \$112.4 million (see Note 5 and 14).

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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 table summarizes the Company's risk management contracts as at September 30, 2024:

Term	Contract ⁽¹⁾	Index	Currency	Volume	Units	Price
May 1, 2024 - Dec 31, 2024	Swap	WCS	USD	10,000	bbl/d	(\$14.25)
Dec 1, 2024 - Mar 31, 2025	Collar	AECO	CAD	30,000	GJ/d	\$2.50/\$3.51

(1) For swap contracts, Strathcona receives the fixed price and pays the index. 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.

The fair value of the Company's risk management contracts as at September 30, 2024 are sensitive to fluctuations in commodity prices. With all other variables held constant, a 10% increase in commodity prices could increase the unrealized gain on risk management contracts by \$1.1 million, impacting income before income taxes. A 10% decrease in commodity prices could reduce the unrealized gain on risk management contracts by \$1.1 million, impacting income before income taxes.

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 the Revolving Credit Facility in USD and the Senior Notes are denominated in USD.

The following table summarizes the Company's foreign exchange contracts on revenues as at September 30, 2024:

Term	Contract	USD per Month	CAD/USD Floor	CAD/USD Ceiling
Mar 1, 2024 - Feb 27, 2026	Collar	60.0 million	1.2500	1.3800

The following table summarizes the Company's foreign exchange contract on the Senior Notes as at September 30, 2024:

Expiry	Contract	USD	CAD/USD Strike
Jul 31, 2026	Sold Put Option	500.0 million	1.3475

Foreign exchange risk on USD denominated borrowings on the Revolving Credit Facility is offset 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 September 30, 2024, the Company had CCS contracts outstanding totaling:

Notional (US\$)	Maturity Date	Contract Price
1,297.1 million	October 16, 2024	CAD/USD 1.3608

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	September 30, 2024	December 31, 2023
(US\$)		
Assets	75.3	58.7
Liabilities	(585.4)	(738.4)
Net liabilities	(510.1)	(679.7)

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With all other variables held constant, a \$0.01 change in the CAD/USD foreign exchange rate at September 30, 2024 would result in a change in USD denominated monetary assets and liabilities and change income before income taxes by \$5.1 million (December 31, 2023 – \$6.8 million).

Interest rate risk

The Company is exposed to movements in floating interest rates on the Revolving Credit Facility and other liabilities. At September 30, 2024, the following risk management contracts were in place to fix interest rates:

Notional (C\$)	Term	Contract	Index	Contract Price
1,500.0 million	Jul 2, 2024 - Apr 30, 2028	Swap	CORRA	3.1357%

At September 30, 2024, an increase or decrease to interest rates of 50 basis points would result in a \$1.6 million impact on annualized interest expense (December 31, 2023 - \$3.6 million), impacting income before income taxes. The Company is not exposed to interest rate risk on the Senior Notes and other obligations 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.

13. COMMITMENTS AND CONTINGENCIES

As at September 30, 2024, 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	2,139.4	280.4	523.7	432.2	903.1
Capital commitments	171.4	170.1	1.3	—	—
Other	23.9	10.0	11.9	2.0	—
Total	2,334.7	460.5	536.9	434.2	903.1

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Source (use) of cash:				
Accounts receivable	91.4	(106.2)	45.5	(84.9)
Other assets	—	0.4	—	0.4
Inventory	4.4	6.1	4.1	14.0
Prepaid expenses and deposits	(6.9)	(5.2)	(13.9)	(19.1)
Accounts payable and accrued liabilities	(74.2)	135.1	(85.6)	47.5
Deferred revenue	0.5	(7.7)	(11.3)	(43.2)
	15.2	22.5	(61.2)	(85.3)
Related to operating activities	2.0	15.8	(57.8)	(107.8)
Related to financing activities	—	—	—	0.6
Related to investing activities	13.2	6.7	(3.4)	21.9

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Items not involving cash

For the Three and Nine Months Ended September 30,	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Depletion, depreciation and amortization (Note 3)	226.3	171.6	677.2	505.4
Unrealized (gain) loss on risk management contracts (Note 12)	(78.1)	209.7	(47.4)	(2.4)
Unrealized (gain) loss on foreign exchange (Note 9)	(9.4)	18.7	16.4	0.1
Unrealized (gain) loss on Sable remediation fund	(0.2)	0.2	(0.1)	0.1
Finance costs (Note 8)	21.9	18.1	67.3	53.7
Other income – Decommissioning government grant (Note 6)	—	—	0.2	(0.3)
Loss on settlement of other obligations (Note 5)	4.4	—	4.4	—
Realized loss on deferred premium settlement (Note 12)	112.4	—	112.4	—
Deferred tax expense (Note 11)	63.1	44.6	185.0	206.2
	340.4	462.9	1,015.4	762.8

15. SEGMENT INFORMATION

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, which includes the development and production of bitumen in the Cold Lake region of Northern Alberta;
- Lloydminster Heavy Oil, which includes the development and production of heavy oil through enhanced oil recovery and thermal steam-assisted gravity drainage ("SAGD") methods in Southeast Alberta and Southwest Saskatchewan; and
- Montney, which includes the development and production of liquids rich in 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.

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 September 30, 2024 and 2023. Certain comparative information related to sale of purchased product and purchased product has been reclassified to conform with current period presentation.

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For the Three Months Ended September 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenues										
Oil and natural gas sales	616.9	670.9	442.3	490.0	213.4	139.3	(0.1)	—	1,272.5	1,300.2
Sale of purchased product	11.5	3.3	20.4	3.9	—	—	12.5	—	44.4	7.2
Royalties	(74.4)	(134.1)	(39.5)	(55.1)	(20.1)	(13.5)	—	—	(134.0)	(202.7)
Oil and natural gas revenues	554.0	540.1	423.2	438.8	193.3	125.8	12.4	—	1,182.9	1,104.7
Segmented expenses										
Purchased product	11.4	3.1	20.1	3.7	—	—	12.4	—	43.9	6.8
Blending costs	200.6	201.7	31.2	36.8	—	—	—	—	231.8	238.5
Production and operating	66.2	94.9	79.2	85.0	40.5	15.4	—	—	185.9	195.3
Transportation and processing	21.7	24.0	68.5	71.9	50.0	18.6	—	—	140.2	114.5
	299.9	323.7	199.0	197.4	90.5	34.0	12.4	—	601.8	555.1
Field operating income	254.1	216.4	224.2	241.4	102.8	91.8	—	—	581.1	549.6
Loss on risk management contracts							16.6	265.8	16.6	265.8
Other income							(0.1)	(0.9)	(0.1)	(0.9)
General and administrative							25.5	20.7	25.5	20.7
Interest							42.1	50.2	42.1	50.2
Transaction related costs							0.3	3.5	0.3	3.5
Finance costs							21.9	18.1	21.9	18.1
Depletion, depreciation and amortization	42.2	39.2	103.7	104.8	76.0	23.8	4.4	3.8	226.3	171.6
Foreign exchange (gain) loss							(6.8)	16.9	(6.8)	16.9
Unrealized (gain) loss on Sable remediation fund							(0.2)	0.2	(0.2)	0.2
Loss on settlement of other obligations							4.4	—	4.4	—
Income before income taxes									251.1	3.5
Deferred tax expense							63.1	44.6	63.1	44.6
Income (loss) and comprehensive income (loss)									188.0	(41.1)

For the Three Months Ended September 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Capital expenditures	96.0	78.0	113.3	99.2	108.4	80.7	1.9	2.3	319.6	260.2
Decommissioning costs ⁽¹⁾	0.3	0.3	3.1	4.2	5.1	2.6	—	—	8.5	7.1

(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.

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For the Nine Months Ended September 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenues										
Oil and natural gas sales	1,943.9	1,687.4	1,387.2	1,374.5	712.6	397.7	(0.1)	1.1	4,043.6	3,460.7
Sale of purchased product	18.3	11.9	20.4	9.1	—	—	20.7	14.0	59.4	35.0
Royalties	(252.4)	(249.5)	(129.6)	(133.4)	(72.2)	(39.1)	—	—	(454.2)	(422.0)
Oil and natural gas revenues	1,709.8	1,449.8	1,278.0	1,250.2	640.4	358.6	20.6	15.1	3,648.8	3,073.7
Segmented expenses										
Purchased product	18.2	12.3	20.1	8.8	—	—	20.6	15.1	58.9	36.2
Blending costs	697.4	644.6	116.4	128.9	—	—	—	—	813.8	773.5
Production and operating	244.5	287.8	244.9	254.8	125.1	47.9	—	—	614.5	590.5
Transportation and processing	65.4	61.7	209.9	228.3	157.5	57.2	—	—	432.8	347.2
	1,025.5	1,006.4	591.3	620.8	282.6	105.1	20.6	15.1	1,920.0	1,747.4
Field operating income	684.3	443.4	686.7	629.4	357.8	253.5	—	—	1,728.8	1,326.3
Loss on risk management contracts							54.2	59.5	54.2	59.5
Other income							(0.1)	(1.1)	(0.1)	(1.1)
General and administrative							72.7	67.4	72.7	67.4
Interest							131.2	154.6	131.2	154.6
Transaction related costs							0.7	5.1	0.7	5.1
Finance costs							67.3	53.7	67.3	53.7
Depletion, depreciation and amortization	127.4	106.0	313.8	319.7	223.9	69.2	12.1	10.5	677.2	505.4
Foreign exchange loss (gain)							20.5	(1.2)	20.5	(1.2)
Unrealized (gain) loss on Sable remediation fund							(0.1)	0.1	(0.1)	0.1
Loss on settlement of other obligations							4.4	—	4.4	—
Income before income taxes									700.8	482.8
Current tax recovery							—	(46.9)	—	(46.9)
Deferred tax expense							185.0	206.2	185.0	206.2
Income and comprehensive income									515.8	323.5

For the Nine Months Ended September 30,	Cold Lake Thermal		Lloydminster Heavy Oil		Montney		Corporate		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Capital expenditures	233.4	236.3	306.9	264.3	357.4	211.7	6.0	8.3	903.7	720.6
Decommissioning costs ⁽¹⁾	(0.2)	1.6	7.9	9.9	15.1	12.6	—	—	22.8	24.1

(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.