

Canada Growth Fund Announces up to \$2 Billion Carbon Capture and Sequestration Partnership with Strathcona Resources

CALGARY, AB, July 10, 2024 - Canada Growth Fund Inc. ("CGF") is pleased to announce a strategic partnership (the "SAGD CCS Partnership") with Strathcona Resources Ltd. ("Strathcona") (TSX: SCR), to build carbon capture and sequestration ("CCS") infrastructure on Strathcona's steam-assisted gravity drainage ("SAGD") oil sands facilities across Saskatchewan and Alberta. Through the SAGD CCS Partnership, Strathcona will seek to capture and permanently store up to two million tonnes of carbon dioxide ("CO₂") annually, with CGF and Strathcona each contributing up to \$1.0 billion in project funding.

Strathcona is the fifth largest oil producer in Canada, with production-related emissions (Scope 1 and 2) of approximately 3 million tonnes of CO₂ per annum from seven major oil sands facilities. Under the terms of the SAGD CCS Partnership, CGF and Strathcona will each fund 50% of the capital costs to build CCS infrastructure on Strathcona's oil sands facilities. CGF will initially commit \$500 million in project funding, with the option to upsize its commitment to \$1.0 billion. Strathcona will build, own and operate all CCS projects and receive all investment tax credits. CGF will earn a targeted return over time with the annual cash flows generated by each CCS project based on actual captured volumes, actual operating costs, and a fixed carbon price guaranteed by Strathcona. Each CCS project's fixed price per tonne will be set at the time of final investment decision ("FID").

The SAGD CCS Partnership represents a first-of-its-kind approach to CCS risk-sharing, with the emitter retaining carbon pricing risk and CGF sharing in the risk for the project's cost and capture efficiency. The SAGD CCS Partnership is expected to enhance the long-term competitiveness of one of Canada's most carbon-intensive industries by advancing large-scale commercial CCS projects over time and demonstrating decarbonization outcomes in a fiscally prudent manner.

"This partnership is a breakthrough in Canada's journey towards decarbonizing the oil and gas sector," said Patrick Charbonneau, President & CEO of CGF Investment Management. "Alongside CGF, Strathcona intends to advance Canada's first CCS projects in the heavy oil sector. Given the economic and environmental importance of the oil and gas sector—which represents 9% of Canada's nominal GDP and 31% of its emissions—Strathcona's leadership is essential and worth celebrating."

"Strathcona is proud to be leading the Canadian oil and gas sector towards reducing our carbon intensity, prudently and profitably," added Adam Waterous, Executive Chairman of Strathcona. "We hope this innovative partnership with CGF will serve as a template for other producers and serve notice to the global oil and gas industry that Canada not only has one of the largest and most profitable oil resources in the world, but soon through these CCS projects, on a path toward becoming the least carbon intensive."

Strathcona's oil sands facilities in Lloydminster and Cold Lake are located near suitable CO₂ storage reservoirs, allowing for CO₂ to be injected directly on site. Over the past three years, Strathcona has made

significant progress in bringing its first CCS project to FID. In 2024, the Government of Saskatchewan granted Strathcona subsurface CO₂ injection rights, making Strathcona the first oil sands producer in Canada with approval to capture and permanently store CO₂. The SAGD CCS Partnership will allow Strathcona to begin its final detailed engineering work with a targeted FID date in mid 2025 for its first commercial CCS project which is expected to be in Saskatchewan. Strathcona is in dialogue with the province of Alberta regarding an approval for dedicated sequestration pore space beneath its Cold Lake properties.

In keeping with its mandate, CGF is focused on enabling substantial, cost-efficient emission reductions and supporting the commercial-scale operations of technologies crucial to decarbonizing Canada's hard to abate industries. Given financial institutions are generally not yet comfortable underwriting CCS project-specific risks, CGF is enabling investments in an important sector not yet well served by commercial lenders.

A positive FID on Lloydminster, Cold Lake or any other CCS project remains subject to agreement between the parties on final investment terms and other customary conditions, such as satisfactory due diligence, permitting and regulatory approvals.

Transaction Highlights:

- \$500 million initial financing by CGF to build CCS infrastructure on Strathcona's SAGD assets.
- CCS projects will be funded 50% by CGF and 50% by Strathcona.
- Strathcona will build, own and operate all CCS projects and receive all investment tax credits.
- Strathcona's share of capital costs is expected to be primarily funded through the federal CCS investment tax credit and other grants.
- First CCS project FID targeted by mid 2025 and is expected to be in Saskatchewan.
- CGF will earn a targeted return over time with the annual cash flows generated by each CCS project based on actual captured volumes, actual operating costs, and a fixed carbon price guaranteed by Strathcona,
- CGF will have an targeted 10-year payback period on each project. Actual payback period will depend on actual performance of the project(s).
- CGF has information and audit rights related to the SAGD CCS Partnership and will have oversight rights on construction and operations of the CCS projects.

About CGF

CGF is a \$15 billion arm's length public investment vehicle that helps attract private capital to build Canada's clean economy by using investment instruments that absorb certain risks in order to encourage private investment in low carbon projects, technologies, businesses, and supply chains.

CGF makes strategic investments to help Canada to meet the following national economic and climate policy goals:

- reduce emissions and achieve Canada's climate targets;
- accelerate the deployment of key technologies, such as low-carbon hydrogen and CCS;

- scale-up companies that will create jobs, drive productivity and clean growth across new and traditional sectors of Canada's industrial base;
- encourage the retention of intellectual property in Canada; and
- capitalize on Canada's abundance of natural resources and strengthen critical supply chains to secure Canada's future economic and environmental well-being.

Further information on CGF's mandate, strategic objectives, investment selection criteria, scope of investment activities, and range of investment instruments can be found on www.cgf-fcc.ca.

About CGF Investment Management

In Budget 2023, the Government of Canada announced that PSP Investments, through a wholly owned subsidiary, would act as investment manager for CGF. CGF Investment Management has been incorporated to act as the independent and exclusive investment manager of CGF.

Advisors

Stikeman Elliott LLP and Sproule International Limited acted as advisors to Canada Growth Fund Inc.

Blake, Cassels & Graydon LLP served as legal counsel to Strathcona.

Forward-Looking Information

Certain statements contained in this News Release constitute forward-looking statements or forward-looking information (collectively, "forward-looking information"). Forward-looking information relates to future events or future performance. All information other than statements of historical fact is forward-looking information. The use of any of the words "believe", "estimate", "anticipate", "expect", "plan", "predict", "outlook", "target", "project", "plan", "may", "could", "will", "shall", "should", "intend", "potential" 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 arrangement between Strathcona and CGF, including the amount of funding to be contributed by each party; the construction, operation and funding of the CCS projects; CGF's expected investment in the CCS projects and Strathcona's repayment of the CGF's investment in the SAGD CCS Partnership; Strathcona's ownership of the CCS projects and associated investment tax credits; the long-term competitiveness of Canada's oil and gas industry; the expected CO₂ capture of the CCS projects; and targeted FID date and location for Strathcona's first CCS project. The realization of any CCS project is subject to numerous conditions and there is no guarantee that such projects will be approved or funded.

While CGF believes the expectations and material factors and assumptions reflected in the forward-looking information contained herein are reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct. Forward-looking information is not a guarantee of future performance and actual results or events could differ materially from the expectations of CGF expressed in or implied by such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information is subject to a number of known and unknown risks and uncertainties, including, without limitation: the risk that the SAGD CCS

Initiative may not provide the anticipated benefits to CGF and Strathcona; the risk that CGF may not meet its funding obligations under the terms of the arrangement; the risk that the CCS projects may not reduce emissions attributable to Strathcona's operations; the risk that the CCS investment tax credit and other grants may not be available or available on the terms expected; changes in general economic, market and business conditions; industry conditions; actions by governmental or regulatory authorities including increasing taxes, amending or revoking permits and changes in investment or other regulations; changes in tax laws and incentive programs; changes in carbon tax and credit regimes; competition; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; ability to comply with current and future environmental or other laws; stock market volatility and market valuations; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources.

Readers are cautioned that events or circumstances could cause actual results to differ materially from those predicted, forecasted, or projected. Statements, including forward-looking information, are made as of the date of this News Release and CGF does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this News Release is expressly qualified by this cautionary statement.

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