

# **WATEROUS ENERGY FUND**

## **Waterous Energy Fund announces its intention to launch a shareholder-supported take-over bid to acquire up to 52.5 million shares of Osum Oil Sands Corp., establishing a clear path to full ownership of Osum**

**Calgary** – November 2, 2020 – Waterous Energy Fund (“WEF”) today announced its intention to launch a formal take-over bid (the “Offer”) through a subsidiary of WEF to the shareholders of Osum Oil Sands Corp. (“Osum”) to acquire up to a maximum of 52,500,000 of Osum’s outstanding common shares, representing approximately 40% of the outstanding common shares of Osum. Under the terms of the Offer, Osum shareholders will receive cash consideration of \$2.40 per share for each share tendered to the Offer that is acquired by WEF, implying a total transaction value of \$126 million. WEF expects to formally launch the Offer as soon as reasonably practicable.

WEF is currently the owner of approximately 45% of the outstanding common shares of Osum. If the Offer is successful, WEF will own a minimum of approximately 73% and a maximum of approximately 85% of Osum. WEF intends to acquire all of the remaining common shares as soon as possible following, but no later than 120 days after, the date of expiry of the Offer for the same \$2.40 in cash per share through a plan of arrangement, an amalgamation or other similar transaction (“Second Stage Transaction”).

WEF has arranged the debt and equity financing required to fund the entire cash consideration payable for the common shares in connection with the Offer and the subsequent completion of a Second Stage Transaction. Scotiabank and Canadian Imperial Bank of Commerce are leading the debt financing associated with the transaction.

“The proposed transaction provides immediate liquidity and certainty of value to Osum shareholders after 15 years without any dividends or prospects of accessing the public markets,” said Adam Waterous, CEO of Waterous Energy Fund. Waterous continued, “The \$2.40 per share offer price represents the same price that WEF paid this past summer when we acquired our initial 45% interest in Osum from three highly sophisticated global financial institutions. Osum shareholders should have confidence that fair market value for their shares has been established.”

### **Reasons to Accept the Offer**

- **Three Largest Shareholders Have Already Exited at the Offer Price.** In July 2020, WEF acquired a 45% interest in Osum at \$2.40 per share from three highly sophisticated global financial institutions (the “Initial Selling Shareholders”) with extensive experience in the Canadian oil and gas industry. The Initial Selling Shareholders and their financial advisors ran a competitive auction process for their shares which involved a number of bidders, and WEF was the successful bidder in that process. Since transacting with the Initial Selling Shareholders, the price of West Texas Intermediate crude oil has dropped, and the industry has continued to experience headwinds. Given the increased uncertainty in the sector, we believe holding the same offer price is highly compelling for shareholders today.
- **Next Five Largest Shareholders Want to Exit at the Offer Price.** WEF has executed support agreements with Osum’s next four largest remaining institutional shareholders, and expects the fifth largest institutional shareholder to have executed a support agreement by, or shortly after, the launch of the Offer (collectively, the “Supporting Shareholders”), under which such shareholders have agreed, or

# **WATEROUS ENERGY FUND**

will agree, to tender their common shares under the Offer. The Supporting Shareholders collectively own in aggregate approximately 20% of the total outstanding Osum common shares.

- **High Likelihood of Completion.** For the Offer to be successful, more than 50% of the shares not currently owned by WEF must be tendered (the "Minimum Tender Condition"). The Supporting Shareholders already represent approximately 36% of the outstanding common shares not currently owned by WEF, or 72% of the outstanding common shares required to be tendered to achieve the Minimum Tender Condition.
- **Competing Offer Highly Unlikely.** WEF believes that it is highly unlikely that a competing offer will be made, particularly in light of the thorough auction process run by the Initial Selling Shareholders throughout the spring and summer of 2020. Moreover, because WEF already owns approximately 45% of the Common Shares, any alternative transaction involving the acquisition of Osum would be subject to WEF's approval.
- **Osum has Failed to Return Capital to Shareholders or Offer any Meaningful Liquidity Event for Fifteen Years.** Fifteen years after being formed, Osum still has not been able to pay a dividend to its owners, achieve an initial public offering or other value enhancing transaction to provide shareholders with a liquidity event. There is no clear plan for shareholders to get liquidity for their shares.

## **Offer Details**

Full details of the Offer will be set out in an Offer to Purchase and Takeover Bid Circular and Letter of Transmittal and Notice of Guaranteed Delivery (collectively, the "bid documents") that will be mailed to Osum shareholders and filed with applicable securities regulators in Canada in accordance with applicable securities laws. A copy of the bid documents will be made available on [www.waterous.com](http://www.waterous.com). The Offer is expected to remain open until February 24, 2021, unless extended, varied or withdrawn by WEF in accordance with its terms.

If more than 52,500,000 shares are tendered to the bid, then the number of shares acquired by WEF from each shareholder will be reduced on a pro rata basis in accordance with applicable securities laws.

The Offer will be subject to certain conditions, including the minimum tender condition, receipt of necessary regulatory approvals, no occurrence of a material adverse effect, and other customary conditions. WEF may waive any of the conditions to the Offer other than the Minimum Tender Condition. The Offer will not be subject to any conditions relating to due diligence, financing or shareholder approval of WEF, all as will be outlined in the bid documents. Subject to applicable law, WEF reserves the right to withdraw or extend the Offer and to not take up and pay for any Osum shares deposited under the Offer unless each of the conditions of the Offer is satisfied or, where permitted, waived by WEF at or prior to the expiry time of the Offer.

Our Depositary and Information Agent is Kingsdale Advisors. If you have any questions or require assistance, or to receive the bid documents free of charge, please contact Kingsdale Advisors, by telephone toll-free in North America at 1-866-581-0506 and at 1-416-867-2272 outside of North America or by e-mail at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

# **WATEROUS ENERGY FUND**

## **No Offer or Solicitation**

This news release is for informational purposes only and does not constitute an offer to buy or sell, or a solicitation of an offer to sell or buy, any securities. The offer to acquire Osum shares will be made solely by, and subject to the terms and conditions set out in, the bid documents.

## **Advisors**

Scotiabank and CIBC Capital Markets are acting as financial advisors to WEF in connection with the transaction.

Scotiabank and Canadian Imperial Bank of Commerce are serving as Co-Lead Arrangers and Joint Bookrunners on the senior secured extendible revolving reserve-based loan.

Blake, Cassels & Graydon LLP is serving as legal advisor to Waterous Energy Fund in connection with the transaction, and Stikeman Elliott LLP is serving as fund counsel to Waterous Energy Fund.

Kingsdale Advisors has been retained as the Depository and Information Agent in connection with the proposed transaction.

**About Waterous Energy Fund:** Waterous Energy Fund is a Calgary-based energy investment firm with offices in Houston and New York. Founded in 2017, the firm is pursuing investments in the North American oil and gas sector. For additional information, see [www.waterous.com](http://www.waterous.com)

For more information, please contact:

Adam Waterous  
CEO and Managing Partner  
Waterous Energy Fund  
[info@waterous.com](mailto:info@waterous.com)  
(403) 930-6048

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this press release are forward looking statements and are prospective in nature. Forward looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "will", "could", "intend", "estimate", "plan", "anticipate", "expect", "believe", or "continue" or the negative thereof or similar variations. Such statements reflect current reasonable assumptions, beliefs and expectations of WEF but are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

In particular, this press release includes forward looking statements with respect to (i) WEF's intention to commence the Offer as soon as practicable and to file and distribute the bid documents in connection therewith, (ii) the anticipated expiry date of the Offer, (iii) WEF's expectation regarding certain shareholders executing support agreements in respect of the Offer and the

# **WATEROUS ENERGY FUND**

results of such Offer, (iv) WEF's intention to complete a Second Stage Transaction to acquire all shares not acquired pursuant to the Offer, (v) WEF's expectations regarding the absence of an alternative proposal to acquire Osum; and (vi) WEF's expectations regarding the ability of all conditions to the Offer to be satisfied or, where permitted, waived at the expiry of the Offer.

Important factors that could cause actual results to differ materially from the WEF's expectations include, among other things, general business and economic conditions, industry risks and other risks commonly attributed to oil and gas companies in Canada, as well as risks inherent in a transaction such as the Offer. WEF's intention to proceed with the formal launch of the Offer is subject to risks including that actions are taken by Osum or other parties which make the Offer impractical or unadvisable, other events occurring which cause a material adverse change in the business, affairs, prospects or assets of Osum prior to commencement of the Offer, and events occurring prior to the launch of the Offer which affect WEF's financing commitments. Accordingly, there can be no assurance that the Offer will be made or that the final terms of the Offer will be as set out in this news release. WEF's expectations regarding the expiry date are subject to risks that the Offer will not be commenced on the schedule anticipated by WEF. WEF's expectation that additional shareholders will enter into support agreements in respect of the Offer is subject to risks that negotiations with such shareholders will be completed and that such shareholders will receive the necessary approvals to proceed. The ability of WEF to successfully complete the Offer and proceed with the Second Stage Transaction will be subject to the satisfaction of all conditions to the Offer and the absence of events arising between the date hereof and the date of such transactions that would prevent such transactions from occurring. Forward looking statements should, therefore, be construed in light of such risks and other factors. WEF is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.