

**MATERIAL CHANGE REPORT  
FORM 51-102F3**

**Item 1. Name and Address**

Saturn Oil & Gas Inc. (the “**Company**”)  
Suite 1000, 207 9 Ave SW  
Calgary, AB T2P 1K3

**Item 2. Date of Material Change**

July 6, 2022

**Item 3. News Release**

The news release describing the material change was disseminated on July 6, 2022 through Newsfile Corp.

**Item 4. Summary of Material Change**

The Company completed the previously announced acquisition of assets in the Viking area of West-central Saskatchewan (the “**Viking Acquisition**”) for cash consideration of \$260 million (approximately \$248 million net of adjustments).

**Item 5. Full Description of Material Change**

**5.1 *Full Description of Material Change***

The full details of the material change are set forth in the news releases attached hereto as Schedule “A”. The news releases, including the cautionary notes regarding forward-looking information contained therein, are incorporated by reference into this report.

**5.2 *Disclosure for Restructuring Transactions***

Not applicable.

**Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7. Omitted Information**

No information has been omitted in respect of this material change.

**Item 8. Executive Officer**

The following executive officer of the Company is knowledgeable about the material change disclosed in this report and may be contacted as follows:

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CEO  
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Item 9.

**Date of Report**

July 13, 2022

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## **Saturn Oil & Gas Inc. Announces Closing of Viking Acquisition and Non-Brokered Private Placement**

- Closed Viking Acquisition of approximately 4,000 boe/d resulting in current pro forma Company production of approximately 11,400 boe/d
- Initiated 140 well drilling program targeting average production by Q4 2023 between 13,950 to 14,550 boe/d, for implied growth in the range of 22% to 28% over current production levels
- Directing approximately 50% of future cash flow to rapid debt reduction with expected net debt decreased by 60% in next 18 months

**CALGARY, ALBERTA – July 6, 2022** – Saturn Oil & Gas Inc. (TSXV: SOIL) (FSE: SMKA) ("**Saturn**" or the "**Company**") is pleased to announce that further to its press releases of May 31, 2022 and June 8, 2022, it has successfully completed the previously announced acquisition of assets in the Viking area of West-central Saskatchewan (the "**Viking Acquisition**") for closing cash consideration of approximately \$248 million (net of adjustments) and has completed a non-brokered private placement for gross proceeds of \$400,326 (the "**Non-Brokered Private Placement**").

"With the closing of the Viking Acquisition, Saturn is firmly established as a sustainable developer of light oil in Canada," said John Jeffrey, CEO of Saturn. "We now have a total inventory of over 500 (gross) booked drilling locations in addition to an extensive list of optimization candidates in our existing portfolio of wells and facilities allowing Saturn the internal capabilities to organically grow production while also aggressively reducing corporate debt levels."

### **Viking Acquisition Overview**

The Viking Acquisition bolsters Saturn's existing Viking light oil asset in West-central Saskatchewan with synergistic assets that include approximately 4,000 boe/d (~98% light oil and liquids) of high cash flow netback production and over 140 net sections of land in the Viking fairway. With a 250% increase to Saturn's Viking drilling inventory, the Viking Acquisition further builds size and scale for Saturn's growing Saskatchewan operations, complementing the Company's core growth Oxbow asset in Southeast Saskatchewan. Closing of the Viking Acquisition positions Saturn with a scalable portfolio of free cash flow generating assets that support near and longer-term development, while diversifying the Company's production exposure and play type helps enhance corporate sustainability and financial resilience.

### **Organic Growth Strategy**

Saturn initiated its light oil drilling program in June 2022 with the spud of first of approximately 50 horizontal wells scheduled for the remainder of 2022, in addition to the eight wells drilled previously in the year. The drilling is expected to continue into the new year with expectations of approximately 90 new horizontal wells to be drilled in 2023. Highlights of the capital expenditure programs for 2022 and 2023 include:

- Organic focused growth plan fully funded by internal cash flow for the drilling of approximately 140 gross new horizontal wells and optimization of facilities and existing wells in next 18 months;
- Viking Acquisition adds >300 drilling locations (booked and unbooked);

- Midpoint forecast for 2022 Adjusted Funds Flow per basic share increases from previous guidance of \$2.48 per to \$2.71;
- 2023 Adjusted Funds Flow per basic share forecasted in the range of \$3.63 per to \$3.87 per basic share; and
- Net debt levels expected to be reduced from current estimated position of \$223 million to approximately \$183 million by year end 2022 and to approximately \$75 million by year end 2023.

The following tables detail 2022 budgeted field development activities:

<b>2022</b>	<b>Activity</b>	<b>Capital (\$millions)</b>
Oxbow Drilling	35.0 net wells	36.3
Viking Drilling	23.0 net wells	27.5
Workovers & Optimization	50-100 existing wells	4.1
Facilities & Lands		9.3
<b>Total Expenditures</b>		<b>77.2</b>

<b>2022 Forecast</b>	<b>Low</b>	<b>High</b>
Average production <sup>1</sup>	9,750 boe/d	10,350 boe/d
(\$millions, except per share)		
EBITDA prior to hedging <sup>2</sup>	219.7	233.6
EBITDA <sup>2</sup>	139.7	153.6
Cash Interest	(22.0)	(22.0)
Adjusted Funds Flow (AFF) <sup>2</sup>	117.7	131.6
AFF per Basic Share <sup>3</sup>	\$2.56	\$2.86
2022 Year End Net Debt	186.0	180.0
Net Debt to EBITDA	1.3x	1.2x

Notes:

- (1) Based on a midpoint 2022 average forecast of 10,050 boe/d, 96% crude oil and NGL production.
- (2) Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) netback of CAD \$25.70 / boe is based on: 2022 WTI crude oil price of USD \$95.00 /bbl; MSW differential of USD -\$4.00 /bbl; CAD/USD exchange rate of \$0.80; AECO price of \$5.00/GJ; corporate differential of CAD -\$6.40 /bbl; hedging expense of -\$21.80 /boe; and general and administrative expenses of \$1.65 /boe, see advisory NON-GAAP FINANCIAL MEASURES AND RATIOS.
- (3) Based on estimated weighted average of 46.0 million basic shares for 2022. Currently 59.7 million shares are outstanding.

A summary of 2023 forecasted field development activities:

<b>2023</b>	<b>Activity</b>	<b>Capital (\$millions)</b>
Oxbow Drilling	50.0 net wells	53.5
Viking Drilling	40.0 net wells	47.2
Workovers & Optimization	50-100 existing wells	5.0
Facilities & Lands		9.5
<b>Total Expenditures</b>		<b>115.2</b>

Highlights of 2023 guidance:

- Average annual production in the range of 13,100 to 13,700 boe/d, generating hedged EBITDA in the range of \$244 to \$260 million;

- Q4 2023 average production in the range of 13,950 to 14,550 boe/d, representing year-over-year production growth of approximately 15%; and
- Saturn’s implied free funds flow yield for 2023 is 74 - 85%, based on the Company’s basic market capitalization of \$137 million.

<b>2023 Forecast</b>	<b>Low</b>	<b>High</b>
Average production <sup>1</sup>	13,100 boe/d	13,700 boe/d
(\$millions, except per share)		
EBITDA prior to hedging <sup>2</sup>	311.3	325.9
EBITDA <sup>2</sup>	244.3	258.9
Cash Interest	(28.0)	(28.0)
Adjusted Funds Flow (AFF) <sup>2</sup>	216.3	230.9
AFF per Basic Share <sup>3</sup>	\$3.63	\$3.87
Capital Expenditures	(115.0)	(115.0)
Free Funds Flow	101.3	115.9
2023 Year End Net Debt	81.7	67.0
Net Debt to EBITDA	0.3x	0.3x
2022e EV / EBITDA <sup>4</sup>	0.9x	0.8x

Notes:

- (1) Based on a midpoint 2023 average forecast of 13,400 boe/d, 96% crude oil and NGL production.
- (2) Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) netback of CAD \$51.45 / boe is based on: 2023 WTI crude oil price of USD \$90.00 /bbl; MSW differential of USD -\$4.00 /bbl; CAD/USD exchange rate of \$0.80; AECO price of \$5.00/GJ; corporate differential of CAD -\$6.40 /bbl; hedging expense of -\$13.70 /boe; and general and administrative expenses of \$2.00 /boe, see advisory NON-GAAP FINANCIAL MEASURES AND RATIOS.
- (3) Based on 59.7 million shares currently outstanding
- (4) EV based on basic shares outstanding, \$2.30 share price and YE 2023 forecast net debt.

### Commodity Price Hedging

Between June 2 and June 15, 2022, the Company entered into a number of financial oil price hedges, in conjunction with the Viking Acquisition. The new hedges are intended to cover approximately 85% of forecasted oil and NGL production, based on internal estimates of the Company’s Proved Developed Producing profile, for the years of 2022 – 2026, including:

- For H2 2022, Saturn entered into WTI hedging instruments for average volume of 2,783 bb/d at a minimum average price of USD 102.65; and
- For 2023, Saturn entered into WTI hedging instruments for average volume of 2,366 bb/d at a minimum average price of USD 92.02.

### Viking Acquisition Funding Details

To fund the consideration of the Viking Acquisition, Saturn has entered into an amended and restated senior secured loan agreement with its U.S. based institutional lender to provide loan proceeds of \$200.0 million and completed a bought deal equity financing of subscription receipts (“**Subscription Receipts**”) for aggregate gross proceeds of approximately \$75.0 million (the “**Bought Public Offering**”). With the closing of the Viking Acquisition now effective, each Subscription Receipt will be exchanged for one unit of the Company (each, a “**Unit**”), without additional consideration and without further action by the holders of Subscription Receipts. Each Unit consists of one common share (a “**Share**”) and one half common share purchase warrant of the Company (a “**Warrant**”). Each full Warrant

will be exercisable to acquire one Share until July 7, 2023, at an exercise price of \$3.20 per Warrant, subject to adjustment in certain events.

Trading in the Subscription Receipts will be halted from the TSXV today, the transfer register maintained by the subscription receipt agent will be closed, and the subscription receipts will be delisted by the TSXV tomorrow. Trading on the TSXV of the underlying Shares is expected to begin at the opening of the market on July 7, 2022. Trading of the underlying Warrants is expected to commence at the open of markets on July 8, 2022 under the symbol SOIL.WT.B.

Each holder of Subscription Receipts will be issued their Shares and Warrants without any further action required on their part via electronic deposit with CDS Clearing and Depository Services Inc. (“CDS”). Subscription Receipt holders will not receive paper Share or Warrant certificates but rather will only receive a customer confirmation from the registered dealer who is a CDS participant and from or through whom they purchased the Subscription Receipts. An aggregate of 27,181,860 Shares and 13,590,930 Warrants were issued on conversion of the Subscription Receipts.

### **Non-Brokered Private Placement**

The Company completed its previously announced Non-Brokered Private Placement of units (“**Private Placement Units**”) for 145,573 Private Placement Units at a price of \$2.75 per Private Placement Unit for total proceeds of \$400,326. Each Private Placement Unit will consist of one Share and one-half of one Warrant. Each whole Warrant will be issuable on the same terms as the Warrants under the Bought Public Offering, subject to adjustment in certain events.

The net proceeds of the Non-Brokered Private Placement are expected to be used for working capital and general corporate purposes. The Non-Brokered Private Placement was completed by way of a private placement pursuant to applicable exemptions from the prospectus requirements in those jurisdictions where the Non-Brokered Private Placement can lawfully be made. The securities issued pursuant to the Non-Brokered Private Placement have a hold period of four months and one day from the closing date in accordance with applicable securities laws.

### **Advisors**

Dentons Canada LLP acted as Company’s counsel for the Viking Acquisition, Bought Public Offering and Non-Brokered Offering. DLA Piper LLP acted as underwriters’ counsel in respect of the Bought Public Offering. Canaccord Genuity Corp., Eight Capital and Echelon Capital Markets acted as advisors to the Company.

### **About Saturn Oil & Gas Inc.**

Saturn Oil & Gas Inc. is a growing Canadian energy company focused on generating positive shareholder returns through the continued responsible development of high-quality, light oil weighted assets, supported by an acquisition strategy that targets highly accretive, complementary opportunities. Saturn has assembled an attractive portfolio of free-cash flowing, low-decline operated assets in Southeastern Saskatchewan and West Central Saskatchewan that provide a deep inventory of long-term economic drilling opportunities across multiple zones. With an unwavering commitment to building an ESG-focused culture, Saturn’s goal is to increase reserves, production and cash flows at an attractive return on invested capital. Saturn’s shares are listed for trading on the TSX.V under ticker ‘SOIL’ and on the Frankfurt Stock Exchange under symbol ‘SMKA’.

Further information and a corporate presentation is available on Saturn’s website at [www.saturnoil.com](http://www.saturnoil.com).

### **Saturn Oil & Gas Investor & Media Contacts:**

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## Reader Advisory

This press release is not an offer of the securities for sale in the United States. The securities offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## Boe Disclosure

The term barrels of oil equivalent (“**boe**”) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

## Drilling Locations

This press release discloses drilling locations with respect to the Assets in two categories: (i) booked locations; and (ii) un-booked locations. Booked locations are derived from the Company’s December 31, 2021 Ryder Scott reserves report as well as a report by McDaniel & Associates, effective January 1, 2022, (the “**McDaniel Report**”), independent reserves evaluators in respect of the Viking Acquisition and account for drilling locations that have associated proved and/or probable reserves, as applicable. Un-booked locations are internal estimates based on the Company’s assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Un-booked locations do not have attributed reserves or resources. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

## NON-GAAP FINANCIAL MEASURES AND RATIOS

Throughout this news release and in other materials disclosed by the Company, we employ certain measures to analyze financial performance, financial position and cash flow. These non-GAAP financial measures and ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures provided by other issuers. The non-GAAP financial measures and ratios should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and cash flow from operating activities as indicators of our performance. The Company’s unaudited consolidated financial statements and notes and management’s discussion and analysis (“**MD&A**”) as at and for the three months ended March 31, 2022 are available on the Company’s website at [www.saturnoil.com](http://www.saturnoil.com) and under our SEDAR profile at [www.sedar.com](http://www.sedar.com). The disclosure under the section “Non-GAAP Financial Measures and Ratios” in the MD&A is incorporated by reference into this news release.

The following are non-GAAP financial measures: EBITDA, funds flow, adjusted funds flow (“**AFF**”), free adjusted funds flow, gross petroleum and natural gas revenue, net operating expenses, operating netbacks, adjusted working capital, net debt, net debt to EBITDA and net debt to adjusted funds flow. Where applicable, these non-GAAP financial measures are presented on a multiple, per boe or a per share basis resulting in non-GAAP financial ratios. These non-GAAP financial measures and ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See the disclosure under the section “Non-GAAP Financial Measures and Ratios” in our MD&A for the three months ended March 31, 2022, for an explanation of the composition of these measures and ratios, how these measures and ratios provide useful information to an investor, and the additional purposes, if any, for which management uses these measures and ratios. Included in this press release is EBITDA, AFF and net debt.

## **Future Oriented Financial Information**

Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, including future (but not limited to) operating and fixed costs (and reductions thereto), debt levels, net operating income, funds flow, cash flow and production targets has been approved by management of Saturn. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results.

## **FORWARD-LOOKING INFORMATION AND STATEMENTS.**

Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "scheduled", "will" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, (i) listing of the Warrants, and (ii) the use of proceeds from the Non-Brokered Private Placement.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Saturn, including expectations and assumptions concerning: the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Saturn's properties, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the ability to source and complete further asset acquisitions.

Although Saturn believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Saturn can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, the current COVID-19 pandemic, actions of OPEC and OPEC+ members, the impact of the conflict in Ukraine, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Saturn's Annual Information Form for the year ended December 31, 2021.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although Saturn believes that the expectations reflected in its forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because Saturn can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things, the Company's expectations on its drilling, completions and workover programs, the Company's growth strategy and trading of the Shares and Warrants. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

The forward-looking information contained in this press release is made as of the date hereof and Saturn undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.