

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

**1. Name and Address of Company:**

Strategic Oil & Gas Ltd. ("**Strategic**")  
1800, 510 5<sup>th</sup> Street SW  
Calgary, Alberta  
T2P 3S2

**2. Date of Material Change:**

February 28, 2014

**3. News Release:**

A press release reporting the material change was issued on February 28, 2014 via Marketwire.

**4. Summary of Material Change:**

The Corporation announced its year-end reserves and provided an update on its first quarter drilling program. Strategic achieved a 54 percent increase in proved and probable reserves, for a 480 percent reserve replacement ratio. The Company's latest Muskeg Stack well, 16-34, was flowing at a rate of 596 BOED (89 percent oil) on the final day of the 11 day flow back period.

**5. Full Description of Material Changes:**

The Corporation announced its year-end reserves and provided an update on its first quarter drilling program. Strategic achieved a 54 percent increase in proved and probable reserves, for a 480 percent reserve replacement ratio. The Company's latest Muskeg Stack well, 16-34, was flowing at a rate of 596 BOED (89 percent oil) on the final day of the 11 day flow back period.

**HIGHLIGHTS**

- Strategic added 5.7 MMBoe of proved and probable reserves in 2013. The Company's reserve replacement ratio was 480 percent.
- Proved reserves increased 67 percent to 6.7 MMBoe (61 percent oil) from 4.0 MMBoe at year-end 2012.
- Proved and probable reserves increased 4.5 MMBoe (54 percent) from 8.2 MMBoe at year-end 2012 to 12.7 MMBoe (63 percent oil) at December 31, 2013 after production of 1.2 MMBoe during 2013.
- Pre-tax net asset value of the Company's proved and probable reserves, using McDaniel's forecast pricing and discounted at 10 percent, increased to \$180 million at December 31, 2013 from \$139 million at December 31, 2012.
- Strategic realized finding, development and acquisition costs ("FD&A"), including future development capital ("FDC"), of \$30.75 per Boe in 2013 based on capital expenditures of \$128.6 million.
- Excluding \$24.8 million in infrastructure capital spending for upgrades to oil facilities and pipelines, the Company's FD&A, including changes in FDC, were \$26.40 per Boe on a proved and probable basis.

## RESERVES

In accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities (“NI 51-101”), the Company’s oil, natural gas and natural gas liquids (“NGL”) reserves were evaluated by an independent engineering firm, McDaniel and Associates Consultants Ltd. (“McDaniel”) as at December 31, 2013. Gross reserves included in this release are Strategic’s working interest reserves before royalty burdens. Complete NI 51-101 reserves disclosure will be included in Strategic’s annual NI 51-101 filings which will be filed prior to March 31, 2014. The Company’s aggregate proved and probable reserves are reported in barrels of oil equivalent (Boe). Boe may be misleading, particularly if used in isolation. A Boe conversion ratio for natural gas of 6 Mcf: 1 Boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Strategic’s reserves at December 31, 2013 are summarized below.

	Light and Medium Crude Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (Mboe)
<b>Gross Reserves<sup>(1)</sup></b>					
Proved Producing	2,991	104	10,118	63	4,845
Proved Non-Producing	112	0	3,360	0	672
Proved Undeveloped	879	0	1,787	0	1,177
<b>Total Proved</b>	<b>3,982</b>	<b>104</b>	<b>15,265</b>	<b>63</b>	<b>6,694</b>
<b>Total Probable</b>	<b>3,935</b>	<b>39</b>	<b>11,979</b>	<b>50</b>	<b>6,021</b>
<b>Total Proved and Probable</b>	<b>7,918</b>	<b>143</b>	<b>27,244</b>	<b>113</b>	<b>12,715</b>

<sup>(1)</sup> Gross reserves are the Company’s total working interest share before the deduction of any royalties and without including any royalty interests of the Company. The December 31, 2013 reserves report has been prepared in accordance with the definitions, procedures and standards contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-101 – Standards of Disclosure for Oil and Gas Activities.

Approximately 74 percent of the Company’s total reserves are located in the Steen River core area. Proved and probable producing reserves represent 52 percent of total proved and probable reserves, as compared to 55 percent at December 31, 2012.

Proved and probable third party reserve bookings for Muskeg Stack wells are below the Company’s type curve generated from internal reservoir engineering estimates. This is typical at the early stages of an emerging resource play. The Company anticipates the difference between these estimates will narrow in future years as additional wells are drilled and more extensive production data becomes available.

McDaniel estimates the FDC required to convert undeveloped and non-producing reserves to producing reserves at \$97.5 million. This includes 23 Muskeg Stack and 3 Keg River proven and probable undeveloped locations, of which 9 Muskeg Stack and 2 Keg River are booked as proven undeveloped locations. These wells are anticipated to be drilled over the next 2 years. The total booked locations represent less than 10 percent of the Muskeg Stack inventory identified on Company’s land holdings in the Steen River area.

A reconciliation of the Company's reserves at December 31, 2013 to the previous year-end is as follows.

Thousand Barrels of Oil Equivalent (Mboe)	Proved	Probable	Proved and Probable
Opening Balance December 31, 2012	4,017	4,167	8,184
Discoveries and Extensions	800	2,967	3,768
Technical Revisions	1,429	(1,695)	(267)
Acquisitions	1,641	617	2,258
Economic Factors	0	(35)	(35)
Production <sup>(1)</sup>	(1,194)	0	(1,194)
<b>Closing Balance December 31, 2013</b>	<b>6,694</b>	<b>6,021</b>	<b>12,715</b>

<sup>(1)</sup> Financial information is from Strategic's preliminary unaudited consolidated financial statements for the year ended December 31, 2013, and is subject to change. See Unaudited Financial Information in this press release.

Strategic's light and medium oil, natural gas and NGL reserves were evaluated by McDaniel using McDaniel's product price forecasts effective January 1, 2014 prior to provision for financial risk management contracts, income taxes, interest, debt service charges and general and administrative expenses. The following table summarizes the net present value from recognized reserves at December 31, 2013, assuming various discount rates, and incorporating future development costs and abandonment liabilities. It should not be assumed that the discounted future net revenues estimated by McDaniel represent the fair market value of the Company's assets or future production from the assets.

#### Summary of Before Tax Net Present Value of Future Net Revenue (Forecast Pricing)<sup>(1) (2)</sup>

(\$ thousands)	Undiscounted	Discounted at		
		5%	10%	15%
Proved Producing	101,375	89,658	80,685	73,652
Proved Non-Producing	7,659	5,956	4,711	3,787
Proved Undeveloped	21,486	15,718	11,442	8,200
<b>Total Proved</b>	<b>130,519</b>	<b>111,332</b>	<b>96,838</b>	<b>85,638</b>
<b>Total Probable</b>	<b>161,174</b>	<b>113,126</b>	<b>83,248</b>	<b>63,540</b>
<b>Total Proved and Probable</b>	<b>291,693</b>	<b>224,458</b>	<b>180,086</b>	<b>149,179</b>

<sup>(1)</sup> Based on McDaniel's January 1, 2014 escalated price forecast.

<sup>(2)</sup> Tables may not add due to rounding. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Strategic's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

Strategic incurred capital expenditures of \$129 million in 2013, of which \$78 million was spent on drilling, completions and recompletions, \$34 million on facilities, pipelines and tie ins, \$7 million was spent on land and seismic and \$10 million was spent on acquisitions. The following table summarizes Strategic's finding and development ("F&D") costs as well as FD&A costs, both before and after the inclusion of changes in FDC.

## 2013 F&D and FD&A costs

(\$ thousands (unaudited), except as noted)	Proved	Proved & Probable	Proved Excluding Infrastructure	Proved & Probable Excluding Infrastructure
<b>F&amp;D Costs, Excluding FDC</b>				
Exploration and Development Expenditures <sup>(1)</sup>	118,497	118,497	93,645	93,645
Reserve Additions, Including Revisions - MBoe	2,229	3,466	2,229	3,466
<b>F&amp;D Costs - \$/Boe</b>	<b>53.16</b>	<b>34.19</b>	<b>42.01</b>	<b>27.02</b>
<b>F&amp;D Costs, Including FDC</b>				
Exploration and Development Expenditures <sup>(1)</sup>	118,497	118,497	93,645	93,645
Total Change in FDC	34,569	47,396	34,569	47,396
Total F&D Capital, Including Change in FDC	153,066	165,893	128,214	141,041
Reserve Additions, Including Revisions - MBoe	2,229	3,466	2,229	3,466
<b>F&amp;D Costs- \$/Boe</b>	<b>68.67</b>	<b>47.87</b>	<b>57.52</b>	<b>40.69</b>
<b>FD&amp;A Costs, Excluding FDC</b>				
Exploration and Development Capital Expenditures <sup>(1)</sup>	118,497	118,497	93,645	93,645
Net Acquisitions	10,098	10,098	10,098	10,098
FD&A Capital Expenditures, Including Net Acquisitions	128,595	128,595	103,743	103,743
Reserve Additions, Including Net Acquisitions - MBoe	3,870	5,724	3,870	5,724
<b>FD&amp;A Costs - \$/Boe</b>	<b>33.23</b>	<b>22.47</b>	<b>26.80</b>	<b>18.12</b>
<b>FD&amp;A Costs, Including FDC</b>				
FD&A Capital Expenditures, Including Net Acquisitions <sup>(1)</sup>	128,595	128,595	103,743	103,743
Total Change in FDC	34,569	47,396	34,569	47,396
Total FD&A Capital, Including Change in FDC	163,164	175,991	138,312	151,139
Reserve Additions, Including Net Acquisitions - MBoe	3,870	5,724	3,870	5,724
<b>FD&amp;A Costs, Including FDC - \$/Boe</b>	<b>42.16</b>	<b>30.75</b>	<b>35.74</b>	<b>26.40</b>

<sup>(1)</sup> Financial information is from Strategic's preliminary unaudited consolidated financial statements for the year ended December 31, 2013 and is subject to change. See Unaudited Financial Information in this press release.

## OPERATIONAL UPDATE

Strategic has had continued drilling success with its first quarter Muskeg stack horizontal focused drilling program, with two of the four planned horizontal Muskeg Stack wells now tied-in and on stream.

- The Muskeg Stack horizontal well located at 16-34 is a step out well. The well was successfully drilled to a lateral length of 1,554 meters and completed with a 14 stage frac. The enhanced completion techniques have made a significant improvement in the productivity of the horizontal Muskeg Stack well. The 16-34 well has been flowing back frac fluid, oil, water and gas up a 4.5 inch diameter frac string at rates of 1,300-1,500 barrels per day making it one of the Company's strongest well to date. The well recovered mainly frac fluid during the initial 2 days of the flow back and has been cleaning up. Over the next 9 days the well flowed 3,600 barrels of oil and 2,500 mcf of raw gas and has recovered approximately 40% of the frac fluid. At the end of the 11 day flow period the well was still cleaning up and was flowing of 530 BOPD and 400 mcf of gas at an oil equivalent rate of 596 BOED (89 percent oil).

- Muskeg horizontal well 5-33 was drilled to a lateral length of 1,506 meters and completed with a 10 stage frac. The well averaged 260 BOED (94 percent oil) over the first 27 days. The well is producing at a rate of 238 BOED (97 percent oil) at the end of the 27 days. Strategic has gradually ramped up the pump speed in the well in order to mitigate any frac sand flow back.
- The Company has successfully drilled Muskeg Stack horizontal well 13-24 with a lateral length of 1,600 m. The well is planned to be completed with a 15 stage frac next week.
- Strategic is currently drilling its final planned Muskeg Stack well for the first quarter at 10-24. The well is planned to have a lateral length of 1,600 m and is planned to be completed with a 15 stage frac. The 10-24 well is offsetting the 14-13 well, which produced an IP30 of 340 BOED from an 875 meter lateral completed with an 8 stage frac.

Strategic is also pleased to report its Bistcho oil pipeline project is proceeding on time and on budget. The Company expects first oil to flow in the sales line early in the second quarter of 2014. This project is paramount in terms of the Company's strategy to reduce operating and transportation costs by limiting trucking costs and enhancing the profitability of each barrel processed at Marlowe. The plant turnaround at Bistcho is ongoing and the plant is expected to be online next week.

**6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:**

Not applicable.

**7. Omitted Information:**

Not applicable.

**8. Executive Officer:**

For further information, please contact:

Gurpreet Sawhney, President (403)767-2949

**9. Date of Report:**

March 3, 2014