

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Surge Energy Inc. ("**Surge**" or the "**Company**")
2100, 635 – 8th Avenue S.W.
Calgary, Alberta T2P 3M3

Item 2 Date of Material Change

June 22, 2021

Item 3 News Release

A press release was disseminated on June 22, 2021 through the newswire services of Cision Newswire and subsequently filed on SEDAR.

Item 4 Summary of Material Change

Surge has entered into an arrangement agreement (the "**Arrangement Agreement**") with Astra Oil Corp. ("**Astra**"), pursuant to which Surge has agreed to acquire all of the issued and outstanding common shares of Astra ("**Astra Shares**") by way of a statutory arrangement (the "**Arrangement**") under the *Business Corporations Act* (Alberta).

The full text of the Arrangement Agreement has been filed on Surge's SEDAR profile and is available for viewing at www.sedar.com.

Item 5.1 Full Description of Material Change

Surge has entered into the Arrangement Agreement with Astra, pursuant to which Surge has agreed to acquire all of the Astra Shares for an aggregate purchase price of \$160 million. The Arrangement will be funded by the issuance of common shares of Surge ("**Surge Shares**") and the assumption of approximately \$15 million of net debt of Astra. Surge anticipates issuing an aggregate of approximately 229 million Surge Shares to Astra shareholders under the Arrangement.

The Astra assets include more than 4,100 boepd (90 percent liquids) of operated, light oil production, focused primarily in Southeast Saskatchewan.

The Arrangement Agreement provides for the implementation of the Arrangement by means of a plan of arrangement under the *Business Corporation Act* (Alberta). The Arrangement Agreement contains customary representations and warranties of each of Surge and Astra, non-solicitation covenants by Astra and right to match provisions in favour of Surge. Pursuant to the Arrangement Agreement, a termination fee of \$4.35 million will be payable by Astra in certain circumstances, including if Astra enters into an agreement with respect to a Superior Proposal (as

defined in the Arrangement Agreement) or if the board of directors of Astra withdraws or modifies its recommendation with respect to the Arrangement. The Arrangement Agreement also provides that a termination fee of \$4.35 million will be payable by Surge in certain circumstances.

The Arrangement is subject to customary conditions for a transaction of this nature, which include court and regulatory approvals (including *Competition Act* (Canada) approval and approval of the Toronto Stock Exchange for the issuance of Surge Shares), the approval of 66 2/3 percent of the votes cast by Astra shareholders represented in person or by proxy at a special meeting of Astra shareholders to be called to consider the Arrangement (the “**Astra Meeting**”) and a majority of the votes cast by Surge shareholders represented in person or by proxy at a meeting of Surge shareholders to be called to consider the issuance of Surge Shares in connection with the Arrangement (the “**Surge Meeting**”).

A joint management information circular and proxy statement regarding the Arrangement is expected to be mailed to shareholders of Astra and Surge in mid-July 2021 with the Astra Meeting and Surge Meeting each expected to take place on August 17, 2021. Closing of the Arrangement is expected to occur shortly thereafter.

In connection with the Arrangement, Surge also announced that it has reached an agreement in principle with its lending syndicate to amend and extend its first lien credit facilities. This agreement in principle provides that, concurrent with the closing of the Arrangement, Surge’s fully conforming first lien revolving credit facilities will be set at \$215 million and the maturity date of will be extended from July 1, 2022 to November 30, 2022, with the next bank review scheduled to be on or before November 30, 2021.

Item 5.2 Disclosure For Restructuring Transaction

Not applicable.

Item 6 Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Inquiries regarding the material change and this Material Change Report may be directed to:

Paul Colborne
President and Chief Executive Officer
pcolborne@surgeenergy.ca
(403) 930-1011

Item 9 Date of Report

July 2, 2021

Caution Respecting Forward-Looking Information

This Material Change Report contains forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

More particularly, this Material Change Report contains statements concerning: the Arrangement; Astra and the Astra assets; anticipated Arrangement consideration; the expected closing date of the Arrangement; mailing of the information circular related to the Surge Meeting and the Astra Meeting and the expected timing thereof; the expected timing of the Surge Meeting and the Astra Meeting; the ability of Surge and Astra to obtain necessary court, regulatory and shareholder approvals in connection with the Arrangement; and the closing of the Arrangement and the timing thereof; and the anticipated amendments to Surge’s first lien credit facilities and the timing thereof.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions concerning the timing and receipt of court, regulatory and shareholder approvals for the Arrangement; the ability of Surge to execute and realize on the anticipated benefits of the Arrangement; the satisfaction of all conditions for closing of the Arrangement; and the availability of capital to pay the cash portion of the purchase price at closing.

Although Surge 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 Surge 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; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures or failure to obtain the continued support of the lenders under Surge’s credit facilities. Completion of the Arrangement could be delayed if parties are unable to obtain the necessary regulatory, stock exchange, shareholder and court approvals on the anticipated timeline. The Arrangement may not be completed if all of these approvals are not obtained or any other condition of closing is not satisfied. Accordingly, there is a risk that the Arrangement will not be completed within the anticipated time or at all.

The forward-looking statements contained in this Material Change Report are made as of the date hereof and Surge undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise,

unless so required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.