SURGE ENERGY INC. ANNOUNCES FIRST QUARTER FINANCIAL & OPERATING RESULTS AND ESG UPDATE

CALGARY, ALBERTA (May 14, 2021) Surge Energy Inc. ("**Surge**" or the "**Company**") (TSX: SGY) is pleased to announce its financial and operating results for the quarter ended March 31, 2021.

MACRO OVERVIEW – CRUDE PRICES CONTINUE TO STRENGTHEN

Pre-COVID-19, world oil demand was more than 100 million barrels per day; growing by approximately one million barrels per day each year. Without significant capital investment, world oil production has been estimated to have an annual decline of 5-6 million barrels per day. The COVID-19 pandemic, the Saudi/Russia oil price war, and the subsequent collapse of world crude oil prices in 2020 triggered significant, world-wide upstream capital spending reductions for crude oil drilling and associated projects both large and small. In this regard, US and Canadian oil rig counts plunged to multi-decade lows in the summer of 2020.

As world oil demand continues to return to pre-COVID-19 levels, crude oil prices have risen by more than 450 percent in just the last 13 months; from a low of US$11.57 WTI per barrel in April of 2020, to over US$65 WTI per barrel today.

Against this backdrop of quickly improving crude oil price fundamentals, Surge possesses **4 of the key operational indicia** for highly successful oil companies, namely:

1. A very low annual corporate decline (less than 21 percent per year);
2. Top tier production efficiencies[1] (Sparky PE's are ~$13,000 boepd on an IP180 basis);
3. A large drilling location inventory (>750 locations[2], providing a deep 14 year drilling inventory); and
4. High operating netbacks[3].

Accordingly, rapidly improving crude oil prices, combined with these 4 key operational indicia, provide Surge with significant adjusted funds flow per share[3] growth, and free cash flow[3], at current strip pricing.

Q1 2021 FINANCIAL & OPERATING HIGHLIGHTS

As previously announced on April 28, 2021, the Company achieved production levels of 16,582 boepd in Q1/21, and generated cash flow from operating activities in the quarter of $15.6 million (after realized hedging losses of $16.8 million).

Given the impact of the COVID-19 pandemic, and the significant commodity price volatility that resulted, Surge entered into certain fixed crude oil hedges over the course of 2H/20, ensuring the Company's ability to continue deploying capital into its low decline, low cost, large OOIP[1], conventional asset base. While the resulting realized losses on commodity contracts had a large negative impact on Q1/21 cash flow, Surge expects the impact will moderate over the remainder of 2021 as these crude oil hedges expire.

During the first quarter, Surge completed a successful 32 well winter drilling program. The Company anticipates it will bring on an estimated 3,400 boepd of production from this drilling program, with results to date meeting or exceeding management's

[1] See the Oil and Gas Advisories section of this document for further details.
[2] See the Drilling Inventory section of this document for further details.
[3] This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.

expectations. This program was completed for "all-in" drilling and completion expenditures of $38 million, delivering excellent estimated production efficiencies of $11,175 per flowing boe.

The Company's significant 3,400 boepd production addition in Q1/21 was completed in the same quarter as Surge strategically sold 2,700 boepd of production, for gross proceeds of $106 million.

Commodity prices continued to strengthen over the quarter, with petroleum and natural gas revenue per boe increasing by 57 percent, from $34.39 per boe in Q1/20, to $54.07 per boe in Q1/21. The improving crude oil price environment, combined with the Company's successful winter drilling program and strategic Q1/21 asset sale, resulted in a significant $124 million, or 39 percent reduction in net bank debt[4] from Q1/20 through Q1/21. The Company also meaningfully reduced net debt[4] by $81 million from Q1/20 through Q1/21, a 21 percent reduction in the last four quarters.

Subsequent to the first quarter, as previously announced on May 13th, 2021, Surge successfully closed its bought deal public offering of 39.0 million flow-through common shares (the "Offering") for gross proceeds of $23.0 million. Accordingly, with the closing of the Offering, Surge has significantly reduced net debt and repositioned the Company's balance sheet over the past 6 months, with the completion of the following financing activities totaling more than $230 million:

- $40 million, 4-year term, 2nd Lien BDC credit facility;
- $50 million credit commitment by Export Development Canada into Surge's 1st Lien credit facility;
- Over $14 million in grants under the Alberta Government's Site Rehabilitation program;
- Gross proceeds of $106 million from the Company's previously announced strategic asset sale; and
- Gross proceeds of $23 million from Surge's over-subscribed, upsized flow-through common share financing.

Proceeds from the Offering, combined with free cash flow, will be used for an expanded 2H/21 development program, building upon the Company's 1H/21 drilling program, which targeted the Sparky and Montney formations. This program has been strategically designed to allocate capital towards top-tier production efficiencies in the Company's Sparky core area.

Concurrent with the close of the Offering, on May 13th the Company also released preliminary 2022 production and operating guidance. The Company's preliminary 2022 capital expenditure budget is highly disciplined, with a continued focus on production maintenance and free cash flow generation.

Surge anticipates generating approximately $160 million[5] ($0.42 per share[6]) in adjusted funds flow in 2022 at US$65 WTI per barrel. With its low decline, large OOIP, conventional asset base, the Company is budgeting $83 million for its 2022 exploration and development capital program, which maintains production at 16,500 boepd (85% liquids).

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[4] This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.

[5] Assuming 16,500 boepd. Pricing as follows: WTI US$65/bbl; CAD/USD $0.80; WCS $66.25/bbl; MSW $75.62 bbl; AECO $2.55/GJ.

[6] All per-share metrics in this release are based on 379.2 million basic shares outstanding as at close of the Offering.

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS	**Three Months Ended March 31,**		
($000s except per share amounts)	**2021**	**2020**	**% Change**
Financial highlights			
Oil sales	**69,956**	61,211	14 %
NGL sales	**1,948**	1,063	83 %
Natural gas sales	**8,790**	1,432	514 %
Total oil, natural gas, and NGL revenue	**80,694**	63,706	27 %
Cash flow from operating activities	**15,550**	43,138	(64)%
Per share - basic ($)	**0.05**	0.13	(62)%
Adjusted funds flow[1]	**15,757**	30,028	(48)%
Per share - basic ($)[1]	**0.05**	0.09	(44)%
Net loss	**(9,985)**	(615,227)	(98)%
Per share basic ($)	**(0.03)**	(1.85)	(98)%
Total exploration and development expenditures	**31,898**	32,504	(2)%
Total acquisitions & dispositions	**(102,591)**	-	nm[2]
Total capital expenditures	**(70,693)**	32,504	(317)%
Net debt[1], end of period	**303,334**	384,686	(21)%
Operating highlights			
Production:			
Oil (bbls per day)	**13,422**	16,891	(21)%
NGLs (bbls per day)	**583**	564	3 %
Natural gas (mcf per day)	**15,462**	17,409	(11)%
Total (boe per day) (6:1)	**16,582**	20,357	(19)%
Average realized price (excluding hedges):			
Oil ($ per bbl)	**57.91**	39.82	45 %
NGL ($ per bbl)	**37.12**	20.72	79 %
Natural gas ($ per mcf)	**6.32**	0.90	602 %
Netback ($ per boe)			
Petroleum and natural gas revenue	**54.07**	34.39	57 %
Realized gain (loss) on commodity and FX contracts	**(11.27)**	7.29	(255)%
Royalties	**(5.68)**	(4.59)	24 %
Net operating expenses[1]	**(18.09)**	(14.29)	27 %
Transportation expenses	**(1.03)**	(1.64)	(37)%
Operating netback[1]	**18.00**	21.16	(15)%
G&A expense	**(1.98)**	(1.84)	8 %
Interest expense	**(5.46)**	(3.10)	76 %
Adjusted funds flow[1]	**10.56**	16.22	(35)%
Common shares outstanding, end of period	**339,785**	335,069	1 %
Weighted average basic shares outstanding	**339,785**	332,188	2 %
Weighted average diluted shares outstanding	**339,785**	332,188	2 %

[1] This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.

[2] The Company views this change calculation as not meaningful, or "nm".

SURGE ENERGY INC

UPDATE ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS ("ESG")

Surge continues to strive to be a leader in reducing the impact of its operations on the environment and is pleased to report that it has abandoned 310 wells between October 1, 2020 and March 31, 2021. This represents nearly 30 percent of the Company's previously inactive, unabandoned wells.

The reduction in the Company's environmental footprint has been funded through a combination of Surge's ongoing internal abandonment program and approximately $14 million in total grant funding under the Alberta Government's Site Rehabilitation Program ("SRP"). During the first quarter of 2021, Surge spent a total of $1.5 million of its own funds and $0.5 million of SRP grants, for a combined $2.0 million going towards abandonment activities.

Surge anticipates spending a further $8.0 to $10.0 million on abandonment activities in 2021, through a combination of its internal abandonment program and the SRP abandonment program, which will continue to significantly reduce the Company's decommissioning liability.

Surge strives to be a leader in reducing the impact of its operations on the environment. Surge is committed to producing energy in a safe, responsible, and sustainable manner.

FORWARD LOOKING STATEMENTS:

This press release 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 press release contains statements with respect to management's expectations and plans with respect to the development of its assets and the timing thereof; Surge's declared focus and primary goals; Surge's planned drilling program; Surge's drilling inventory and locations; management's expectations regarding commodity prices and production levels; Surge's anticipated funds flow in 2022; and Surge's anticipated abandonment and reclamation activities in 2021.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions the performance of existing wells and success obtained in drilling new wells; anticipated expenses, cash flow and capital expenditures; the application of regulatory and royalty regimes; prevailing commodity prices and economic conditions; development and completion activities; the performance of new wells; the successful implementation of waterflood programs; the availability of and performance of facilities and pipelines; the geological characteristics of Surge's properties; the successful application of drilling, completion and seismic technology; the determination of decommissioning liabilities; prevailing weather conditions; exchange rates; licensing requirements; the impact of completed facilities on operating costs; the availability and costs of capital, labour and services; and the creditworthiness of industry partners.

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 condition of the global economy, including trade, public health (including the impact of COVID-19) and other geopolitical risks; 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; and failure to obtain the continued support of the lenders under Surge's bank line. Certain of these risks are set out in more detail in Surge's AIF dated March 9, 2021 and in Surge's MD&A for the period ended December 31, 2020, both of which have been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release 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.

Oil and Gas Advisories

The term "boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. "Boe/d" and "boepd" mean barrel of oil equivalent per day. Bbl means barrel of oil and "bopd" means barrels of oil per day. NGLs means natural gas liquids.

This press release contains certain oil and gas metrics and defined terms which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar metrics/terms presented by other issuers and may differ by definition and application. All oil and gas metrics/terms used in this document are defined below:

Original Oil in Place ("OOIP") means Discovered Petroleum Initially In Place ("DPIIP"). DPIIP is derived by Surge's internal Qualified Reserve Evaluators ("QRE") and prepared in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluations Handbook ("COGEH"). DPIIP, as defined in COGEH, is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and Resources Other Than Reserves (ROTR). OOIP/DPIIP and potential recovery rate estimates are based on current recovery technologies. There is significant uncertainty as to the ultimate recoverability and commercial viability of any of the resource associated with OOIP/DPIIP, and as such a recovery project cannot be defined for a volume of OOIP/DPIIP at this time. "Internally estimated" means an estimate that is derived by Surge's internal QRE's and prepared in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. All internal estimates contained in this new release have been prepared effective as of Jan 1, 2021.

Production efficiencies are calculated by dividing capital expenditures of a project by the average production from that project for a given period of time. IP180 is the average production rate of a well over the first 180 days on production

Drilling Inventory

This press release discloses drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved locations and probable locations derived from an internal evaluation using standard practices as prescribed in the Canadian Oil and Gas Evaluations Handbook and account for drilling locations that have associated proved and/or probable reserves, as applicable.

Unbooked locations are internal estimates based on prospective acreage and assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by Surge's internal certified Engineers and Geologists (who are also Qualified Reserve Evaluators) as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drills wells 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.

While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Assuming a Mar 31, 2021 reference date, the Company will have over >750 gross (>750 net) drilling locations identified herein, of these >400 gross (>400 net) are unbooked locations. Of the 316 net booked locations identified herein, 251 net are Proved locations and 65 net are Probable locations based on Sproule's 2020YE reserves. Assuming an average number of wells drilled per year of 50, Surge's >750 locations provide 14 years of drilling.

Surge's weighted average internal Sparky type curve economics have an IRR of greater than 115% and a payout of under one year @ US$55/bbl WTI (C$56 WCS) and are supported by >380 internally evaluated Sparky locations by Surge's Qualified Reserve Evaluators (with weighted average metrics of: ~$1.15 MM per well capital, ~100 boe/d IP180 per well and ~125 mboe Estimated Ultimate Recoverable reserves per well).

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2021. All locations were risked appropriately, and EUR's were measured against OOIP estimates to ensure a reasonable recovery factor was being achieved based on the respective spacing assumption. Other assumptions, such as capital, operating expenses, wellhead offsets, land encumbrances, working interests and NGL yields were all reviewed, updated and accounted for on a well by well basis by Surge's Qualified Reserve Evaluators. All type curves fully comply with Part 5.8 of the Companion Policy 51 – 101CP.

Non-GAAP Financial Measures

Certain secondary financial measures in this press release – namely, "adjusted funds flow", "adjusted funds flow per share", "free cash flow", "net debt", "net bank debt", "net operating expenses", "operating netback", and "adjusted funds flow per boe" are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze business performance, cash flow generated from the business, leverage and liquidity, resulting from the Company's principal business activities and it may be useful to investors on the same basis. None of these measures are used to enhance the Company's reported financial performance or position. The non-GAAP measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. They are common in the reports of other companies but may differ by definition and application. All non-GAAP financial measures used in this document are defined below:

Adjusted Funds Flow & Adjusted Funds Flow per Share

The Company adjusts cash flow from operating activities in calculating adjusted funds flow for changes in non-cash working capital, decommissioning expenditures, and transaction costs. Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Surge's cash flows.

Changes in non-cash working capital are a result of the timing of cash flows related to accounts receivable and accounts payable, which management believes reduces comparability between periods. Management views decommissioning expenditures predominately as a discretionary allocation of capital, with flexibility to determine the size and timing of decommissioning programs to achieve greater capital efficiencies and as such, costs may vary between periods. Transaction costs represent expenditures associated with acquisitions, which management believes do not reflect the ongoing cash flows of the business, and as such reduces comparability. Each of these expenditures, due to their nature, are not considered principal business activities and vary between periods, which management believes reduces comparability.

Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares used in calculating income per share.

The following table reconciles cash flow from operating activities to adjusted funds flow and adjusted funds flow per share for the three months ended March 31, 2021:

	Three Months Ended March 31,	
($000s except per share amounts)	**2021**	**2020**
Cash flow from operating activities	**15,550**	43,138
Change in non-cash working capital	**(2,974)**	(14,748)
Decommissioning expenditures	**1,481**	1,540
Transaction costs	**1,700**	98
Adjusted funds flow	**$ 15,757**	$ 30,028
Per share - basic	**$ 0.05**	$ 0.09

Free Cash Flow

Free cash flow is calculated as cash flow from operating activities less exploration and development capital expenditures. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

Net Debt

There is no comparable measure in accordance with IFRS for net debt. Net debt is calculated as bank debt, term debt, dividends payable plus the liability component of the convertible debentures plus or minus working capital, however, excluding the fair value of financial contracts, decommissioning obligations, and lease and other obligations. This metric is used by management to analyze the level of debt in the Company including the impact of working capital, which varies with timing of settlement of these balances.

($000s)	**As at Mar 31, 2021**	**As at Dec 31, 2020**	**As at Mar 31, 2020**
Bank debt	(170,650)	(260,908)	(305,804)
Term debt	(40,649)	(32,718)	-
Accounts receivable	30,240	29,796	29,738
Prepaid expenses and deposits	5,921	5,253	4,672
Accounts payable and accrued liabilities	(56,354)	(51,265)	(43,718)
Convertible debentures	(71,842)	(71,181)	(69,295)
Dividends payable	-	-	(279)
Total	(303,334)	(381,023)	(384,686)

Net Bank Debt

There is no comparable measure in accordance with IFRS for net bank debt. Net bank debt is calculated as current portion of bank debt plus or minus working capital (accounts receivable, prepaid expenses and deposits and accounts payable and accrued liabilities).

Net Operating Expenses

Net operating expenses are determined by deducting processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. It is common in the industry to earn third party processing revenue on facilities where the entity has a working interest in the infrastructure asset. Under IFRS this source of funds is required to be reported as revenue. However, the Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at one of its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility. As such, third party processing revenue is netted against operating costs in the MD&A.

Operating Netback & Adjusted Funds Flow Netback

Operating netback, operating netback excluding realized gain (loss) on financial contracts & adjusted funds flow per boe for the three months ended March 31, 2021 are calculated on a per unit basis as follows:

		Three Months Ended March 31,		
($000s)		**2021**		**2020**
Petroleum and natural gas revenue		**80,694**		63,706
Processing and other income		**1,089**		1,720
Royalties		**(8,477)**		(8,505)
Realized gain (loss) on commodity and FX contracts		**(16,822)**		13,509
Operating expenses		**(28,083)**		(28,199)
Transportation expenses		**(1,539)**		(3,046)
Operating netback		**26,862**		39,185
G&A expense		**(2,957)**		(3,416)
Interest expense		**(8,148)**		(5,741)
Adjusted funds flow		**15,757**		30,028
Barrels of oil equivalent (boe)		**1,492,397**		1,852,414
Operating netback ($ per boe)	**$**	**18.00**	$	21.16
Adjusted funds flow ($ per boe)	**$**	**10.56**	$	16.22

Additional information relating to non-GAAP measures can be found in the Company's most recent management's discussion and analysis MD&A, which may be accessed through the SEDAR website (www.sedar.com).

FURTHER INFORMATION:

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