



SURGE ENERGY INC. ANNOUNCES RECORD ANNUAL PRODUCTION IN 2023; FOURTH QUARTER AND YEAR END FINANCIALS FOR 2023; 2023 YEAR END RESERVES

CALGARY, ALBERTA (March 6, 2024) Surge Energy Inc. (“Surge”, “SGY”, or the “Company”) (TSX: SGY) is pleased to announce its financial and operating results for the quarter and year ended December 31, 2023; and its year end 2023 reserves as independently evaluated by Sproule Associates Limited (“Sproule”).

Surge’s disciplined operating strategy involves focusing growth and development capital to high netback, low cost, light and medium gravity crude oil reservoirs, that possess large original oil in place (“OOIP”)¹ and low recovery factors.

In Q4/23 Surge achieved an average production rate of 25,050 boepd (86 percent liquids), exceeding the Company’s 2023 public guidance production exit rate of 25,000 boepd. Additionally, Surge achieved record annual production in 2023 of 24,438 boe/d (86 percent liquids), an increase of 15 percent over 2022 average production of 21,262 boepd.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Surge’s Board and Management are pleased to report that the Company organically generated free cash flow² before dividends (“FCF”) of \$94 million in 2023, representing 35 percent of 2023 cash flow from operating activities.

Additional financial and operating highlights for the quarter and year ended December 31, 2023 include:

- Generated cash flow from operating activities of \$79.7 million in Q4/23;
- Reduced net debt² by over \$62 million in 2023 to \$290.1 million, a decrease of 18 percent;
- Distributed cash dividends to shareholders in the amount of \$46.8 million in 2023;
- Reduced net operating expenses² by \$2.36 per boe over the course of 2023, from \$22.26 per boe in Q1/23 to \$19.90 per boe in Q4/23. This represents an 11 percent decrease in net operating expenses over the year;
- Repaid in full Surge’s \$47.9 million first lien term loan facility that was set to mature in December 2024;
- Completed a new, oversubscribed, \$48.3 million unsecured convertible debenture financing, with an attractive 8.50% interest rate;
- Finalized the early redemption of \$34.5 million of previously issued unsecured convertible debentures that were set to mature on June 30, 2024 with no pre-payment penalty;
- Executed a successful 2023 drilling program of 70 gross (64.5 net) wells, strategically focused on light and medium gravity crude oil in the Company’s conventional SE Saskatchewan and Sparky core areas; and
- Continued the Company’s focus on ESG efforts, highlighted by spending a total of \$15.6 million on abandonment activities during the year. This resulted in Surge abandoning 132 gross wells during 2023, representing 1.9 wells abandoned for each new gross well drilled in 2023.

¹ See Oil & Gas Advisories.

² This is a non-GAAP and other financial measure which is defined under Non-GAAP and Other Financial Measures.



2023 YEAR END RESERVES HIGHLIGHTS

Surge is pleased to announce the results of the independent reserves evaluation of the Company's crude oil and natural gas assets, dated February 9, 2024 and effective December 31, 2023, in compliance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and in accordance with the Canadian Oil and Gas Evaluation Handbook (the "Reserve Report").

Building off of the successful 2023 drilling program in the Company's Sparky and SE Saskatchewan core areas, Surge continued to delineate and improve the Company's reserve base through pool extensions, establishing new development fields, and new exploration/appraisal drilling over the year.

Surge Management is pleased to report that, even after giving effect to increases in industry wide inflationary cost estimates, and a reduction in Sproule's crude oil price deck, the Company's 2023 Total Proved Net Asset Value¹ ("TP NAV") is \$11.27 per basic share. The Company's new TP NAV includes 397 net booked locations of Surge's more than 1,000 net internally identified drilling locations³. This new TP NAV is approximately 65 percent higher than Surge's current trading price of \$6.92 per share.

With Surge's December 31, 2023 Reserve Report, the Company delivered the following:

- 117 million boe of Total Proved & Probable ("TPP") reserves;
- High oil weighting, with Proved Developed Producing ("PDP") reserves comprised of 88% light and medium oil and natural gas liquids, and TPP reserves comprised of 86% light and medium oil and natural gas liquids;
- 543 gross (489 net) booked TPP drilling locations; 70% of these locations are located in the Company's Sparky and SE Saskatchewan core areas³;
- Reported a TPP NAV of \$17.63 per basic share;
- Generated a TP NAV of \$11.27 per basic share;
- Confirmed a PDP NAV of \$5.66 per basic share;
- Delivered a TP Finding, Development & Acquisition ("FD&A") cost of \$21.59/boe¹;
 - 1.8x Recycle Ratio¹ on a 2023 operating netback of \$39.07/boe (before realized losses on financial contracts);
- Reported a strong reserve life index¹ of 12.8 years on TPP reserves, 9.3 years on TP reserves, and 4.7 years on PDP reserves;
- Replaced 102% of production on a TP basis, and 80% of production on a PDP basis; and
- Total Proved Undeveloped ("PUD") reserve net locations³ increased to 397 net, an increase of 31 locations over last year. All additional PUD locations were added in the Sparky and SE Saskatchewan core areas.

³ See Drilling Inventory.



FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS <i>(\$000s except per share amounts)</i>	Three Months Ended December 31,			Years Ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Financial highlights						
Oil sales	160,755	152,465	5 %	640,389	672,862	(5)%
NGL sales	3,619	3,871	(7)%	13,052	16,783	(22)%
Natural gas sales	4,079	9,472	(57)%	16,934	37,583	(55)%
Total oil, natural gas, and NGL revenue	168,453	165,808	2 %	670,375	727,228	(8)%
Cash flow from operating activities	79,712	78,975	1 %	266,141	276,125	(4)%
Per share - basic (\$)	0.79	0.90	(12)%	2.69	3.26	(17)%
Per share - diluted (\$)	0.78	0.88	(11)%	2.63	3.17	(17)%
Adjusted funds flow ^a	77,001	71,807	7 %	291,846	293,555	(1)%
Per share - basic (\$) ^a	0.77	0.82	(6)%	2.95	3.47	(15)%
Per share - diluted (\$)	0.75	0.80	(6)%	2.89	3.37	(14)%
Net income (loss) (\$) ^c	(29,676)	103,502	(129)%	15,751	231,718	(93)%
Per share - basic (\$)	(0.30)	1.17	(126)%	0.16	2.74	(94)%
Per share - diluted (\$)	(0.29)	1.15	(125)%	0.16	2.66	(94)%
Expenditures on property, plant and equipment	61,305	47,728	28 %	181,572	169,944	7 %
Net acquisitions and dispositions	3,813	200,302	(98)%	1,670	200,270	(99)%
Net capital expenditures	65,118	248,030	(74)%	183,242	370,214	(51)%
Net debt ^a , end of period	290,070	352,213	(18)%	290,070	352,213	(18)%
Operating highlights						
Production:						
Oil (bbls per day)	20,741	18,127	14 %	20,434	17,413	17 %
NGLs (bbls per day)	808	695	16 %	704	708	(1)%
Natural gas (mcf per day)	21,005	19,647	7 %	19,801	18,844	5 %
Total (boe per day) (6:1)	25,050	22,097	13 %	24,438	21,262	15 %
Average realized price (excluding hedges):						
Oil (\$ per bbl)	84.24	91.43	(8)%	85.86	105.87	(19)%
NGL (\$ per bbl)	48.68	60.51	(20)%	50.78	64.96	(22)%
Natural gas (\$ per mcf)	2.11	5.24	(60)%	2.34	5.46	(57)%
Netback (\$ per boe)						
Petroleum and natural gas revenue	73.09	81.56	(10)%	75.15	93.71	(20)%
Realized gain (loss) on commodity and FX contracts	1.02	(4.71)	nm ^b	(0.35)	(12.65)	(97)%
Royalties	(13.55)	(13.50)	— %	(13.40)	(16.44)	(18)%
Net operating expenses ^a	(19.90)	(20.98)	(5)%	(21.13)	(19.70)	7 %
Transportation expenses	(1.48)	(1.40)	6 %	(1.54)	(1.45)	6 %
Operating netback^a	39.18	40.97	(4)%	38.73	43.47	(11)%
G&A expense	(2.19)	(2.06)	6 %	(2.15)	(2.14)	— %
Interest expense	(3.58)	(3.59)	— %	(3.86)	(3.50)	10 %
Adjusted funds flow^a	33.41	35.32	(5)%	32.72	37.83	(14)%
Common shares outstanding, end of period	100,314	96,477	4 %	100,314	96,477	4 %
Weighted average basic shares outstanding	100,314	88,094	14 %	98,790	84,619	17 %
Stock-based compensation dilution	1,808	2,097	(14)%	2,227	2,404	(7)%
Weighted average diluted shares outstanding	102,122	90,191	13 %	101,017	87,023	16 %

^a This is a non-GAAP and other financial measure which is defined in the Non-GAAP and Other Financial Measures section of this document.

^b The Company views this change calculation as not meaningful, or "nm".

^c The three and twelve months ended December 31, 2023 include a non-cash impairment charge of \$59.2 million.



OPERATIONS UPDATE

During 2023, Surge successfully drilled a total of 70 gross (64.5 net) wells spending a total of \$181.6 million including expenditures on land, facilities, and equipment. The Company focused drilling operations primarily on its light and medium gravity crude oil assets in the Sparky and SE Saskatchewan core areas.

The 2023 drilling program consisted of 35 gross (35.0 net) wells in the Sparky core area and 35 gross (29.5 net) wells in SE Saskatchewan. Included in the Sparky drilling program were 3 gross (3.0 net) multi-lateral wells in Betty Lake, Hope Valley and Provost. The SE Saskatchewan drilling program was focused in the Frobisher formation - with 31 gross (26.5 net) wells. Ninety percent of the wells targeting the Frobisher formation (28 gross wells) were stacked multi-lateral wells.

In Q4/23 Surge achieved an average production rate of 25,050 boepd (86 percent liquids), exceeding the Company's 2023 public guidance production exit rate of 25,000 boepd. Additionally, Surge achieved record annual production in 2023 of 24,438 boe/d (86 percent liquids), an increase of 15 percent over 2022 average production of 21,262 boepd.

The Company achieved record annual production volumes in both its Sparky and SE Saskatchewan core operating areas in 2023. Sparky annual volumes grew 23 percent to average 2023 production of more than 10,900 boepd, and SE Saskatchewan annual volumes increased 45 percent to an average 2023 production level of 7,750 boepd.

During 2023, Surge safely executed 8 operated gas plant and oil battery turnarounds at Valhalla, Provost, Betty Lake, Lakeview and Steelman. In addition, the Company experienced 4 additional turnarounds at facilities operated by third parties (including the Sexsmith, Keyera, Steel Reef and TCPL gas plant turnarounds). Although several of these turnarounds were budgeted for by the Company, the impact of the unscheduled turnarounds, in addition to non-core dispositions, reduced production for 2023 by approximately 450 boepd.

Surge has continued the Company's operational momentum into early 2024, with 4 drilling rigs active in its Sparky and SE Saskatchewan core areas. Surge plans to drill 70 gross (70.0 net) wells in 2024, comprised of 37 gross (37.0 net) Sparky wells and 33 gross (33.0 net) SE Saskatchewan wells, with total capital expenditures budgeted at \$190 million.

In the Sparky core area, Surge's 2024 capital program will consist of 25 gross (25.0 net) net single-leg frac'ed Sparky horizontal wells, 8 gross (8.0 net) net multi-leg Sparky wells, and 4 gross (4.0 net) horizontal wells in the Lloydminster formation. In 2024, Management is focused on the continued growth of Surge's multi-lateral well footprint in the Mannville stack, with approximately 30 percent of drilling capital directed to multi-lateral development.

The Company commenced Surge's winter drilling program in December of 2023, and has now completed the drilling of 14 gross (14.0 net) Sparky locations and 15 gross (14.5 net) wells in SE Saskatchewan. All wells from both the Q1/24 Sparky and SE Saskatchewan drilling programs are anticipated to be completed and on production prior to March 31, 2024.

2023 YEAR-END RESERVES

The Company's reserves were independently evaluated by Sproule in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") effective December 31, 2023. Surge's Annual Information Form (the "AIF") for the year ended December 31, 2023 contains Surge's reserves data and other oil and natural gas information as mandated by NI 51-101.



The following tables summarize Surge’s working interest oil, natural gas liquids and natural gas reserves and the net present values (“NPV”) of future net revenue for these reserves (before taxes) using forecast prices and costs as evaluated in the Sproule reserves report. The evaluation is based on Sproule’s forecast pricing and exchange rates at December 31, 2023 which is available on their website www.sproule.com. All references to reserves in this release are to gross Company reserves, meaning Surge’s working interest reserves before deductions of royalties and before consideration of the Company’s royalty interests. The amounts in the tables may not add due to rounding.

RESERVES SUMMARY AND NET PRESENT VALUE

Gross Reserves ^(a)	Crude Oil and NGLs (Mbbl) ^(b)	Natural Gas (MMcf) ^(c)	Oil Equivalent Total Reserves (Mboe)	Before Tax NPV of Future Net Revenue ^(d) Discounted at		
				5% (\$MM)	10% (\$MM)	15% (\$MM)
Proved:						
Proved Producing	37,864	29,696	42,814	966	858	766
Proved Non-Producing	1,667	1,639	1,940	53	44	38
Proved Undeveloped	33,959	37,262	40,170	705	519	390
Total Proved	73,491	68,597	84,924	1,724	1,421	1,193
Probable	27,025	28,405	31,760	859	638	498
Total Proved Plus Probable	100,516	97,002	116,683	2,583	2,059	1,691

a) Amounts may not add due to rounding.

b) Includes light, medium, heavy and natural gas liquids.

c) Includes non-associated and natural gas, solution gas and coal bed methane.

d) Total ADR (Abandonment, Decommissioning, Reclamation) is included in the reserves report, as it is best practice as stated in the COGE Handbook.

FUTURE DEVELOPMENT CAPITAL (“FDC”)

	Total Proved (\$MM)	Total Proved Plus Probable (\$MM)
2024	130	138
2025	207	233
2026	208	237
2027	163	209
2028	117	171
Remaining	35	51
Total (Undiscounted)	860	1,039
Total (Discounted at 10%)	679	806



F&D AND FD&A COSTS

	2023	3-Year Average
<u>F&D Costs, including total change in FDC ^(a)</u>		
Proved Developed Producing	\$24.78	\$17.93
Total Proved	\$22.30	\$21.43
Total Proved + Probable	\$51.13	\$25.58
<u>FD&A Costs, including total change in FDC ^(b)</u>		
Proved Developed Producing	\$23.75	\$20.31
Total Proved	\$21.59	\$23.12
Total Proved + Probable	\$50.00	\$23.94

a) 2023 FDC costs calculated using capital of \$182 million plus changes in FDC of \$26 million (TP) and -\$14 million (TPP)

b) 2023 FDC costs calculated using capital of \$182 million plus changes in FDC of \$14 million (TP) and -\$36 million (TPP)

NET ASSET VALUE

	PDP	TP	TPP
Reserve Value NPV10 BT (\$mm)	858	1,421	2,059
Net Debt (\$mm)	(290)	(290)	(290)
Total Net Assets (\$mm)	568	1,131	1,769
Basic Shares Outstanding (mm)	100.3	100.3	100.3
Estimated NAV per Basic Share (\$/share)	5.66	11.27	17.63



SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS

As at December 31, 2023

Sproule	WTI		Canadian Light Sweet Crude		Western Canada Select (WCS) Crude		Natural Gas AECO-C		Exchange Rate	
	Cushing, Oklahoma		40° API		20.5 API		Spot		(\$US/\$Cdn)	
Forecast ^(a)	(\$US/bbl)		(\$Cdn/bbl)		(\$Cdn/bbl)		(\$Cdn/mmbtu)		(\$US/\$Cdn)	
Year	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Forecast										
2024	\$76.00	\$84.00	\$97.33	\$101.25	\$81.33	\$89.38	\$2.33	\$4.34	0.750	0.800
2025	\$76.00	\$80.00	\$97.25	\$96.18	\$84.67	\$84.06	\$3.64	\$4.00	0.750	0.800
2026	\$76.00	\$81.60	\$97.17	\$98.10	\$84.33	\$85.74	\$3.95	\$4.08	0.750	0.800
2027	\$77.52	\$83.23	\$99.12	\$100.06	\$86.02	\$87.46	\$4.03	\$4.16	0.750	0.800
2028	\$79.07	\$84.90	\$101.10	\$102.06	\$87.74	\$89.21	\$4.11	\$4.24	0.750	0.800
2029	\$80.65	\$86.59	\$103.12	\$104.10	\$89.50	\$90.99	\$4.19	\$4.33	0.750	0.800
2030	\$82.26	\$88.33	\$105.18	\$106.18	\$91.29	\$92.81	\$4.27	\$4.42	0.750	0.800
2031	\$83.91	\$90.09	\$107.29	\$108.31	\$93.11	\$94.67	\$4.36	\$4.50	0.750	0.800
2032	\$85.59	\$91.89	\$109.43	\$110.47	\$94.97	\$96.56	\$4.44	\$4.59	0.750	0.800
2033	\$87.30	\$93.73	\$111.62	\$112.68	\$96.87	\$98.49	\$4.53	\$4.68	0.750	0.800

^{a)} Prices escalate at two percent after 2033, with the exception of foreign exchange which stays flat.

OUTLOOK: PREMIUM ASSET QUALITY DRIVES SUPERIOR RETURNS

Surge is a publicly traded intermediate oil company focused on enhancing shareholder returns through free cash flow generation. The Company's defined operating strategy is based on owning and developing high quality, large OOIP, conventional light and medium gravity crude oil reservoirs, and using proven technology to enhance ultimate oil recoveries.

Surge has now assembled dominant operational positions in two of the top four crude oil plays in Canada in its Sparky (>11,500 boepd; 85% medium gravity oil) and SE Saskatchewan (~8,000 boepd; 90% light oil) core areas, as independently evaluated by a leading brokerage firm⁴. Over 80 percent of the Company's current production and TPP NAV now comes from these two core areas.

In the first half of 2024, Surge continues to execute an active drilling program in both the Sparky and SE Saskatchewan core areas, with 29.7 net wells budgeted to be drilled.

Surge is well positioned to continue delivering attractive shareholder returns in 2024 and beyond, based on the following key corporate fundamentals:

⁴ Source: Peters & Co. Limited (January 16, 2024 North American Oil and Natural Gas Plays)



- Ownership of more than 3.1 billion of net (internally estimated) OOIP; with an estimated 7.7 percent recovery factor;
- Estimated 2024 average production of 25,000 boepd (87 percent liquids);
- Estimated 24 percent annual corporate decline¹;
- Estimated 2024 cash flow from operating activities of \$295 million⁵;
- \$48 million annual cash dividend (\$0.48 per share annual dividend, paid monthly);
- More than 1,000 (net) internally estimated drilling locations providing a 13-year drilling inventory³;
- \$1.2 billion in tax pools (approximate 4 year tax horizon at US\$75 WTI pricing); and
- Total Proved plus Probable net asset value ("NAV") of \$17.63 per share and Total Proved NAV of \$11.27 per share¹.

With cash flow strategically allocated between high rate of return capital expenditures, debt repayment, and cash dividends paid to shareholders, Management currently forecasts that the Company will achieve its previously announced Phase 2 return of capital net debt target in 2H/24, based on current crude oil pricing.

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 concerning: Surge’s declared focus and primary goals; Surge’s reserves, reserve life index, drilling inventory and locations and decline rates; the Company’s commitment to abandonment and reclamation work; Surge’s planned 2024 drilling program and focus; management’s belief that Surge is well positioned to deliver attractive shareholder returns; the Company’s tax horizon; and management’s expectations regarding the timing of the Company achieving Phase 2 of its return of capital net debt target.

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

⁵ Pricing Assumptions: US\$75 WTI, US\$16 WCS differential, US\$3.50 EDM differential, \$0.725 CAD/USD FX and \$2.95 AECO.



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 6, 2024 and in Surge's MD&A for the period ended December 31, 2023, both of which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

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 news release have been prepared effective as of January 1, 2024.

Net Asset Value is calculated as reserve value discounted at 10% on a BTax basis, less Surge's net debt at December 31, 2023 of \$290.1 million and is divided by 100.3 million basic shares.

PDP F&D (Finding & Development) is calculated on the Capital spent for 2023 development of all properties (other than those Acquired or Disposed of in 2023), divided by the sum of all reserve additions other than those from Acquisitions & Dispositions.

Recycle Ratio is equal to F&D divided by netback.



Finding, Development and Acquisition (FD&A) is the sum of the Capital spent for 2023 development including Acquisition & Divestiture properties, plus 2023 total Acquisition & Disposition capital, plus the delta on Future Development Costs (from 2022YE vs 2023YE), divided by the sum of all reserve additions including those from Acquisitions & Dispositions.

Reserve Life Index is calculated as total Company share reserves divided by Surge's estimated 2024 production (25,000 boe/d).

Sproule's 2023YE reserves have a PDP decline of 29 percent and a P+PDP decline of 26 percent.

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 January 1, 2024 reference date, the Company will have over >1,150 gross (>1,050 net) drilling locations identified herein; of these >615 gross (>575 net) are unbooked locations. Of the 489 net booked locations identified herein, 397 net are Proved locations and 92 net are Probable locations based on Sproule's 2023YE reserves. Assuming an average number of wells drilled per year of 80, Surge's >1,050 net locations provide 13 years of drilling.

Assuming a January 1, 2024 reference date, the Company will have over >475 gross (>470 net) Sparky Core area drilling locations identified herein; of these >285 gross (>285 net) are unbooked locations. Of the 186 net booked locations identified herein, 140 net are Proved locations and 46 net are Probable locations based on Sproule's 2023YE reserves. Assuming an average number of wells drilled per year of 40, Surge's >470 net locations provide >11 years of drilling.

Assuming a January 1, 2024 reference date, the Company will have over >340 gross (>290 net) SE Sask drilling locations identified herein; of these >160 gross (>140 net) are unbooked locations. Of the 153 net booked locations identified herein, 122 net are Proved locations and 31 net are Probable locations based on Sproule's 2023YE reserves. Assuming an average number of wells drilled per year of 40, Surge's >290 net locations provide >7 years of drilling.

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2023. 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 Qualifies Reserve Evaluators. All type curves fully comply with Part 5.8 of the Companion Policy 51 – 101CP.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures used by the Company to evaluate its financial performance, financial position or cash flow. These specified financial measures include non-GAAP financial measures and non-GAAP ratios, are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. Certain secondary financial measures in this press release – namely, "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow per boe", "free cash flow", "net debt", "net operating expenses", "net operating expenses per boe", "operating netback", and "operating netback per boe" are not prescribed by GAAP. These non-GAAP and other 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 and other financial 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 and other financial measures used in this document are defined below, and as applicable, reconciliations to the most directly comparable GAAP measure for the year ended December 31, 2023, have been provided to demonstrate the calculation of these measures:

Adjusted Funds Flow & Adjusted Funds Flow Per Share

Adjusted funds flow is a non-GAAP financial measure. The Company adjusts cash flow from operating activities in calculating adjusted funds flow for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other 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 and other costs represent expenditures associated with property acquisitions and dispositions, debt restructuring and employee severance costs, 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 a non-GAAP ratio, 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:

<i>(\$000s except per share amounts)</i>	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Cash flow from operating activities	79,712	78,975	266,141	276,125
Change in non-cash working capital	(11,261)	(14,152)	9,350	4,271
Decommissioning expenditures	8,255	2,367	15,560	7,895
Cash settled transaction and other costs	295	4,617	795	5,264
Adjusted funds flow	77,001	71,807	291,846	293,555
Per share - basic	\$0.77	\$0.82	\$2.95	\$3.47

Free Cash Flow

Free cash flow is a non-GAAP financial measure, calculated as cash flow from operating activities, before changes in non-cash working capital, less expenditures on property, plant and equipment and dividends paid. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

Net Debt

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

<i>(\$000s)</i>	As at Dec 31, 2023	As at Sep 30, 2023	As at Dec 31, 2022
Accounts receivable	53,354	74,624	60,623
Prepaid expenses and deposits	5,355	3,050	3,032
Accounts payable and accrued liabilities	(85,390)	(83,978)	(93,373)
Dividends payable	(4,013)	(4,013)	(3,375)
Bank debt	(42,797)	(11,900)	(30,597)
Term debt	(178,731)	(230,624)	(256,032)
Convertible debentures	(37,848)	(33,454)	(32,491)
Net Debt	(290,070)	(286,295)	(352,213)

Net Operating Expenses & Net Operating Expenses per boe

Net operating expenses is a non-GAAP financial measure, determined by deducting processing income, 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 when analyzed by management.



Net operating expenses per boe is a non-GAAP ratio, calculated as net operating expenses divided by total barrels of oil equivalent produced during a specific period of time.

(\$000s)	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Operating expenses	47,602	44,570	196,256	160,133
Less: processing income	(1,734)	(1,926)	(7,780)	(7,242)
Net operating expenses	45,868	42,644	188,476	152,891
Net operating expenses (\$ per boe)	19.90	20.98	21.13	19.70

Operating Netback, Operating Netback per boe, and Adjusted Funds Flow per boe

Operating netback is a non-GAAP financial measure, calculated as petroleum and natural gas revenue and processing and other income, less royalties, realized gain (loss) on commodity and FX contracts, operating expenses, and transportation expenses. Operating netback per boe is a non-GAAP ratio, calculated as operating netback divided by total barrels of oil equivalent produced during a specific period of time. There is no comparable measure in accordance with IFRS. This metric is used by management to evaluate the Company's ability to generate cash margin on a unit of production basis.

Adjusted funds flow per boe is a non-GAAP ratio, calculated as adjusted funds flow divided by total barrels of oil equivalent produced during a specific period of time.

Operating Netback & Adjusted Funds Flow are Calculated on a per unit basis as follows:

(\$000s)	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Petroleum and natural gas revenue	168,453	165,808	670,375	727,228
Processing and other income	1,734	1,926	7,780	7,242
Royalties	(31,235)	(27,449)	(119,513)	(127,548)
Realized gain (loss) on commodity and FX contracts	2,351	(9,580)	(3,164)	(98,145)
Operating expenses	(47,602)	(44,570)	(196,256)	(160,133)
Transportation expenses	(3,411)	(2,846)	(13,755)	(11,272)
Operating netback	90,290	83,289	345,467	337,372
G&A expense	(5,041)	(4,190)	(19,158)	(16,626)
Interest expense	(8,248)	(7,292)	(34,463)	(27,191)
Adjusted funds flow	77,001	71,807	291,846	293,555
Barrels of oil equivalent (boe)	2,304,615	2,032,892	8,920,018	7,760,455
Operating netback (\$ per boe)	\$39.18	\$40.97	\$38.73	\$43.47
Adjusted funds flow (\$ per boe)	\$33.41	\$35.15	\$32.72	\$37.83



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