



SURGE ENERGY INC. ANNOUNCES CLOSING OF ACCRETIVE \$320 MILLION LIGHT OIL ACQUISITION; \$200 MILLION INCREASE TO CREDIT FACILITY; ANTICIPATED DIVIDEND INCREASE; Q3/18 PRODUCTION EXCEEDS 2018 EXIT RATE

CALGARY, ALBERTA (October 25, 2018) Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce that it has successfully completed the previously announced acquisition (the "Acquisition") of Mount Bastion Oil & Gas Corp. ("MBOG") pursuant to an arrangement (the "Arrangement") under the provisions of the *Business Corporations Act* (Alberta).

SPECIAL MEETING RESULTS; GREATER THAN 99% VOTE IN FAVOR

All of the issued and outstanding common shares of MBOG were acquired by Surge for aggregate consideration consisting of \$145 million in cash and approximately 75.4 million common shares of Surge ("Surge Shares"). At the special meeting of Surge shareholders to approve the issuance of the Surge Shares pursuant to the Acquisition, held on October 24, 2018, 42.79% of the outstanding Surge Shares were represented and the issuance was approved by 99.31% of the Surge Shares voted at the meeting.

INCREASE TO CREDIT FACILITY

Effective today, Surge's revolving credit facility was increased by 57 percent from \$350 million to \$550 million. As of the close of the Acquisition, approximately \$400 million is currently drawn on the credit facility, providing Surge with approximately \$150 million in available liquidity.

DIVIDEND INCREASE

As previously announced, Surge anticipates increasing its dividend by 25 percent, from \$0.10 per share annually (\$0.008333 per month) to \$0.125 per share annually (\$0.0104166 per month). The proposed increase is expected to be effective for Surge's regular monthly dividend to be paid in December 2018. Any dividend increase will be subject to the approval of Surge's Board of Directors.

Q3/18 AVERAGE PRODUCTION EXCEEDS 2018 EXIT RATE

Based on continued successful development drilling results in Surge's Sparky, Valhalla, and Shaunavon core areas, together with consistent waterflood results at Shaunavon and Sparky, the Company's Q3/18 production averaged 18,029 boepd (79 percent oil and liquids).

The Company's Q3/18 production exceeded Surge's previously released 2018 production exit rate guidance of 17,175 boepd by five percent, and exceeded analyst consensus production estimates of 16,880 boepd¹ for Q3/18 by seven percent.

¹ Consensus average production of 16,880 boepd as per Thomson Reuters as at October 23rd, 2018.



Over the last nine financial quarters Surge has now grown the Company's production per share by 41 percent. The Company has upwardly revised production five times over the 27 month period (i.e. prior to the MBOG Acquisition) – two times organically, and three times relating to accretive core area acquisitions.

Surge's continued quarterly operational outperformance has been accomplished within the Company's existing capital expenditure budget guidance of \$107 million for 2018.

The Company's Q3/18 results are expected to be released on November 6, 2018, and do not include any operational or financial contribution from the Arrangement.

For further details regarding the Company's 2019 guidance, please see Surge's Press Release dated September 5, 2018.

ADVISORS

Macquarie Capital Markets Canada Ltd. is acting as exclusive financial advisor to Surge with respect to the Acquisition. McCarthy Tétrault LLP is acting as legal advisor to Surge with respect to the Acquisition. GMP FirstEnergy and BMO Capital Markets have also been appointed strategic advisors to Surge.

National Bank Financial Inc. acted as financial advisor to MBOG on the Acquisition.

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: management's expectations with respect to 2018 exit and 2019 production volumes, Surge's oil and liquids weighting, Surge's 2019 exploration and development capital expenditures and Surge's 2019 corporate base decline; the timing of the release of Surge's Q3/18 results; the potential increase in Surge's dividend; and the availability of Surge's bank line to fund provide the Company with liquidity.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, adjusted funds 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 availability of capital, the determination of decommissioning liabilities, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs, the availability and cost of capital, labour and services, the credit worthiness of industry partners and the impact of transactions on Surge's bank line.



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 and failure to obtain the continued support of the lenders under Surge's current bank line. Certain of these risks are set out in more detail in Surge's Annual Information Form dated March 15, 2018 and in Surge's MD&A for the period ended June 30, 2018, 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 Metrics

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 means barrel of oil equivalent per day.]

FURTHER INFORMATION:

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