Surge Energy

Surge Energy Inc. Announces $30 Million Convertible Debenture Financing

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CALGARY, April 17, 2019 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce that it has entered into a $30 million bought-deal financing (the "Convertible Debenture Financing") of five-year convertible unsecured subordinated debentures (the "Debentures") with a syndicate of underwriters (the "Underwriters") led by National Bank Financial Inc.. The Debentures will have a coupon of 6.75 percent per annum, and a conversion price of $2.25 per Surge common share ("Common Share"). The Company has granted the Underwriters an over-allotment option to purchase up to an additional $4.5 million aggregate principal amount of the Debentures, on the same terms, exercisable in whole or in part at any time up to the 30th day following initial closing of the Convertible Debenture Financing.

The net proceeds from the Convertible Debenture Financing will be used to pay down a portion of the outstanding indebtedness under the Company's revolving term credit facility.

The Debentures will mature and be repayable on June 30, 2024 (the "Maturity Date") and will accrue interest at the rate of 6.75 percent per annum payable semi-annually in arrears on December 31 and June 30 of each year (each an "Interest Payment Date"), with the first such payment to be made December 31, 2019. The Company will have the option to satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, due on the Maturity Date upon at least 40 days' and not more than 60 days' prior notice, by delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the Debentures by 95 percent of the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending on the fifth trading day preceding the Maturity Date.

At the holder's option, the Debentures will be convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, or (ii) if called for redemption, the date fixed for redemption by the Company, at a conversion price of $2.25 per Common Share, subject to adjustment in certain events (the "Conversion Price"). This represents a conversion rate of approximately 444.4444 Common Shares for each $1,000 principal amount of Debentures, subject to the operation of certain anti-dilution provisions expected to be contained in the indenture under which the Debentures are issued. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the last Interest Payment Date prior to the date of conversion to the date of conversion. In addition to the foregoing, in the event of a change of control of the Company, subject to certain terms and conditions, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per $1,000 principal amount of Debentures.

The Debentures will be direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Company's revolving credit facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

The Debentures will not be redeemable by the Corporation prior to June 30, 2022. On or after June 30, 2022 and prior to June 30, 2023, the Debentures will be redeemable by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days prior to the date on which notice of redemption is provided is not less than 125 percent of the Conversion Price. On or after June 30, 2023 and prior to the Maturity Date, the Debentures will be redeemable by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any. Subject to certain conditions, the Company will have the option to satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, due upon redemption, by delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the Debentures by 95 percent of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption.

The Debentures will be offered in all provinces of Canada, by way of short form prospectus and in certain other jurisdictions as may be agreed by the Underwriters and the Company. The Convertible Debenture Financing is expected to close on or about May 8, 2019 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals and consents, including the approval of the Toronto Stock Exchange.

The Debentures offered, and the Common Shares issuable on conversion or redemption thereof, have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Act. This press release does not constitute an offer to sell or a solicitation of any offer to buy the common shares in the United States.

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 the anticipated terms of, use of net proceeds from and closing date of, the Convertible Debenture Financing.

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; Surge's ability to obtain all necessary approvals and consents; 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 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 bank line. Certain of these risks are set out in more detail in Surge's Annual Information Form dated March 12, 2019 and in Surge's MD&A for the period ended December 31, 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.

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

SOURCE Surge Energy Inc.

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