

Surge Energy Inc. Announces Second Quarter Financial and Operating Results; and Corporate Update

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CALGARY, AB, July 30, 2020 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce its financial and operating results for the quarter ended June 30, 2020.



CORPORATE UPDATE - CRUDE PRICE FUNDAMENTALS IMPROVING

1. Managing The Pandemic:

Surge's management team has an established track record of making proactive capital allocation decisions to protect stakeholder's capital.

When oil prices were over US \$63 WTI in late 2019/early 2020, Surge systematically layered in WTI crude oil hedges in order to lock-in 2020 oil prices at attractive, pre-COVID levels. As two Black Swan events (i.e. COVID-19, and the Saudi/Russia oil price war) occurred simultaneously in 1H/20, causing crude prices to drop to US \$11.57 WTI per bbl on April 21, 2020, Surge management acted decisively to preserve stakeholder's capital by:

- Being the first public oil company in Canada to suspend its dividend;
- Cutting capital expenditures quickly in Q1/20;
- Being the first public oil company in Canada to shut-in meaningful lower netback production (approximately 21 percent); and
- Focusing on rigorous cost cutting measures.

In 1H/20, managements strategic hedging program worked very well, with Surge reporting a realized hedging gain of \$29 million. Accordingly, Surge was actually able to reduce net debt¹ in both Q2/20 and 1H/20 – during the COVID-19 crisis, and during the Saudi/Russia crude oil price war.

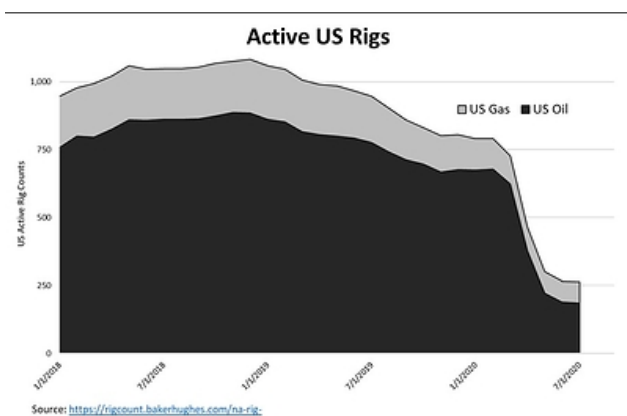
In addition, with crude prices now recovering, Surge forecasts net debt to drop meaningfully throughout 2H/20 at strip oil prices.

2. Crude Prices Are Rallying:

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 6-7 million barrels per day.²

COVID-19 fears, the Saudi/Russia oil price war, and the subsequent spike down in world crude oil prices in 1H/20, 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 June/20:

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Crude oil prices have now risen by more than 240 percent in just the last 3.5 months to approximately US\$40 WTI per bbl, and the 2020 forward strip for oil prices has moved up in tandem to US\$41 per bbl.

Against this backdrop of crude oil price fundamentals improving, it is important to stress that Surge possesses **3 of the key operational indicia** for highly successful oil companies, namely:

1. A very low annual corporate decline (less than 19 percent per year);
2. Top tier production efficiencies (Sparky PE's are <\$10,000 boepd on an IP90 basis); and
3. High operating netbacks³ (Surge's entire Sparky core area operating netback (unhedged) for the month of June/20 was \$27 per boe @ US\$38 per bbl WTI pricing).

Q2 2020 FINANCIAL HIGHLIGHTS

While the COVID-19 crisis and the Saudi/Russia crude oil price war drove WTI crude oil prices to an average of US\$27.85 per barrel in Q2/20, Surge was actually able to reduce net debt in Q2/20, as well as 1H/20.

Surge realized over \$15 million in hedging gains in the second quarter of 2020 pursuant to the Company's ongoing strategic hedging program, and \$29 million in hedging gains during the first half of 2020. In addition, the Company has continued to execute on attractive crude oil hedges for 2021, as well as natural gas hedges for fall and winter 2020 and calendar 2021.

With crude oil prices having increased more than 240 percent from the April 21, 2020 low of US\$11.57 WTI per barrel, Surge began to bring curtailed production back on in June. Management's expectation is that, based on current oil prices, the Company will have virtually all curtailed production back on by mid-August. Surge's ability to restart production is not simply due to increasing oil prices, but also driven by field cost optimization work (i.e. lowering the break-even price for several of the Company's higher cost properties).

Surge is currently participating in (or exploring) all applicable Government assistance programs relating to the COVID-19 pandemic. The Company has received \$2.9 million for the Alberta Site Rehabilitation Program ("SRP").

Surge remains committed to its own internal ESG initiatives and currently expects to spend an additional \$2 million in 2H/20 (over and above any grants received through the SRP).

FINANCIAL AND OPERATING HIGHLIGHTS

(\$000s except per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Financial highlights						
Oil sales	28,432	104,387	(73)%	89,643	195,515	(54)%
NGL sales	644	1,649	(61)%	1,707	4,074	(58)%
Natural gas sales	1,429	1,629	(12)%	2,861	5,944	(52)%
Total oil, natural gas, and NGL revenue	30,505	107,665	(72)%	94,211	205,533	(54)%
Cash flow from operating activities	2,970	45,807	(94)%	46,108	74,715	(38)%
Per share - basic (\$)	0.01	0.15	(93)%	0.14	0.24	(42)%
Adjusted funds flow*	8,854	50,742	(83)%	38,882	92,593	(58)%
Per share - basic (\$)*	0.03	0.16	(81)%	0.12	0.30	(60)%
Net loss**	(61,159)	(2,611)	2,242 %	(676,386)	(10,594)	6,285 %
Per share basic (\$)	(0.18)	(0.01)	1,700 %	(2.03)	(0.03)	6,667 %
Total exploration and development expenditures	3,516	25,197	(86)%	36,020	66,458	(46)%
Total acquisitions & dispositions	(5,276)	(29,166)	(82)%	(5,276)	(56,973)	(91)%
Total capital expenditures	(1,760)	(3,969)	(56)%	30,744	9,485	224 %

Net debt*, end of period	376,907	391,020	(4)%	376,907	391,020	(4)%
Operating highlights						
Production:						
Oil (bbls per day)	13,813	17,366	(20)%	15,352	17,454	(12)%
NGLs (bbls per day)	528	727	(27)%	546	685	(20)%
Natural gas (mcf per day)	16,664	20,706	(20)%	17,036	20,685	(18)%
Total (boe per day) (6:1)	17,118	21,544	(21)%	18,737	21,587	(13)%
Average realized price (excluding hedges):						
Oil (\$ per bbl)	22.62	66.05	(66)%	32.08	61.89	(48)%
NGL (\$ per bbl)	13.41	24.93	(46)%	17.19	32.84	(48)%
Natural gas (\$ per mcf)	0.94	0.86	9 %	0.92	1.59	(42)%
Netback (\$ per boe)						
Petroleum and natural gas revenue	19.58	54.92	(64)%	27.63	52.60	(47)%
Realized gain (loss) on commodity and FX contracts	9.93	(1.29)	(870)%	8.50	(0.83)	(1,124)%
Royalties	(2.06)	(7.03)	(71)%	(3.44)	(6.36)	(46)%
Net operating expenses*	(14.50)	(14.03)	3 %	(14.39)	(14.58)	(1)%
Transportation expenses	(1.70)	(1.33)	28 %	(1.67)	(1.66)	1 %
Operating netback*	11.25	31.24	(64)%	16.63	29.17	(43)%
G&A expense	(1.99)	(1.86)	7 %	(1.91)	(1.82)	5 %
Interest expense	(3.57)	(3.48)	3 %	(3.31)	(3.66)	(10)%
Adjusted funds flow*	5.69	25.90	(78)%	11.41	23.69	(52)%
Common shares outstanding, end of period	335,069	314,051	7 %	335,069	314,051	7 %
Weighted average basic shares outstanding	335,069	314,010	7 %	333,628	311,742	7 %
Stock option dilution	—	—	—%	—	—	—%
Weighted average diluted shares outstanding	335,069	314,010	7 %	333,628	311,742	7 %

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

** For the six months ended June, 2020, the Company incurred a net loss of \$676.4 million, including a non-cash asset impairment charge of \$590.6 million recognized in the first quarter of 2020 primarily due to a decrease in the average independent engineering price forecasts. The impairment charge does not impact the Company's adjusted funds flow, and is reversible in future periods should there be any indicators that the value of the assets has increased.

OPERATIONS UPDATE

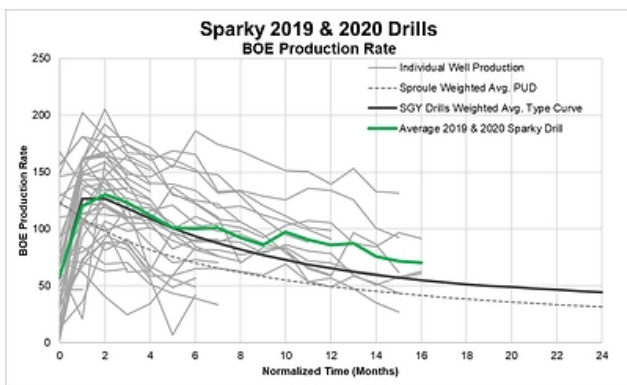
1. Focus on the Sparky:

Surge's Sparky play has now emerged as one of the premium, conventional, medium/light crude oil growth plays in Canada. The Company has now drilled 138 consecutive successful horizontal Sparky wells⁴, and grown production in its Sparky core area by more than 650% from 1,200 boepd (95% oil) to more than 9,000 boepd (95% oil), over the last 6 years.

Surge's 19 well Sparky drilling program in 1H/20 delivered more than 2,500 boepd of estimated total production additions, for "all-in" capital expenditures of \$22 million - providing production efficiencies of \$8,800 per boepd (IP-90).

In Q4/19 and Q1/20 Surge drilled a combined total of 27 Sparky horizontal wells, and the average from these wells is outperforming the weighted average of the Company's independently engineered Sproule type curve. The Company has also recently completed an internal technical review which determined that production from the 200m infill Sparky horizontal wells is statistically identical to that of the original primary wells that were spaced at 400m. Surge's Sparky drilling results are set forth below:

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Due to the Sparky's large OOIP per section, shallow depths, and low on-stream costs, a Sparky well generates a risked rate of return of 145% (undiscounted) at US\$45 WTI per barrel flat pricing⁵.

Surge's Sparky core area now constitutes approximately 50 percent of the Company's total production. Today, the Company has an internally estimated 12+ year Sparky drilling inventory of approximately 500 net locations⁵.

2. Prolific, Conventional Montney Light Oil Play:

At the Valhalla core area, in Q4/19 Surge drilled the Company's first Montney horizontal well into Surge's large OOIP Montney turbidite pool - which is a conventional light oil pool. This well had an IP30 oil rate of more than 1,000 bopd, has cumulative production of over 132,000 barrels of oil in 6 months (IP 180 of 735 bopd), and continues to produce at more than 500 bopd today.

Surge has a number of follow-up Montney turbidite locations at Valhalla.⁵

OUTLOOK – POSITIONING FOR THE OIL PRICE TURNAROUND

In 2019, with US WTI crude oil prices averaging US\$57 WTI per bbl, Surge maintained the Company's annual production (cost effectively), paid its prior dividend (using just 17 percent of the Company's adjusted funds flow⁶), and reduced net debt by \$79 million.

When the two Black Swan events of COVID-19 and the SaudiRussia crude oil price war occurred simultaneously in 1H/20, Surge management's priority turned decisively to preserving stakeholder capital.

As discussed above, the Company's strategic hedging program worked very well; Surge's net debt is now forecast to drop meaningfully throughout 2020 at strip oil prices.

Today, crude oil prices are up over 240 percent in 3.5 months to approximately US\$40 WTI per barrel, and strip oil prices have moved up in tandem to US\$41 per barrel.

In addition, Surge's scalable, medium/light gravity Sparky crude oil play provides shareholders the opportunity to benefit from the proven production growth associated with this premium, low cost conventional asset. Management believes that Surge's premium Sparky growth oil asset is unique within the Company's entire peer group in Canada.

COVID-19: PROTECTING STAFF, FAMILIES, SERVICE PROVIDERS, STAKEHOLDERS AND THE PUBLIC

In response to the rapidly evolving COVID-19 pandemic, Surge has taken appropriate steps to protect its staff, their families, service providers, stakeholders, and the general public. Health and safety is our number one priority and we have a dedicated team working on proactive measures to limit COVID-19 from negatively impacting our employees and business.

Surge has taken steps to slow the spread of the virus, including heeding the government's advice for physical distancing. We closed our Calgary office for over three months and staff seamlessly transitioned to working remotely. Staff have now returned to work at the office with safety measures in place. We have mitigation plans in place for all field operations staff across Western Canada. These measures protect their health while they work diligently to ensure the safety and security of our facilities as well as continuing to deliver reliable production. In addition, Surge has proactively implemented enhanced cleaning and sanitation measures at all company work locations.

We are continuing to monitor the situation, taking guidance from health authorities, and looking for opportunities to participate in any activities that will slow the spread of the virus and "flatten the curve". We thank our staff, their families, our partners, and the communities in which we operate, for their participation in these proactive measures.

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 ability of management to protect stakeholder's capital; projected decrease in the Company's net debt in 2H/20; potential worldwide decline in oil production; 2020 forward strip oil prices; management's expectations and plans with respect to the development of its assets and the timing thereof; Surge's assets and performance, the characteristics thereof, and the potential for shareholders to benefit from such assets; drilling inventory of Surge; possession by Surge of certain key operational indicia of highly successful oil companies; Surge's operational and financial flexibility for the balance of 2020; the ability of Surge to maximize corporate cash flows; Surge's declared focus and primary goals; the impacts of COVID-19 on our business and measures taken in response thereto; the societal, economic and governmental response to COVID-19; the continued participation and exploration by Surge in all applicable Government assistance programs relating to COVID-19, and additional funding expected to be received by Surge as a result of such programs; Surge's continued commitment to ESG initiatives; Surge's capital expenditure program and its flexibility to make adjustments thereto; Surge's current and potential production curtailments and its ability to restart such production; Surge's cost reduction efforts and the anticipated results and benefits therefrom; commodity prices and management's ability to react to changes thereto; Surge's risk management program; Surge's hedging program and the characteristics thereof; the ability of Surge to continue to execute attractive hedges for 2020/2021; the select working-over of wells by Surge; and the suspension of Surge's dividend and the timing for reimplementation.

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 as a result of fluctuating commodity prices and reserve determinations by the lenders or otherwise.

Certain of these risks are set out in more detail in Surge's AIF dated March 9, 2020 and in Surge's MD&A for the period ended December 31, 2019, 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. "Bopd" and "bbl/d" 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.

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, 2020.

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.

The Company's Sparky core area has 184 net booked locations, of which 137 net are Proved locations and 47 net are Probable locations based on 2019YE reserves.

The Company has 9 net Montney booked locations, of which 8 net are Proved locations and 1 net Probable location based on 2019YE reserves.

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2020. 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. Sparky well economics of a 145% risked rate of return (undiscounted) @ \$45 WTI, assume 113 mboe EUR per well, \$1.15 MM/well (Drill, Complete, Equip & Tie-in), and a \$25/boe netback.

Non-GAAP Financial Measures

Certain secondary financial measures in this press release – namely, "adjusted funds flow", "adjusted funds flow per share", "net 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 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 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 and six months ended June 30, 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
(\$000s except per share amounts)	2020	2019	2020	2019
Cash flow from operating activities	2,970	45,807	46,108	74,715
Change in non-cash working capital	5,733	3,126	(9,015)	14,168
Decommissioning expenditures	151	1,111	1,691	2,818
Cash settled transaction and other costs	—	698	98	892
Adjusted funds flow	\$ 8,854	\$ 50,742	\$ 38,882	\$ 92,593
Per share - basic	\$ 0.03	\$ 0.16	\$ 0.12	\$ 0.30

Net Debt

There is no comparable measure in accordance with IFRS for net debt. Net debt is calculated as bank debt 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.

Net Operating Expenses

	As at		
(\$000s)	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Bank debt	(306,549)	(305,804)	(319,503)
Accounts receivable	27,503	29,738	38,310
Prepaid expenses and deposits	5,828	4,672	8,113
Accounts payable and accrued liabilities	(33,782)	(43,718)	(47,771)
Convertible debentures	(69,907)	(69,295)	(67,552)
Dividends payable	—	(279)	(2,617)
Total	\$ (376,907)	\$ (384,686)	\$ (391,020)

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 and adjusted funds flow per boe for the three and six months ended June 30, 2020 are calculated on a per unit basis as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(\$000s)	2020	2019	2020	2019
Petroleum and natural gas revenue	30,505	107,665	94,211	205,533
Processing and other income	1,112	783	2,832	1,257
Royalties	(3,215)	(13,788)	(11,720)	(24,849)
Realized gain (loss) on commodity and FX contracts	15,464	(2,537)	28,973	(3,253)
Operating expenses	(23,706)	(28,297)	(51,905)	(58,210)
Transportation expenses	(2,641)	(2,616)	(5,687)	(6,479)
Operating netback	17,519	61,210	56,704	113,999
G&A expense	(3,102)	(3,652)	(6,518)	(7,122)
Interest expense	(5,563)	(6,816)	(11,304)	(14,284)
Adjusted funds flow	8,854	50,742	38,882	92,593
Barrels of oil equivalent (boe)	1,557,700	1,960,535	3,410,114	3,907,211
Operating netback (\$ per boe)	\$ 11.25	\$ 31.24	\$ 16.63	\$ 29.17
Adjusted funds flow (\$ per boe)	\$ 5.69	\$ 25.90	\$ 11.41	\$ 23.69

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.

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- 1 This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document
 - 2 SAF Group; Research; June 20, 2019: www.safgroup.ca
 - 3 This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.
 - 4 A successful Sparky well has an IP180 > 50 bbl/d
 - 5 See Drilling Locations in Forward Looking Statements
 - 6 This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.



SOURCE Surge Energy Inc.

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<https://surgeenergy.mediaroom.com/2020-07-30-Surge-Energy-Inc-Announces-Second-Quarter-Financial-and-Operating-Results-and-Corporate-Update>