



SURGE ENERGY INC. ANNOUNCES \$42 MILLION CONVERTIBLE DEBENTURE BOUGHT DEAL FINANCING AND INTENTION TO REDEEM EXISTING CONVERTIBLE DEBENTURES DUE JUNE 30, 2024

CALGARY, ALBERTA (September 28, 2023) – Surge Energy Inc. (“Surge” or the “Company”) (TSX: SGY) is pleased to announce a public offering (the “Offering”) on a “bought deal” basis, of \$42 million principal amount of convertible unsecured subordinated debentures, at a price of \$1,000 per debenture, with an interest rate of 8.50% per annum, payable semi-annually in arrears on the last day of June and December commencing on June 30, 2024 (the “Debentures”). The Debentures will mature on December 31, 2028. The completion of the Offering is subject to normal regulatory approvals, including approval of the TSX, and is expected to close on or about October 19, 2023.

The net proceeds of the Offering are intended to be used to fund the redemption of the Company’s 6.75% convertible unsecured subordinated debentures due June 30, 2024 (the “2019 Debentures”), as well as for general corporate purposes. Pending any such use, the net proceeds of the Offering may temporarily be used to reduce general corporate indebtedness.

NEW DEBENTURE OFFERING

The Offering is being made through a syndicate of underwriters led by National Bank Financial Inc. The Company has also granted the underwriters the option to purchase up to \$6.3 million principal amount of additional Debentures at a price of \$1,000 per Debenture to cover over-allotments, exercisable in whole or in part any time up to 30 days following closing of the Offering.

The Debentures will be convertible at the holder’s option into fully paid and non-assessable freely tradeable shares at a conversion price of \$13.25 per share (the “Conversion Price”). The Debentures will not be redeemable before December 31, 2026. On or after December 31, 2026 and prior to December 31, 2027, the Debentures may be redeemed in whole or in part from time to time at the option of the Company at par plus accrued and unpaid interest, if any, to but excluding the date of redemption, provided that the volume weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2027, the Debentures may be redeemed at the option of the Company at any time at par plus accrued and unpaid interest, if any, to but excluding the date of redemption.

The Debentures will be offered in each of the provinces of Canada, except for Quebec, by way of a short form prospectus, and by way of private placement in the United States to Qualified Institutional Buyers pursuant to Rule 144A. Closing of the Offering is expected to occur on or about October 19, 2023. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange of the listing of the Debentures and the Common Shares issuable upon conversion of the Debentures.

This press release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities being offered have not been and will not be registered under the U.S. Securities Act of 1933 as amended and may not be offered or sold in the United States absent registration or pursuant to applicable exemption from registration.



INTENTION TO REDEEM 2019 DEBENTURES

Surge intends to redeem (the “Redemption”) the \$34.5 million principal amount of Surge’s 2019 Debentures, no later than 60 days after the closing of the Offering. The 2019 Debentures are redeemable prior to maturity at the option of the Company for an amount equal to \$1,000 for each \$1,000 principal amount of the 2019 Debentures plus accrued and unpaid interest up to but excluding the redemption date. Surge intends to provide a formal notice of redemption to the holders of the 2019 Debentures in accordance with the terms and conditions of the trust indenture governing the 2019 Debentures, which will set out the price at which the 2019 Debentures shall be redeemed as well as the redemption date.

ABOUT SURGE ENERGY INC.

Surge is an intermediate, publicly traded oil company focused on enhancing shareholder returns through free cash flow generation. The Company's defined operating strategy is based on acquiring and developing high-quality, conventional oil reservoirs using proven technology to enhance ultimate oil recoveries.

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 Offering; and Surge’s intention to redeem the 2019 Debentures and the anticipated timing thereof. .

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions around 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 8, 2023 and in Surge's MD&A for the period ended December 31, 2022, 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.

For more information about Surge, please visit our website at www.surgeenergy.ca

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