Surge Energy

SURGE ENERGY INC. ANNOUNCES CLOSING OF CONVERTIBLE DEBENTURE FINANCING AND NOTICE OF REDEMPTION OF 6.75% CONVERTIBLE DEBENTURES DUE JUNE 30, 2024

CALGARY, AB, Oct. 19, 2023 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce that it has closed the previously announced convertible debenture financing with a syndicate of underwriters (the "Underwriters"), led by National Bank Financial Inc., pursuant to which the Underwriters purchased an aggregate principal amount of $48.3 million of convertible unsecured subordinated debentures of the Company (the "Debentures"), including exercise in full of the over-allotment option granted to the Underwriters (the "Over-Allotment Option") on a "bought-deal" basis (the "Financing").

The net proceeds of the Financing will be used to fund the redemption of the Company's currently outstanding $34,500,000 6.75% Convertible Unsecured Subordinated Debentures due June 30, 2024 (the "2019 Debentures"), as well as for general corporate purposes. Pending the repayment of the 2019 Debentures, the net proceeds of the Financing may temporarily be used to reduce general corporate indebtedness.

The Debentures are listed on the Toronto Stock Exchange (the "TSX") under the symbol "SGY.DB.B" (CUSIP 86880YAC3).

The Debentures offered, and the common shares in the capital of the Company 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.

NOTICE OF REDEMPTION OF 6.75% CONVERTIBLE DEBENTURES

Surge is also pleased to announce that it has issued a notice of redemption to holders of the 2019 Debentures. The 2019 Debentures are not subject to a pre-payment penalty.

As set out in the notice of redemption, Surge will redeem, as of November 18, 2023 ("Redemption Date"), all of the aggregate principal amount of the 2019 Debentures for cash. On the Redemption Date, Surge will pay the aggregate principal amount of the 2019 Debentures (being $1,000 for each 2019 Debenture) plus all accrued and unpaid interest thereon to but excluding the Redemption Date (less any tax required to be deducted) (collectively, the "Redemption Price").

The 2019 Debentures are listed on the TSX under the symbol "SGY.DB.A" (CUSIP 86880YAB5).

In accordance with the terms of the indenture governing the 2019 Debentures, holders of the 2019 Debentures have the right to convert their 2019 Debentures, at their option, into common shares of Surge ("Surge Shares") at a conversion price of approximately $19.12 per Surge Share, at any time prior to 5:00 p.m. Calgary time on November 17, 2023. A holder electing to convert the principal amount of their 2019 Debentures will receive approximately 52 Surge Shares per $1,000 principal amount of 2019 Debentures converted, plus a cash payment for accrued unpaid interest up to, but excluding, the date of conversion (less any tax required to be deducted). No fractional shares will be issued on conversion but, in lieu thereof, the Company will pay the cash equivalent thereof determined on the basis of the Current Market Price (as defined in the indenture governing the 2019 Debentures) of the Surge Shares on the date of conversion.

All holders of 2019 Debentures who fail to deliver a notice of conversion on or prior to 5:00 p.m. Calgary time on November 17, 2023 (or such other earlier time as may be indicated by their broker, dealer, bank, trust company or other nominee), will have their 2019 Debentures redeemed on the Redemption Date for a cash payment equal to the Redemption Price.

As all of the 2019 Debentures were issued in "book-entry only" form and are held by CDS Clearing and Depository Services Inc., beneficial holders of the 2019 Debentures must contact their broker, dealer, bank, trust company or other nominee to exercise their right to convert their 2019 Debentures.

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.](http://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

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



SOURCE Surge Energy Inc.

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