

# SUSTAINABILITY REPORT 2021

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*A Value Orientated, Public Energy Company  
Driving Sustainable Returns*



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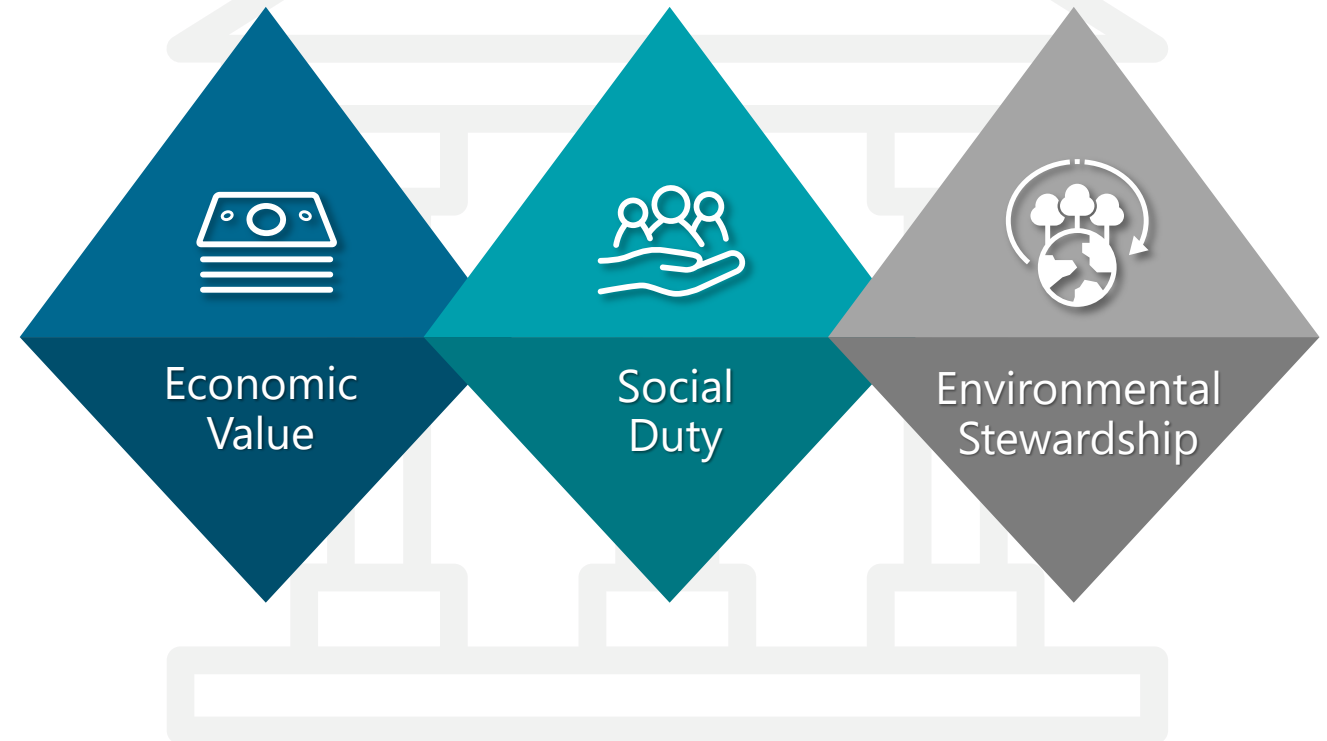
## ABOUT THIS REPORT

The information contained in this report is intended for Surge Energy Inc.'s ("Surge", or the "Company", or "we") internal and external stakeholders and covers its performance data for 2019 through 2021.

In 2020, Surge established a mandate to report under the Task-Force for Climate-related Financial Disclosures ("TCFD"). The TCFD was created to help provide a standardized framework for disclosing climate-related financial risks across all industries. In 2021, Surge continued to incorporate the recommended guidelines under TCFD and reaffirmed our commitment to continually improving our systems of data capture and collection.

**The core pillars of our sustainability program are driven by strong governance programs**

# GOVERNANCE



## WHO WE ARE

Surge Energy Inc is a Calgary-based public company focused on the acquisition, development and production of crude oil and natural gas assets in Western Canada.

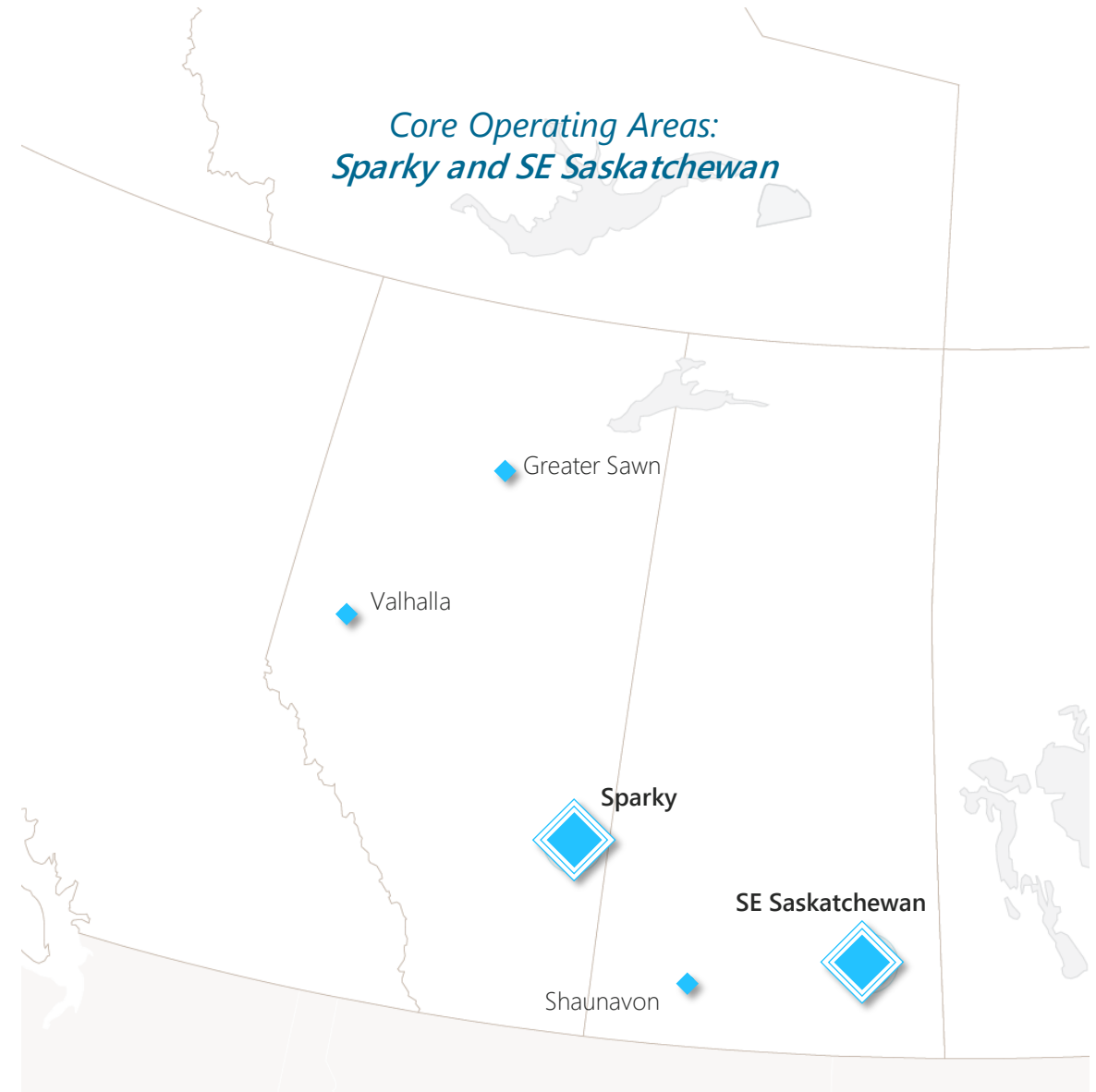
Surge focuses on low-risk conventional reservoirs with large oil-in-place and low recovery factors. The Company strives to maintain a high working interest on our properties, which allows us to develop these premium assets in a sustainable manner.

### Corporate Overview

	2021	2020
Production (boe/d)	17,642	17,976
% Oil and NGL's	84%	84%
Royalties (\$000's)	58,465	24,498
Cash flow from operating activities (\$000's)	100,484	72,190

**\$100.4MM**  
Cash flow from operating activities

**\$58.5MM**  
Royalties paid to government





## OUR VISION

**Surge is a leader and trusted steward in the responsible development of Canadian resources. Through sustainable asset development and continuous engagement with stakeholders, we are dedicated to creating value for current and future generations.**

Surge believes that sustainable development is not just a catch phrase, but a core pillar of our business. Our team takes great pride in balancing near term economic factors with longer term social and environmental impacts. By doing business this way, we can take all stakeholders into consideration - from shareholders to landowners.

Surge has demonstrated the ability to balance these varied interests without detracting from our fundamental commitment to create and unlock shareholder value. When Surge realizes business success, it enables us to share that success with all Canadians through higher provincial royalty payments. This additional government revenue goes towards funding critical infrastructure such as roads, schools, hospitals and social programs throughout Canada.

Surge is also proud of the value we create within our communities to provide local employment opportunities and negotiating fair payments to landowners. Surge is very proud of the work we do and will continue to strive to do business the right way.

## MESSAGE TO STAKEHOLDERS

### *Building Upon Success*

We are proud of our 2021 environmental, social, and governance (“ESG”) leadership. We continued to build upon the strong foundation set out in our inaugural 2020 ESG report. Over the past year, we’ve developed, and executed upon, several projects that help deliver on Surge’s commitment to emissions reduction; were recognized for being a leader in our community; and continued to offer long-term solutions to our industry’s challenges.

During 2021, the Company installed a gas gathering pipeline in SE Saskatchewan that captures gas which was previously flared. Building upon our success and learnings from this SE Saskatchewan project, we installed gas compressors in our Shaunavon property. Together, these projects help Surge reduce emissions by over 100,000 tonnes of CO<sub>2</sub>e annually while increasing the economics of the area by selling the compressed gas to 3rd parties.

Surge’s work within the community was recognized in 2021 by being awarded the United Way’s “Award of Excellence” in the under 250-employee category. This award recognizes outstanding and innovative United Way campaigns and our commitment to making Calgary a resilient and caring community. Surge is committed to continuing our award-winning programs and partnerships that will continue to benefit our local community.

Finally, Surge would like to thank all of our staff, contractors, vendors, and stakeholders who helped us navigate this past year. Without top professionals both in the head office and the field, we could not be the great company we are today.

Yours truly,

Paul Colborne,  
President and CEO



# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

## TCFD Overview

Stakeholders are requiring improved climate related disclosures from companies. Surge takes this responsibility seriously and has determined that the Task Force on Climate-related Financial Disclosures, or TCFD, is the most applicable framework to meet our stakeholders' needs.

The TCFD is a set of guidelines that aims to provide companies with a road-map for how to incorporate climate risk and opportunities into their existing governance, strategy, risk management and data capture frameworks.

## TCFD at Surge

To help implement the TCFD's recommended climate-related disclosures, Surge has created an Environmental, Social and Governance ("ESG") Advisory Committee. This team is comprised of a cross-functional group of individuals specializing in operations, human resources, environment, safety, finance, and risk.

Members of the ESG Advisory Committee are tasked with facilitating the development of management frameworks, collating climate-related data for internal discussions, as well as supporting the operations team on the achievement of environmental targets. The ESG Advisory Committee is also responsible for providing updates to the executive leadership on the progress of our ESG strategy and programs.

## Core Elements of Recommended Climate-Related Financial Disclosures



# SUSTAINABILITY STRUCTURE & REPORTING

## *Board's Oversight of Climate Risks & Opportunities*

Surge's Board and Executive team are responsible for reviewing company-wide climate objectives, goals, and strategies. The Board meets annually to review and approve long-term climate objectives, while holding management accountable to key strategic climate priorities.

Our Environment, Health, and Safety committee ("EH&S") oversees Surge's Climate Risk Management program. The EH&S committee annually reviews our climate risk register and evaluates the current state of our industry regarding climate disclosures, climate regulations, and industry best practices. Key climate risks on our risk register have the potential to impact Surge's ability to effectively meet our strategic corporate objectives. Two examples of key climate risks include emissions management and carbon pricing.

The EH&S committee meets quarterly to review the Company's progress towards meeting both near and medium-term operational targets. In 2021, the EH&S committee started discussions around including emissions reduction as a part of the short-term incentive plan in the near future.

## *Management's Role in Assessing Risks & Opportunities*

Surge's Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer collectively lead climate discussions internally and provide direction on key operational targets. These three executives are instrumental in balancing near-term climate targets with longer-term strategic goals, while enabling the full executive leadership team to carry out their climate-related tasks. Additionally, these Executives are tasked with identifying quality climate-related opportunities, either through government grants or strategic business partnerships (e.g., methane reduction programs).





The TCFD recommendations encourage companies to assess two general categories of climate-related risk and opportunity: transition risk and physical risk. Surge has committed to re-evaluate both transition and physical risks as part of our annual strategic review process.

### Climate Risk and Opportunities






While climate change affects nearly all economic sectors, the level of exposure and the impact of climate-related risks differ greatly by sector, industry, geography, and organization. These impacts can either be risks to operations or opportunities to drive down costs or increase revenues. TCFD separates risks into physical and transition. Physical risks are the direct impact of a changing climate on operations (e.g., weather), while transition risks have a more direct economic impact on the company (e.g., market risks).

Surge has worked diligently to integrate specific climate risks into our already proven risk management process. Risks are assessed and estimated through a combination of quantitative and qualitative measures. By incorporating these risks into an already proven risk management process, we can leverage Surge's operational know-how to address these issues. This integrated approach to risk management allows climate focus to be considered along with more traditional economic measures during our strategic decision-making processes.

### Physical Risks

The physical risks of climate change arise from the direct impacts of a changing climate in the short, medium, and long-term. Surge recognizes that severe weather events are often associated with a changing climate and are more likely to impact our operations. If these weather events happen with more frequency or with greater severity, they potentially could have a negative impact on our operations. For example, destruction caused by severe weather events such as flooding, drought, severe thunderstorms, and snow or ice storms can result in property damage, including damaged facilities, lost power, and lost production.

Potential changes in extreme weather events, including increased frequency, duration, and severity, are difficult to predict and make estimating any future financial risk with any degree of accuracy impossible; however, Surge has attempted to classify the type of physical risk in its occurrence and potential impact on our operations. Acute risk has shorter duration and high impact, while chronic risks are longer duration and growing impact.

	Category	Onset	Impact
	<b>Flooding</b>	Acute	Medium
	<b>Fire</b>	Acute	Low
	<b>Drought</b>	Acute	Low
	<b>Rising Temperatures</b>	Chronic	Low
	<b>Winter Storms</b>	Acute	Medium

*Due to the location of our assets, certain physical risks such as landslides, earthquakes, and sea level change are not directly applicable.*

## Transition Risks & Opportunities

Transition risks relate to changes in the economy as we move towards a lower carbon intensive economy. As this transition progresses, a large suite of risks may appear that can affect corporations like Surge. These risks are generally categorized as: policy, legal, technology, and market-based risks. These risks are all interconnected, can materialize at different speeds, and can each affect Surge differently. Therefore, there is great uncertainty around the exact timing and impact these risks will have.

At Surge, transition risks are identified through a combination of quantitative and qualitative measures, including the potential financial impact these risks could have on Surge. This review is paired with mitigation plans to reduce the likelihood or impact these risks have on our operations. Surge considers short-term as under 5 years; medium-term, under 10 years; and longer-term as over 10 years in the future.

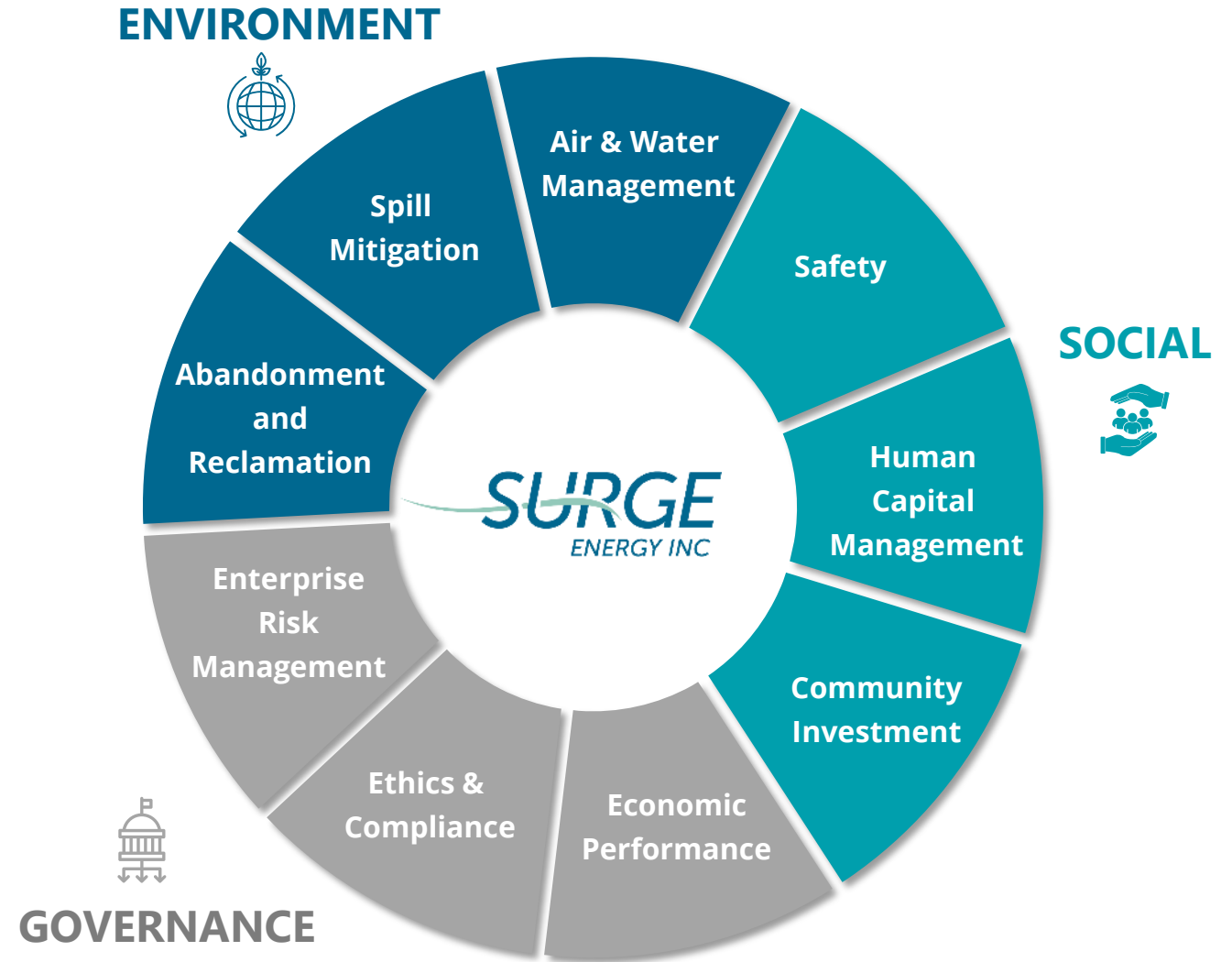
	TYPE	DESCRIPTION	MITIGATION	PRIMARY ANTICIPATED FINANCIAL IMPACT	TIMEFRAME
RISKS	Policy & Legal	Carbon pricing & carbon regulation	Carbon pricing is considered in the evaluations of new project economics. Carbon discussions at both the provincial and federal level are tracked to understand the potential impact of new climate regulations on Surge.	Increased expenses	Short
	Technology	Increasing competition from renewable energy	Surge has low-decline assets that are resilient to many economic factors, including inflation. This resiliency ensures our business will remain competitive with any existing and emerging forms of energy.	Lower revenue	Medium
	Market	Stranded assets, inability to raise equity or debt in public markets, credit risk.	Surge maintains a close working relationships with our lenders to ensure continued access to both equity and debt markets. Surge's strong asset base ensure strong continued cash flows that help drive a strong credit profile with our lenders.  Each year, Surge's reserves undergo a rigorous independent assessment that incorporates the latest price forecasts and market assumptions to ensure continued viability of our asset base.	Lower revenue, increased expenses	Medium / Long
	Reputational	Stigmatization of the oil & gas industry	Surge is committed to doing our part as we transition to a low carbon economy. Our sustainability report is foundational to share the message of the work we are doing to reduce our emissions footprint.	Lower revenue	Short
OPPORTUNITY	Technology	Resource efficiency	Utilizing the latest technologies allows for more efficient operations e.g., instrument air conversions and the elimination of fuel gas compression.	Increased revenue / decreased expenses	Short

# MATERIALITY ASSESSMENT

Materiality assessments are aimed at engaging stakeholders to find out how important specific ESG issues are to them. Surge’s current materiality assessment was conducted with the Board of Directors and management.

We identified nine key points that form the heart of our materiality assessment. Surge has committed to review, evaluate, and expand upon these material risks as part of the Company’s annual strategic review process. While these material risks are not intended to be an exhaustive list, they represent the most material ESG issues currently facing Surge today.

These material pillars can, and will, change as Surge continues to evolve. It is our intent to expand our materiality discussions to include external stakeholders in future reports.



# ENVIRONMENT

Surge strives to minimize our impact on the environment while safely and efficiently producing the hydrocarbons that contribute to Canada's energy needs. We place a high priority on water management, emissions reduction, spill mitigation, and our abandonment and reclamation initiatives. Our ultimate goal is to ensure all of our operating areas are returned to their natural state at the end of the operating lifecycle.



## AIR & WATER MANAGEMENT

**Surge adheres to stringent emissions regulations and seeks to meet or exceed all industry requirements. We continuously seek innovative ways to lower energy intensity, reduce fuel consumption, and mitigate our operational emissions in an effort to lower our overall carbon footprint.**

A key part of these efforts is our continuing work to establish emission baselines that will enable us to set future targets, particularly pertaining to Scope 1 (direct emissions from our owned or controlled operations), and Scope 2 (indirect emissions related to the purchase of electricity or other energy forms). This report has helped to further establish a baseline for Surge's Scope 1 and 2 emissions. We aim to build upon this work and set realistic emissions targets in future sustainability reports. We are actively in the process of long-term planning to refine our protocols and procedures to further develop Surge's ability to accurately monitor, track, and quantify emissions.



## Emissions Management

Canada is home to a vibrant democracy and has some of the strictest environmental regulations in the world. As a nation, we are striving to become a global leader in reducing methane and other greenhouse gases.

Surge is proud to help Canada reach these goals. By utilizing grant and loan programs to leverage our existing methane and emissions reduction programs, Surge is looking to create a more sustainable future for everyone. When Surge executes on these projects, it also allows us to partner with local service providers, creating meaningful employment and ancillary benefits for the local economy. Below are just a few of the programs Surge utilizes to help further Canada's climate ambitions.

### Pricing carbon pollution

Since 2019, a price on carbon pollution has been in place across Canada through either federal or provincial pricing systems. Each year the price of carbon rises, starting at \$20 a ton of CO<sub>2</sub>e in 2020 and expected to peak at \$170 a ton by 2030. This increasing levy incentivizes Surge to continue to look for ways to drive down emissions and save future costs.

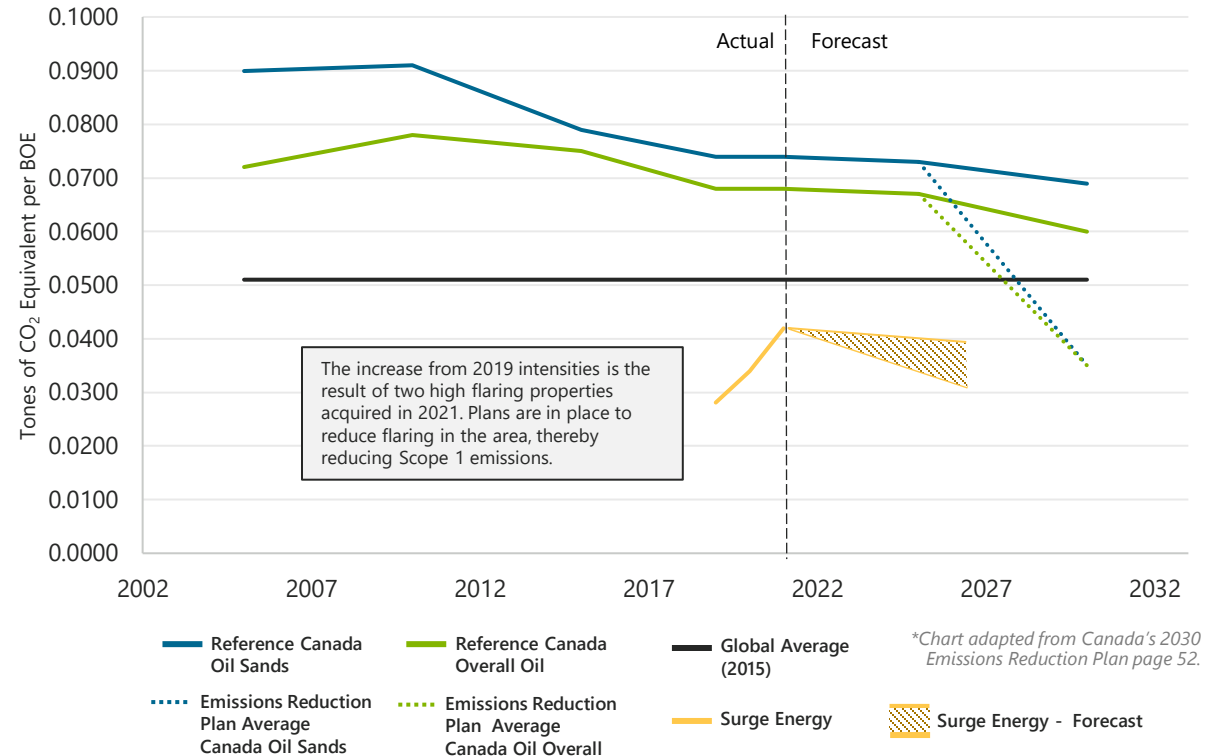
**Programs Utilized:** In Alberta, Surge follows the provincial program: Technology Innovation and Emission Reduction program; and in Saskatchewan we follow the federal program: Output-based Performance Standards.

### Methane regulations

Generally, when oil is produced from a reservoir a combination of gases are also produced. These associated gases are comprised of methane. Methane has a much larger impact on the environment than carbon dioxide, and because of this outsized effect on our climate, Surge has focused on provincial methane reduction programs.

**Programs Utilized:** In Alberta, Surge follows D60 and in Saskatchewan, the Methane Action Plan.

## CANADA OIL CARBON INTENSITY VS GLOBAL AVERAGE\*



### Emissions Reduction Fund

Surge partnered with Natural Resources Canada to access funding from the Emissions Reduction Fund for two projects that would significantly reduce the Company's greenhouse gas emissions. Through this partnership, Surge was able to secure \$14.5 million in funding to install 60 kilometers of natural gas pipelines and 1,650HP of natural gas compression in the greater Shaunavon and Estevan areas of Saskatchewan.

**Programs Utilized:** Emissions Reduction Fund

## Environmental Case Studies

### CASE STUDY

#### GAS CONSERVATION: SE & SW Saskatchewan

**Issue:** Gas was being flared in the Shaunavon and Estevan areas of Saskatchewan.

**Solution:** Installed significant infrastructure and pipelines to conserve and sell the gas at four high flare batteries.

**Overview:** In 2021, Surge installed a 45 km gathering system in SE Saskatchewan that consolidated three major facilities to conserve and sell 2,000 mcf/d of gas. This project helped save **~66,000 tonnes of CO<sub>2</sub> annually**. Simultaneously, Surge executed a project at its Shaunavon property to reroute flared gas to a compression unit and ultimately sold it to a third party. The Shaunavon project conserves ~1,000 mcf/d, which equates to **~33,200 tonnes of CO<sub>2</sub> per year**. Combined, these projects have been a massive success, furthering Surge's commitment to reducing emissions while increasing cash flow for the Company.



### CASE STUDY

#### Emergency Response Plan

**Issue:** To continually improve upon Surge's excellent emergency response plan.

**Solution:** Continued focus and training on the world class emergency response system- the Incident Command System (ICS).

**Overview:** Surge's Emergency Response Plan allows for continuity between Surge's field operations and Calgary's Corporate Emergency Operations Centre. The preparation of Surge's response teams through education, training, exercises and driving continuous improvement is fundamental to the success of Surge's Emergency Response Plan ("ERP") program. Surge's field operations maintain emergency response plans that are updated and exercised regularly to ensure we have competent people, resources and equipment in place.

If a significant incident occurs, we respond using the ICS. Protecting life, stabilizing the incident and environmental stewardship are foundational elements for the ICS and are vitally important to Surge. Using the globally recognized ICS is also critical to providing a consistent approach to safety and incident management that all workers at Surge can utilize effectively.

## Water Management

Surge's water strategy is focused on combining our unique geology and reservoir advantages with the latest technology to find the best ways to protect this vital, shared natural resource.

Surge is a responsible water manager in all areas in which we operate. We will continue to collaborate with our community stakeholders and continue to find ways to minimize the water we use in our operations.

### Conventional Reservoir Geology

The geology and reservoir type greatly impacts how much water will be used during the drilling of oil and gas wells. Surge is focused on conventional oil and gas reservoirs, which require much less water to develop. We currently use between 700 to 900 cubic meters of surface water per well. This represents less than 5% of water that would be used in unconventional oil plays.

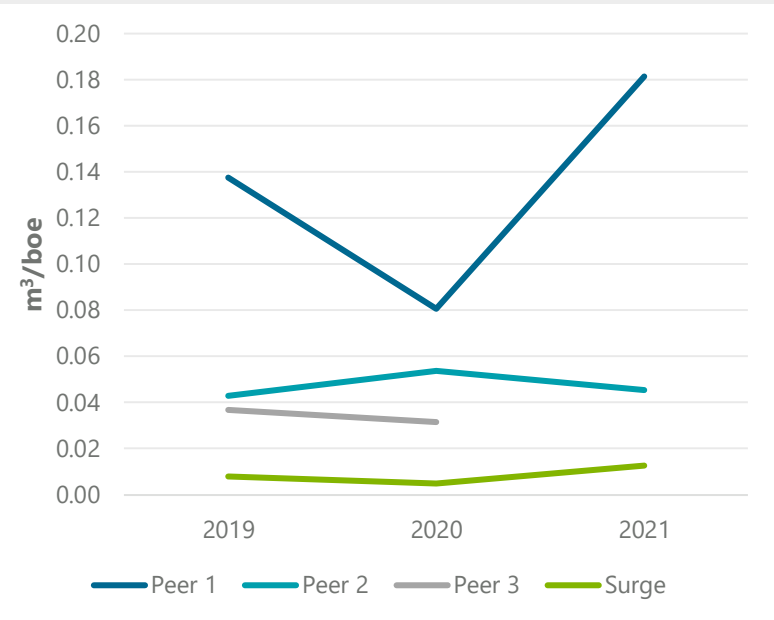
### Water and Technology

Surge actively seeks to use best-in-class technology, such as optimized polymer loading and sand schedules, that allow us to reduce our reliance on fresh water in our operations where possible. We are consistently seeking ways to upgrade our well designs and tweaking the chemistry of our stimulations to create as little impact on the environment as possible. Our enhanced oil recovery waterflood program only uses produced and non-potable water which means that water is not adversely removed from the ecosystem and surrounding areas.

### Collaboration

Surge is proactive in finding ways to reduce our fresh-water consumption and actively seeks engagement from stakeholders to ensure proper and safe water use is undertaken. Where possible, Surge sources water from dugouts and ponds, while adhering to strict provincial policies as they relate to temporary water sources and groundwater protections. As we continue to find ways to reduce our reliance on surface water, Surge has identified alternative sources of water such as non-potable municipal waste-water and other non-potable sources. Surge is proud to be recognized as a responsible water manager in the areas in which we operate.

## FRESH WATER USE INTENSITY





## ASSET & OPERATIONAL INTEGRITY

**Surge takes concerted steps and actions to mitigate risk by ensuring the integrity and reliability of our assets, operations, and infrastructure.**

Surge has a very rigorous pipeline integrity program, and we remain committed to actively abandoning inactive wells, decommissioning facilities at the end of their life and having a plan for remediation and reclamation of these sites. This commitment to responsibility and sustainability has allowed Surge to meaningfully engage with programs such as: the Alberta Site Rehabilitation Program ("SRP"), the Area Based Closure ("ABC") program, and the Accelerated Site Closure Program in Saskatchewan.

### *Emergency Response Planning*

In order to ensure Surge is always prepared and ready to quickly respond to any potential emergency, we maintain robust emergency planning and response programs. By establishing countermeasures to potential threats and associated risks, we aim to protect employee and contractor safety, as well as ensure the safety of our surrounding communities and the environment.

We keep and maintain detailed ERPs at Surge for each area in which we have active operations. We also conduct regular ERP training and exercises within each of our operating areas. On an annual basis, Surge undertakes large-scale training exercises and table-top events at each field area, while smaller discussion topics are advanced and documented within each area's safety meetings. Surge demonstrated our commitment to adopt new and innovative technologies by implementing a fully dedicated Emergency Response digital application. This app has streamlined communication between participants during ERP exercises and live events regardless of their location.



## Spill Mitigation

As part of our unwavering commitment to the environment, we focus on preventing spills from occurring in or around our operations. We prioritize maintenance, inspection, monitoring, and mitigation programs designed to reduce the risk of a spill occurring from our trucks, tanks, or pipelines, and should a spill happen, reduce its potential severity.

### Visual Inspections and Daily Checks

Pipeline rights-of-way's are inspected from the air or the ground. Checks are done for signs of leaks, any visible external damage, or to ensure there have been no changes to the area such as vegetation overgrowth or erosion which could require maintenance. Visual inspections are conducted based on a risk-based schedule ranging from bi-monthly to annually. In addition, operators verify pressures and production numbers from the wells and facilities to account for all volumes daily.

### Corrosion Prevention

With many of our pipelines composed of metal, preventing corrosion is a critical part of pipeline safety. The pipeline's exterior is protected from corrosion through protective coatings and cathodic protection, while its interior walls are safeguarded by injecting corrosion inhibiting chemicals.

### Innovative Aerial Inspections

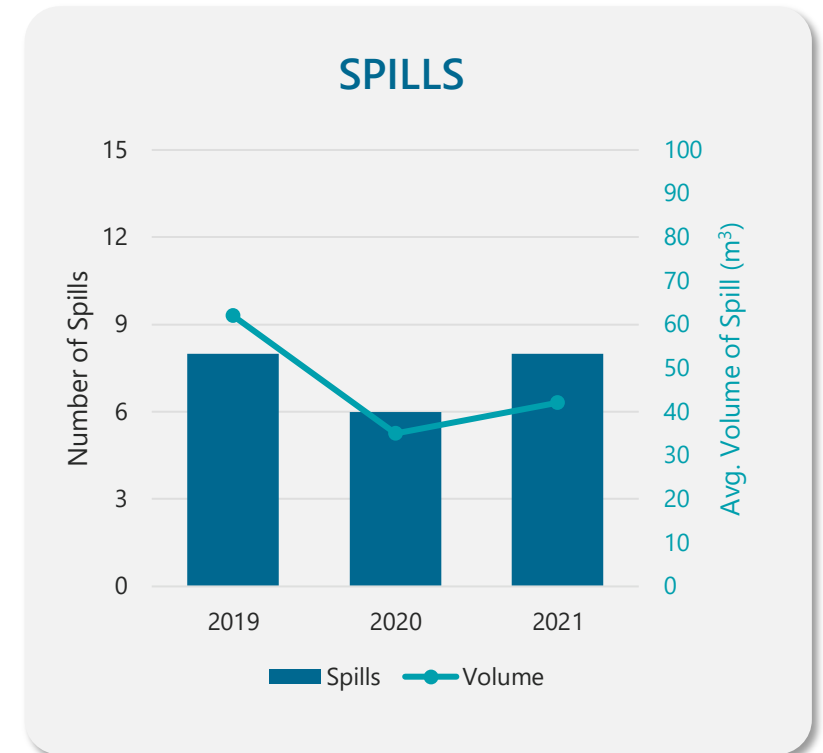
Using thermal imaging and laser gas chromatography surveys on certain sections of our pipeline system, Surge can detect abnormalities, gas leaks, or other issues.

### Technology Solutions for Leak Detection

Surge utilizes an industry-leading technology solution for remote monitoring that enables us to always be aware of the status of our assets and receive immediate alerts if conditions change, followed by an automatic shutdown. This helps to prevent spills or significantly minimize their impact.

### In-line Inspections

This preventative maintenance exercise for higher-risk or older pipelines helps identify corrosion, cracks, or other defects that could result in failure of the structure and lead to a spill. Using technologically advanced equipment, often referred to as "smart pigs" or intelligent inspection tools, pipelines can be internally inspected for anomalies, corrosion, or other concerns, while also measuring the pipeline's internal and external characteristics.

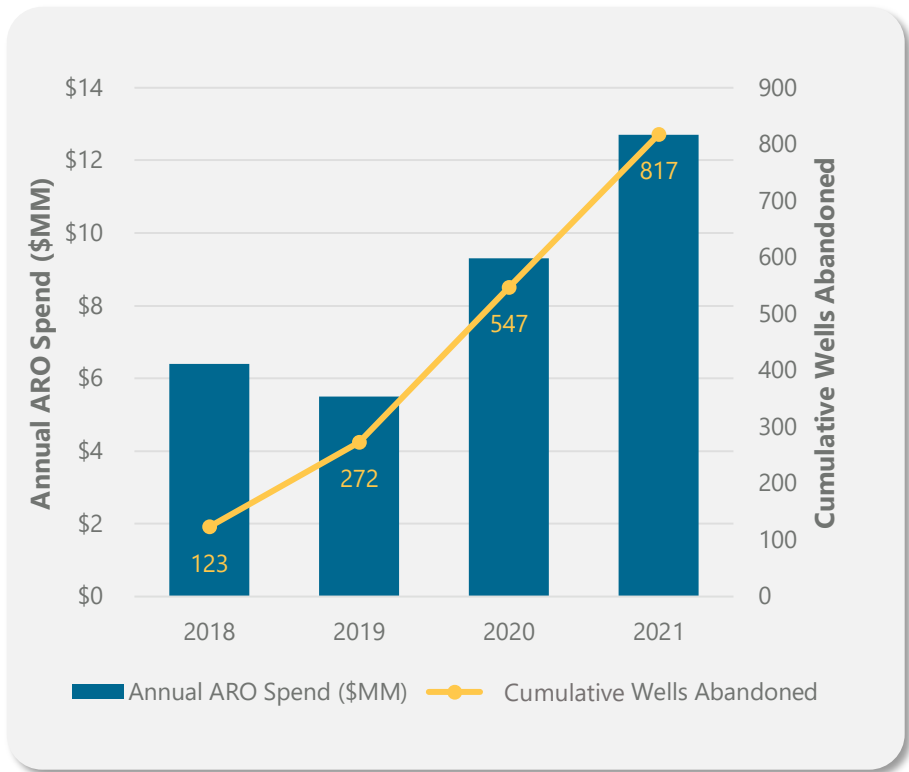


**~4,000 km of pipelines**  
across our Alberta & Saskatchewan portfolio

## ABANDONMENT & RECLAMATION

Over the past two years, despite challenges posed by volatile commodity prices and the economic and financial impact of COVID-19, Surge remained committed to our abandonment and reclamation activities, **investing \$12.7 million in 2021, a 37% increase over 2020**. Our liability management rating program models the Alberta Energy Regulator’s ABC program and as a result, we have achieved efficiencies and economies of scale through the execution of large-scale area abandonment and reclamation projects.

**373** pipeline segments and  
**290** km of pipe abandoned



### CASE STUDY

#### PIPELINE ABANDONMENT & RECLAMATION

**Issue:** Extensive opportunity to abandon inactive / discontinued pipeline lengths throughout Alberta.

**Solution:** Applied for funding under Alberta’s SRP to undertake sizeable pipeline abandonment and reclamation program.

In prior years, Surge has focused on targeted areas for downhole abandonment, but stepped outside the box in 2021 to undertake an extensive pipeline abandonment and reclamation initiative. Subject to regular audits, Surge’s pipeline network and our planned abandonment program command meaningful SRP funding, supporting a formidable effort that covered numerous operating areas across our asset base. Surge engaged a host of different vendors for this project, ensuring the inclusion and support of the community, and resulted in the creation of several jobs over the course of 2021.

Surge is very proud of Canada’s dedication to the most stringent environmental practices, which underpins our ability to safeguard the land and surrounding communities. In keeping with the robust regulatory regime that governs abandonment work, Surge has successfully abandoned 373 pipeline segments over a total of 290 km across our Alberta assets, and we will continue these efforts into 2022 and beyond.

# SOCIAL

People are the backbone of our business and are instrumental to our success. Both the internal team at Surge and the communities where we operate are key to our long-term success as a responsible operator.

Surge's number one priority is the safety of every employee, contractor, and community neighbour within the areas where we operate, including our corporate office.



## HEALTH & SAFETY

Key incidents or risks are tracked and used to inform our business decisions and help drive how our operations are managed. Safety objectives are incorporated into our annual compensation targets and directly linked to our ability to meet or exceed those targets. We regularly review these corporate safety targets across all levels of the Company to ensure continued improvement and safe staff.

### *COVID-19 Response Measures*

Throughout 2021, Surge worked hard to effectively navigate the coronavirus outbreak response and continued the excellent work done in 2020 containing the spread and keeping staff safe. Swift and flexible measures were taken to ensure that Surge contained any possible spread of this virus by executing rigorous hygiene practices, implementing remote work arrangements for office staff when provincial regulations required so, and adapting to stringent safety protocols in the office when the Company was permitted to return. Surge remained nimble, efficient, and diligent with protocols to ensure day-to-day business operations remained uninterrupted while both working remotely and switching to the office location, which occurred several times throughout the year.

Throughout 2021, the Company regularly communicated with staff on business plans, procedures and protocols, positive cases and updates on the local situation as it unfolded. Surge accommodated work location preferences for staff with medical, family or other exceptional reasons.

Our Field Operations team continued to adhere to effective protocols to ensure everyone's safety including physical distancing, proper reporting, virtual meetings and making necessary adjustments to guidelines governing working alone. In addition, Surge continued to follow the provincial regulations that were established for northern work camps.

As a result of Surge's efforts, and with the guidance provided by various health authorities and governments, our day-to-day operations continued with very little spread of COVID-19 within Surge's staff.



## Safety in Action

When it comes to the protection of our employees and contractors, we are very proud of Surge’s solid track record. Our Lost Time Incident Frequency (“LTIF”) and Total Recordable Incident Frequency (“TRIF”) performance indicators have been well below our peer competitor group’s numbers since Surge’s inception in 2010. This comparative outperformance is largely due to our commitment to engage directly with employees and contractors to clearly articulate the Company’s expectations regarding safe work performance and the health and safety of all involved or impacted by Surge’s operations. From 2016 to 2021, Surge recorded an LTIF of zero, and in 2021, recorded a TRIF of 0.2, a 60% reduction year-over-year.

# Zero Lost Time Incident Frequency

Recorded by Surge employees 2016-2021



**Our integrated safety culture is evidenced by a host of factors and behaviors, which include:**

### Monthly area safety meetings



Surge holds monthly area safety meetings in all locations. Each meeting includes a standard meeting package and agenda where messages and case studies from across the Company are shared.

### Engagement at safety meetings



We require active involvement by our Calgary-based technical staff and our executive during our safety meetings, which leads to shared experiences and a diverse outlook; ultimately leading to a more enriched and effective experience for all.

### Annual EH&S Committee field tours



Each year we conduct a field tour organized by our EH&S Committee which provides further engagement between Board, executive, management, field, and operational teams. These tours foster productive interaction and understanding between various groups within the organization.

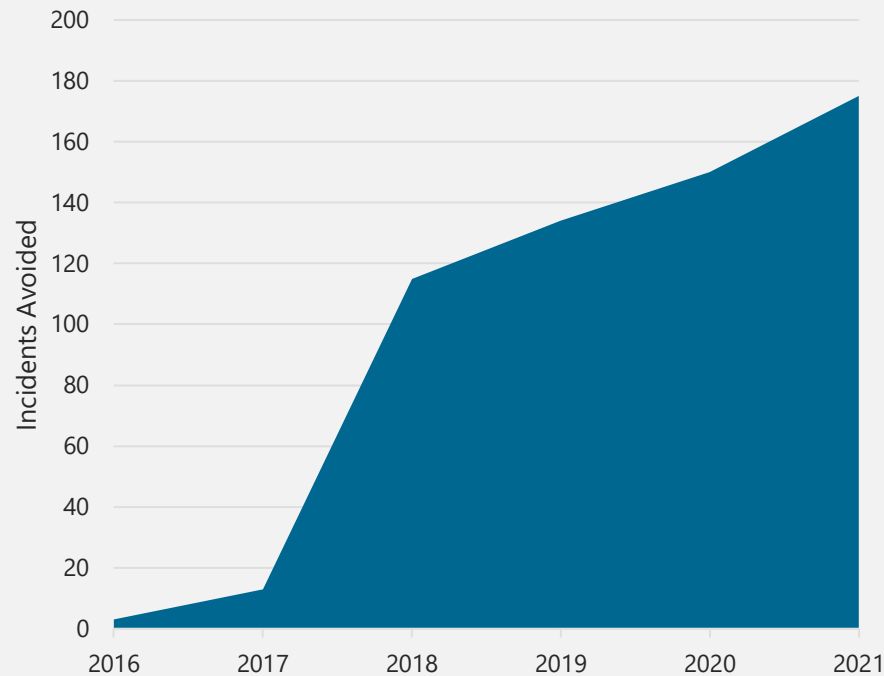
### Quarterly Board meetings with EH&S Committee meetings



Surge updates executive and Board members on our ongoing safety performance as well as overall compliance with regulations, policies, and industry practices. Outcomes of these meetings results in communication, feedback, and potential adjustments to work practices to enhance health and safety.

## Public safety is of paramount importance to Surge

### SURGE'S HAZARD IDENTIFICATION TRACK RECORD



Surge successfully and proactively identified and avoided 175 hazards in 2021

## Behaviour-Based Safety Training

Surge is proud to promote behaviour-based safety training. All of the field and technical staff who are involved in Hazard Identification Training are expected to bring further understanding of the importance of risk observations and the subsequent implementation of risk mitigation measures. This encourages workers to proactively identify and mitigate potential risks before they occur. We see this driving a deeper commitment by all Surge team members to make absolutely certain that there is a safe work environment and ensure all employees, contractors, and other stakeholders get home safely each day.

## Emergency Preparedness is a very high priority for Surge

Further supporting our training is the implementation of Surge's online incident and near miss software called 'EHS Insight'. Deploying EHS Insight corporately has enabled real time reporting and communication of incidents or near miss events as they occur. Having this software ensures that learnings from both near misses and events are communicated easily and efficiently across the Company with multiple opportunities to review potential incidents and determine optimal risk mitigation strategies for the future.

## PEOPLE & COMMUNITY

### *Human Capital Management*

Surge is proud to be home to a talented and experienced team of energy professionals. Together we share a passion for Canadian energy and a commitment to excellence that permeates all that we do.

**A cornerstone of our success is a strong belief that investing in our staff is the best way to secure a strong future for Surge.**



At Surge, we foster a culture that is dynamic, fun, and collaborative while maintaining a high standard of professionalism and business ethics across all areas of our business. With a small-company mentality, our team can stay flexible, and open-minded to new ideas. Surge makes space for all voices in the Company to be heard and we prioritize keeping our workplace safe, equitable, and transparent.

To ensure that Surge continues to have a welcome and respectful workplace, we engaged a third-party to conduct a confidential survey that can help us answer “do we have an engaged workforce operating in a respectful workplace?”. This survey was completed by over 90% of Surge employees and the results confirmed that we have an engaged workforce with a high level of respect for all, regardless of demographics such as age, gender, gender identity, and sexual orientation. These results are consistent with the results of the survey from the prior year.



### Employee Programs

We support employees through programs such as tuition support, wellness perks, an onsite fitness facility, and team building initiatives.



### Compensation

Staff are compensated with a pay-for-performance base salary and short-term incentive program. In addition, Surge’s Long-Term Incentive Plan and Employee Share Purchase Plan allows employees to save for their future while also becoming shareholders in the Company, so everyone benefits from our hard work.



### Work

We encourage work/life balance with a time-off program inclusive of vacation and flex days. To further encourage a work/life balance, Surge has a robust benefit plan that ensures employees have the tools to care for their mental and physical health.



## Indigenous Relationships

At Surge, we believe in a world that embraces diversity, inclusion and belonging, and we fully respect and honour Indigenous communities across Canada. Our team is grateful that we are able to work, operate and live within the traditional territories of the people of Treaties 4, 6, 7 and 8 regions in Alberta and Saskatchewan.

## Community Investment

The team at Surge is committed to being an honest, trusted partner and meaningful contributor to the development and enhancement of communities where we live and work through contributions to community-based projects and charitable donations. To date, our philanthropic activities have been approached in a strategic manner by a committee of volunteer Surge employees who assist in the assessment, allocation, and coordination of our charitable resources. This committee adheres to a written policy based on prioritizing building healthy community relationships, supporting those in need, and advancing initiatives in sports, arts, science, or education. Our committee proactively reaches out to the communities where we operate to partner on local projects, and they also consider incoming requests by communities and charitable organizations seeking financial, time, or other support from Surge.

We have a proven track record of initiatives that involve significant multi-year commitments as well as one-time donations or event sponsorships. We are particularly proud of the nature and extent that our employees get involved in giving to others. This includes both financial and time contributions as well as our annual employee donation matching program, which is well utilized. The team at Surge has undertaken many different volunteering projects and have attended fundraising events while representing our Company, and we are proud of the team of volunteers who run our annual United Way campaign. Even with COVID-19 impacting gatherings, this team ran a successful 2021 campaign that was held virtually and in-person.

Our longstanding partnerships with both STARS and Woods Homes further demonstrates Surge's commitment to our community investment strategy. Surge has directed our STARS funding towards promotion of their mobile education unit which performs medical training in communities where we operate, and for the "Fund A Flight" campaign that supports missions serving those same communities. Out of a deep concern for ongoing mental health crises that continue to impact society, we have aligned our relationship with Woods Homes to promote better mental health for at-risk youth.

Every holiday season Surge and our employees actively engage in supporting others. Another long-standing organization that Surge has partnered with is the Veterans Association Food Bank. The team collects non-perishable food and essential items for the Veterans' Christmas wish lists. Employee contributions help provide food, programs, services and support for Veterans.



**STARS**®





## CASE STUDY

### COMMUNITY EXCELLENCE

**Issue:** Continuing to make ongoing and meaningful contributions to our local community.

**Solution:** Contributing to the United Way of Calgary and Area helps move people from poverty to possibility, helps children be all they can be, and builds strong and healthy communities.

We are very proud that Surge was the winner of the United Way of Calgary and Area 2021 Award of Excellence in the under 250 employees category. This award recognizes candidates that have demonstrated outstanding and innovative campaigns with active leadership giving programs and a commitment to making Calgary a resilient and caring community where everyone thrives.

For the 11th year running, Surge employees held a one-day campaign called the “Turkey Bowl” in support of United Way. We start the day with a speech from United Way, highlighting the important work they do, followed by a silent auction, a 50/50 raffle and donation prize draws. In 2021, Surge raised over \$21,300 for the community, equal to providing 600 hours of safety planning for children who have witnessed or experienced domestic violence.

This year’s Community Impact Awards took place on April 28th with Surge staff on hand to receive the award.

*Photo to left: Surge staff receiving the United Way of Calgary and Area 2021 Award of Excellence during the United Way Community Impact Awards event held in Calgary.*

# GOVERNANCE

Surge recognizes the importance of good governance as the foundational support that underpins our ability to effectively address risks, capitalize on opportunities and create long-term shareholder and stakeholder value. The Board and Executive team consider strong ESG performance critical in driving long-term shareholder value, and place emphasis on pursuing ESG initiatives that drive strong economic performance.

## BOARD OF DIRECTORS

Since inception, our Board has established and adhered to strong governance principles and practices which have been updated and revised as current governance trends evolve. Surge has established programs and training to assist with orientation of new Directors as well as ensuring value-add continuing education for all Directors. Surge's Board Mandate and the Charters of each Board Committee are reviewed annually along with critical Company policies such as the Code of Business Conduct and Ethics, Whistleblower Policy, Share Trading Policy, and Disclosure Policy. Surge requires all Directors and staff to read and sign these policies annually.

As outlined, the Surge's Board of Directors, along with our executive management team are collectively responsible for reviewing Company-wide climate objectives, goals, and strategies. The Board meets annually to review and approve our long-term climate goals and ensures that Surge's key strategic climate priorities are being met.

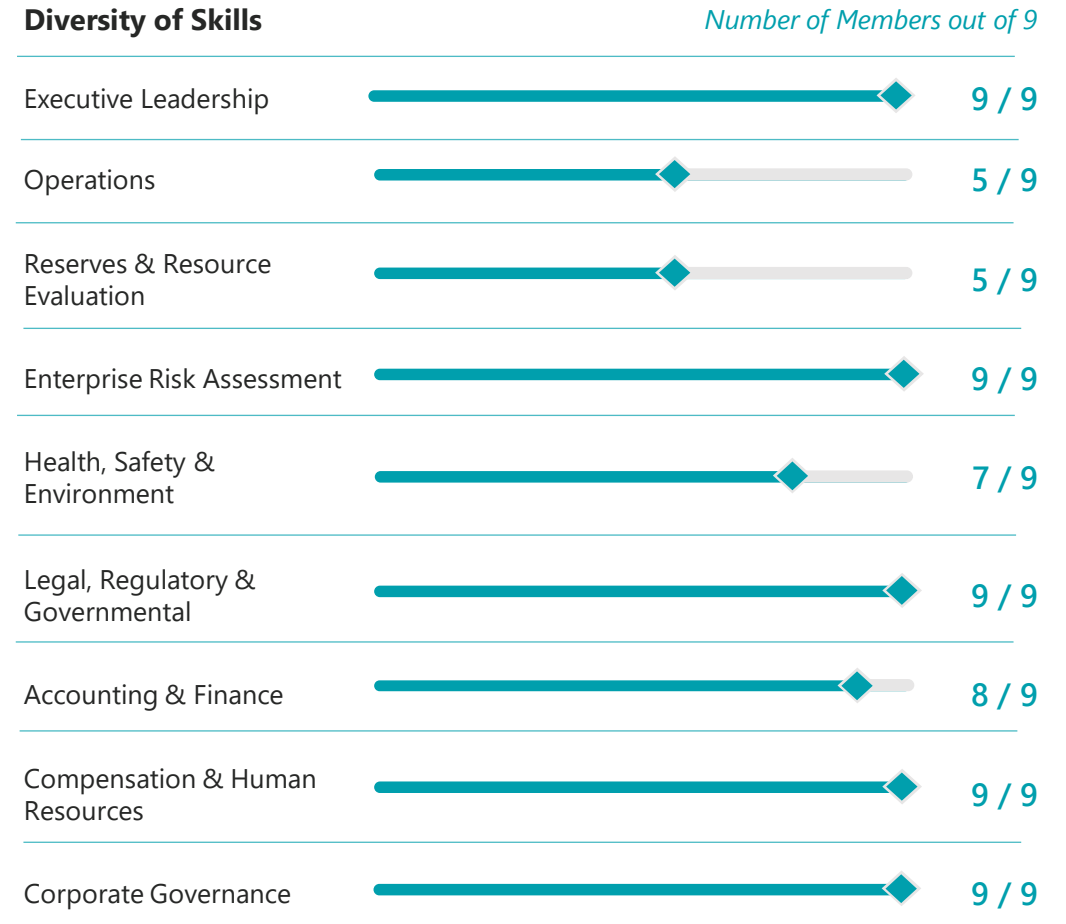
### *Average Tenure and Board Independence*

At Surge, we place a high priority on monitoring tenure and ensuring regular Board renewal exercises. Over the past ten years, our Board has expanded from seven to nine members. Three of our original members have departed and have been replaced by new members whose skills, experience, and abilities provide an excellent complement to the broader Board. This expansion and renewal exercise was adequately spread over time to ensure continuity in corporate memory, enhanced diversity, and an appropriate growth in valued skill sets.

### *Board and Company Diversity*

In 2017, our Board adopted a formal diversity policy and began actively recruiting well-qualified female candidates to join the Board. Since 2019, the Board has been comprised of 33% female Directors, and diversity throughout our entire organization remains strong. In 2021, 51% of our overall head office staff were female and 41% of our leadership team was comprised of women, including one of our five executive positions. Diversity ensures our Board and leadership represents the broader community, affording a strong benefit from diverse perspectives, thoughts, and skill sets.

### *Matrix Highlighting Board Members' Skills Diversity*



## DATA TABLES

<i>Production</i>	Units	2019	2020	2021
Net, Sales	Boe/d	21,175	17,976	17,642
Oil	Bbl/d	17,127	14,558	14,280
NGL	Bbl/d	692	600	600
Conventional Natural Gas	Mcf/d	20,135	16,906	16,571
Producing Wells	Net count	1,985	1,761	1,698
Non-Producing Wells	Net count	2,867	2,913	2,364

### *Emissions<sup>1</sup>*

Direct, scope 1	CO <sub>2</sub> e tonnes	217,388	223,852	270,976
Carbon Dioxide (CO <sub>2</sub> )	CO <sub>2</sub> e tonnes	159,380	168,503	175,187
Methane (CH <sub>4</sub> )	CO <sub>2</sub> e tonnes	56,864	54,170	95,027
Fuel combustions*	CO <sub>2</sub> e tonnes	104,719	112,752	108,049
Flare	CO <sub>2</sub> e tonnes	70,093	72,434	84,218
Vent	CO <sub>2</sub> e tonnes	42,016	36,903	62,073
Fugitives	CO <sub>2</sub> e tonnes	560	1,762	16,636
Indirect, Scope 2	CO <sub>2</sub> e tonnes	82,087	74,799	77,617
Total, Scope 1 & Scope 2	CO <sub>2</sub> e tonnes	299,475	298,651	348,593
Direct GHG intensity	tonnes CO <sub>2</sub> e/boe	0.0281	0.0345	0.0419
Indirect GHG intensity	tonnes CO <sub>2</sub> e/boe	0.0106	0.0114	0.0120
Total GHG intensity	tonnes CO <sub>2</sub> e/boe	0.0387	0.0459	0.0539
Carbon dioxide sequestered	CO <sub>2</sub> e tonnes	2,691	5,666	5,414

1. In 2021 Surge acquired two high emissions intensity properties. Surge is looking forward to applying capital towards emissions reduction projects in this area.

## DATA TABLES

<i>Water</i>	Units	2019	2020	2021
Fresh water, withdrawals	m <sup>3</sup>	61,578	31,402	81,718
Non-potable water withdrawals	m <sup>3</sup>	73,828	24,557	84,053
Fresh water intensity	m <sup>3</sup> /boe	0.0080	0.0048	0.0127
Produced water (Saline), withdrawals	m <sup>3</sup>	7,237,796	9,426,980	10,300,057
Injected for waterflood	m <sup>3</sup>	7,269,163	8,754,230	9,894,381

### *Spills*

Number of reportable spills	count	8	6	8
Total volume of reportable spills	m <sup>3</sup>	62	35	42
Spill intensity	m <sup>3</sup> /boe produced	0.00291	0.00195	0.00238
Pipeline incidents	count	7	5	7
Pipeline distance (total)	kms	3,865	3,865	4,007

### *Water*

Number of producing wells	Net	1,985	1,761	1,698
Number of non-producing wells	Net	2,867	2,913	2,364
Wells abandoned	Net	149	275	270
Pipelines abandoned	kms	37	156	296
Active Reclamation Sites	count	304	291	387
Reclamation certificates received	count	23	25	12
Gross ARO Spend	\$ Thousands CAD	\$ 5,522	\$ 9,253	\$ 12,700

## DATA TABLES

### Health and Safety

	Units	2019	2020	2021
Exposure hours	hours	1,107,530	680,827	1,107,000
Lost-time injury frequency (LTIF)	Total	-	-	-
Total recordable injury frequency (TRIF)	Total	0.36	0.88	0.2
Fatalities	Total	-	-	-

### Employee Profile

	2019	2020	2021
Full-time	74	69	74
Part-time	2	2	2
Field	6	6	6
Office	70	65	70
Corporate, % Female	52%	54%	51%
Corporate, % Male	48%	46%	49%
Board of Directors, % Female	33%	33%	33%

# ADVISORIES

## *Advisories and Forward-Looking Statements*

We have taken care to ensure the information in this report is accurate. However, this report includes aspirational goals and estimates, which will differ from actual results. This report is for informational purposes only and must not be reproduced, redistributed or published in whole or in part for any purpose. Surge disclaims any responsibility or liability whatsoever relating to the accuracy, adequacy, completeness or correctness of the information or opinions contained in this report, and as relating to the reasonableness of projections, targets, estimates, forecasts and achievability of same. Further, some information in this report may have been disclosed previously in other Surge's public disclosure, and such disclosure is not intended in any way to be qualified, amended, modified or supplemented by information contained herein.

The term "material" may be used within this report to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability performance in our view and may be important in the view of internal or external stakeholders. However, the use of the word "material" within this report should not be equated with the meaning of the word in other of Surge's public reporting or filings. With this report, we hope to increase your knowledge of Surge and our operations. However, this report does not provide investment advice, and readers are responsible for making their own financial and investment decisions. Readers should not subscribe for or purchase any securities of Surge on the basis of the information contained herein.

There is no single standard system that applies across companies for compiling and calculating the quantity of green house gases, nitrogen oxide, sulfur dioxide and other sustainability metrics attributable to our operations. Accordingly, the information provided in this report may not be comparable with similar information reported by other companies. Our emission statistics are derived from various internal reporting systems that are generally different from those applicable to the financial information presented in our consolidated financial statements and are, in particular, subject to less sophisticated internal documentation as well as preparation and review requirements, including the general internal control environment. We may change our policies or methods for calculating these emissions and other sustainability metrics in the future without prior notice.

In this report, Surge has used a number of oil and gas metrics which do not have standardized meanings and therefore may be calculated differently from the metrics presented by other oil and gas companies, for example, "Boe".

The term Boe may be misleading, particularly if used in isolation. The Boe conversion ratio of six thousand cubic feet per barrel (6 Mcf: 1 Bbl) of natural gas to barrels of oil equivalent is based on an

energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This report contains forward looking statements and forward-looking statements, beliefs or opinions (collectively, "forward-looking statements") which reflect management's views related to future events and circumstances – including those which may relate to Surge's strategies, focus, goals, ambitions, aims, targets, plans, objectives, operations and results. The use of any of the words "will", "may", "anticipate", "expect", "objective", "believe", "plans", "intends", "potential", "continue", "guidance", and similar expressions or the negative thereof are intended to identify those forward-looking statements.

Forward-looking statements inherently involve known and unknown risks, uncertainties and other factors which are, in many cases, beyond the control of management and because they relate to events and depend on circumstances that will or may occur in the future. These risk include, without limitation, those risks considered under the heading "Risk Factors" in Surge's most recent Annual Information Form. Readers are cautioned that although Surge considers the assumptions used in the preparation of such forward-looking statements to be reasonable and based on reliable information, such forward-looking statements are based on a number of assumptions which may prove to be incorrect. No representation is made as to any future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. There are a number of factors that could cause our actual results levels of activity, performance or achievement to differ materially from those expressed or implied in any forward-looking statements made by in this report. Nothing in this document constitutes or should be relied upon by a reader as a promise or representation as to the future or as to past or future performance. Past performance of Surge is not necessarily indicative of and cannot be relied on as a guide to future performance.

We have included the forward-looking statements in this report in order to provide readers with a more complete perspective on our future operations and such information may not be appropriate for other purposes. Surge disclaims any intention, responsibility or obligation to update or revise any forward-looking statements set forth in this report, whether as a result of new information, future events or otherwise, except as required by law.



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