

## Condensed Consolidated Interim Statements of Financial Position

Stated in thousands of dollars

(Unaudited)

As at	September 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 74,624	\$ 60,623
Fair value of financial contracts (note 5)	1,982	1,482
Prepaid expenses and deposits	3,050	3,032
	<b>79,656</b>	65,137
Fair value of financial contracts (note 5)	381	660
Property, plant and equipment (note 4)	1,355,368	1,407,885
Deferred income taxes	63,483	76,395
	<b>\$ 1,498,888</b>	<b>\$ 1,550,077</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 83,978	\$ 93,373
Dividends payable	4,013	3,375
Fair value of financial contracts (note 5)	10,209	3,423
Current portion of term debt (note 6)	27,810	24,849
Current portion of convertible debentures (note 7)	33,454	—
Current portion of lease and other obligations	6,638	6,412
Current portion of decommissioning obligations (note 8)	10,000	10,000
	<b>176,102</b>	141,432
Fair value of financial contracts (note 5)	32	23
Bank debt (note 6)	11,900	30,597
Term debt (note 6)	202,814	231,183
Convertible debentures (note 7)	—	32,491
Decommissioning obligations (note 8)	213,213	253,642
Long term lease and other obligations	18,224	22,387
<b>Shareholders' equity</b>		
Share capital	1,790,698	1,765,442
Equity component of convertible debentures (note 7)	2,715	2,715
Contributed surplus	61,979	58,960
Deficit	(978,789)	(988,795)
	<b>876,603</b>	838,322
Subsequent event (note 11)		
	<b>\$ 1,498,888</b>	<b>\$ 1,550,077</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Income and Comprehensive Income

Stated in thousands of dollars, except per share amounts

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Petroleum and natural gas revenue (note 10)	\$ 184,475	\$ 179,297	\$ 501,922	\$ 561,420
Processing income (note 10)	1,812	1,941	6,046	5,316
Royalties	(33,384)	(33,964)	(88,278)	(100,099)
Unrealized gain (loss) on financial contracts	(8,445)	40,198	(5,685)	23,999
Realized loss on financial contracts	(1,535)	(13,790)	(5,515)	(88,565)
	142,923	173,682	408,490	402,071
<b>Expenses</b>				
Operating	47,988	39,920	148,654	115,563
Transportation	2,902	2,554	10,344	8,426
General and administrative	4,716	4,218	14,117	12,436
Stock-based compensation (note 9)	2,302	1,308	6,857	3,701
Depletion and depreciation (note 4)	50,658	38,223	139,755	109,686
Finance expense	12,247	8,892	35,519	24,116
Gain on disposal	—	—	(3,883)	—
Transaction and other costs (income)	310	510	986	(73)
	121,123	95,625	352,349	273,855
Income before income taxes	21,800	78,057	56,141	128,216
Deferred income tax expense	5,217	—	10,714	—
<b>Net income and comprehensive income for the period</b>	<b>\$ 16,583</b>	<b>\$ 78,057</b>	<b>\$ 45,427</b>	<b>\$ 128,216</b>
Income per share (note 9)				
Basic	\$ 0.17	\$ 0.93	\$ 0.46	\$ 1.54
Diluted	\$ 0.16	\$ 0.91	\$ 0.45	\$ 1.49

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Stated in thousands of dollars, except share amounts

(Unaudited)

	Number of common shares	Share capital	Convertible debentures - equity portion	Contributed surplus	Deficit	Total equity
Balance at December 31, 2021	83,357,221	\$ 1,654,211	\$ 6,266	\$ 52,147	\$ (1,199,241)	\$ 513,383
Net income for the year	—	—	—	—	128,216	128,216
Share issue costs	—	(15)	—	—	—	(15)
Transfer on exercise of RSAs and PSAs <sup>(1)</sup>	620,161	2,198	—	(6,993)	—	(4,795)
Stock-based compensation	—	—	—	5,847	—	5,847
Dividends	—	—	—	—	(11,713)	(11,713)
<b>Balance at September 30, 2022</b>	<b>83,977,382</b>	<b>\$ 1,656,394</b>	<b>\$ 6,266</b>	<b>\$ 51,001</b>	<b>\$ (1,082,738)</b>	<b>\$ 630,923</b>
<b>Balance at December 31, 2022</b>	<b>96,477,366</b>	<b>\$ 1,765,442</b>	<b>\$ 2,715</b>	<b>\$ 58,960</b>	<b>\$ (988,795)</b>	<b>\$ 838,322</b>
Net income for the year	—	—	—	—	45,427	45,427
Share issue costs, net of tax recovery of \$0.1 million	—	(210)	—	—	—	(210)
Flow-through shares issued	1,850,000	19,629	—	—	—	19,629
Premium on flow-through shares	—	(2,980)	—	—	—	(2,980)
Transfer on exercise of RSAs and PSAs <sup>(1)</sup>	1,986,745	8,817	—	(8,817)	—	—
Stock-based compensation, net of tax recovery of \$0.7 million	—	—	—	11,836	—	11,836
Dividends	—	—	—	—	(35,421)	(35,421)
<b>Balance at September 30, 2023</b>	<b>100,314,111</b>	<b>\$ 1,790,698</b>	<b>\$ 2,715</b>	<b>\$ 61,979</b>	<b>\$ (978,789)</b>	<b>\$ 876,603</b>

<sup>(1)</sup> RSA and PSA defined as restricted share and performance share awards.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statements of Cash Flows**

Stated in thousands of dollars

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash provided by (used in)				
<b>Operating</b>				
Net income	\$ 16,583	\$ 78,057	\$ 45,427	\$ 128,216
Gain on disposal of property, plant and equipment	—	—	(3,883)	—
Unrealized (gain) loss on financial contracts	8,445	(40,198)	5,685	(23,999)
Finance expense	12,247	8,892	35,519	24,116
Interest expense	(8,888)	(6,498)	(26,215)	(19,899)
Depletion and depreciation	50,658	38,223	139,755	109,686
Decommissioning expenditures	(2,695)	(3,532)	(7,305)	(5,528)
Transaction and other costs (income)	90	82	486	(720)
Stock-based compensation	2,302	1,308	6,857	3,701
Deferred income tax expense	5,217	—	10,714	—
Change in non-cash working capital	(12,644)	(7,164)	(20,611)	(18,423)
Cash flow from operating activities	71,315	69,170	186,429	197,150
<b>Financing</b>				
Bank debt	(3,775)	(12,496)	(18,697)	(88,308)
Term debt	(9,612)	(3,542)	(26,968)	23,745
Dividends paid	(11,889)	(8,774)	(34,785)	(8,774)
Issuance of flow-through shares	—	—	19,629	—
Payments on lease obligations	(1,292)	(1,486)	(3,937)	(4,366)
Share issue costs	(47)	(15)	(261)	(15)
Cash-settled stock-based compensation	—	(4,795)	—	(4,795)
Cash flow used in financing activities	(26,615)	(31,108)	(65,019)	(82,513)
<b>Investing</b>				
Expenditures on property, plant and equipment	(43,945)	(42,358)	(120,267)	(122,216)
Proceeds from dispositions	15	—	2,389	32
Expenditures on acquisitions	(246)	—	(246)	—
Change in non-cash working capital	(524)	4,296	(3,286)	7,547
Cash flow used in investing activities	(44,700)	(38,062)	(121,410)	(114,637)
Change in cash	—	—	—	—
Cash, beginning of the year	—	—	—	—
<b>Cash, end of the year</b>	\$ —	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tabular amounts are in thousands of dollars, except share and per share data

### 1. REPORTING ENTITY

Surge Energy Inc.'s (the "Corporation" or "Surge") business consists of the exploration, development and production of oil and gas from properties in western Canada. Surge's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol SGY. The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and using the accounting policies outlined by the Corporation in its annual consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022.

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 2, 2023.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements at September 30, 2023 have been prepared following the same accounting policies as the consolidated financial statements as at December 31, 2022.

#### 4. PROPERTY, PLANT AND EQUIPMENT

##### Property, plant and equipment

	<b>Total</b>
Balance at December 31, 2021	\$ 2,804,684
Acquisitions	209,440
Dispositions	(32)
Additions	169,944
Right of use assets	2,505
Change in decommissioning obligations	(51,146)
Capitalized stock-based compensation	2,933
Balance at December 31, 2022	\$ 3,138,328
Acquisitions	246
Dispositions	(699)
Additions	120,267
Change in decommissioning obligations	(36,825)
Capitalized stock-based compensation	4,249
<b>Balance at September 30, 2023</b>	<b>\$ 3,225,566</b>
	<b>Total</b>
<b>Accumulated depletion and depreciation</b>	
Balance at December 31, 2021	\$ (1,588,127)
Depletion and depreciation expense	(151,960)
Change in decommissioning obligations	9,644
Balance at December 31, 2022	\$ (1,730,443)
Depletion and depreciation expense	(139,579)
Change in decommissioning obligations	(176)
	\$ (139,755)
<b>Balance at September 30, 2023</b>	<b>\$ (1,870,198)</b>
	<b>Total</b>
<b>Carrying amounts</b>	
At December 31, 2022	\$ 1,407,885
<b>At September 30, 2023</b>	<b>\$ 1,355,368</b>

## 5. RISK MANAGEMENT

At September 30, 2023, the following risk management contracts were outstanding with an asset fair market value of \$2.4 million and a liability fair market value of \$10.2 million (December 31, 2022 – asset of \$2.1 million and liability of \$3.4 million):

### West Texas Intermediate Crude Oil Derivative Contracts (WTI)

Period	Bought Put		Collars		
	Volumes (bbls/d)	Average Price (CAD/bbl)	Volumes (bbls/d)	Average Bought Put (CAD/bbl)	Average Sold Call (CAD/bbl)
Qtr. 4 2023	4,000	\$117.51	4,995	\$84.68	\$136.11
Qtr. 1 2024	681	\$115.49	5,336	\$86.77	\$125.88
Qtr. 2 2024	2,599	\$85.25	2,600	\$85.13	\$118.85
Qtr. 3 2024	2,766	\$83.74	2,433	\$83.77	\$124.52
Qtr. 4 2024	—	—	2,750	\$88.29	\$135.83

### Western Canadian Select Derivative Contracts (WCS)

Period	Bought Put		Collars		
	Volumes (bbls/d)	Average Price (CAD/bbl)	Volumes (bbls/d)	Average Bought Put (CAD/bbl)	Average Sold Call (CAD/bbl)
Qtr. 4 2023	—	—	1,500	\$19.02	\$26.15
Qtr. 1 2024	1,000	\$18.81	1,000	\$14.94	\$24.18
Qtr. 2 2024	1,000	\$18.81	1,000	\$14.94	\$24.18
Qtr. 3 2024	1,000	\$18.81	1,000	\$14.94	\$24.18
Qtr. 4 2024	1,000	\$18.81	1,000	\$14.94	\$24.18

### Natural Gas Derivative Contracts

Period	NYMEX Collars			NYMEX - AECO Basis Swaps		AECO Collars		
	Volumes (MMBtu/d)	Average Bought Put (CAD/MMBtu)	Average Sold Call (CAD/MMBtu)	Volumes (MMBtu/d)	Average Price (CAD/MMBtu)	Volumes (GJ/d)	Average Bought Put (CAD/GJ)	Average Sold Call (CAD/GJ)
Qtr. 4 2023	4,326	\$5.43	\$11.73	4,326	\$(2.04)	674	\$2.75	\$3.73
Qtr. 1 2024	4,500	\$5.43	\$13.28	4,500	\$(2.26)	—	—	—
Qtr. 2 2024	5,000	\$4.07	\$6.79	5,000	\$(1.55)	—	—	—
Qtr. 3 2024	5,000	\$4.07	\$6.79	5,000	\$(1.55)	—	—	—
Qtr. 4 2024	1,685	\$4.07	\$6.79	3,674	\$(1.74)	—	—	—
Qtr. 1 2025	—	—	—	3,000	\$(1.56)	—	—	—

### Foreign Currency Exchange Derivative Contracts

Type	Term	Notional Amount (USD)	Floor	Ceiling
Average Rate Collar	Oct 2022 - Dec 2023	\$5,000,000	1.3420	1.4000
Average Rate Collar	Nov 2022 - Dec 2023	\$5,000,000	1.3333	1.3850
Average Rate Collar	Mar 2023 - Dec 2023	\$5,000,000	1.3200	1.4225
Average Rate Collar	Jan 2024 - Dec 2024	\$5,000,000	1.3200	1.3975

### Interest Rate Derivative Contracts

Type	Term	Notional Amount (CAD)	Surge Receives	Surge Pays	Fixed Rate Surge Pays
Fixed-to-Floating Rate Swap	Jul 2019 - Jun 2024	\$50,000,000	Floating Rate	Fixed Rate	1.7850%

The following table summarizes the sensitivity of the fair value of the Corporation's market risk management positions to fluctuations in natural gas prices, crude oil prices and interest rates. All such fluctuations were evaluated independently, with all other variables held constant. Fluctuations in the following on the respective derivative contracts would have had the following impact on the net earnings:

Net earnings impact for the period ended September 30, 2023	Increase	Decrease
Crude Oil - Change of +/- \$1.00	\$ (3,975)	\$ 3,975
Natural Gas - Change of +/- \$0.10	\$ (510)	\$ 510
Foreign Exchange - Change of +/- \$0.01	\$ 500	\$ (500)
Interest rate - Change of +/- 100 points	\$ 200	\$ (200)

## 6. DEBT

### Bank Debt

As at September 30, 2023, the Corporation had a total commitment of \$150 million, being the aggregate of a committed revolving term facility of \$120 million and an operating loan facility of \$30 million, with a syndicate of banks. A review and redetermination of the borrowing base is scheduled to occur semi-annually on or before May 31 and November 30 of each year. During the period, the Corporation reconfirmed and extended its existing \$150 million first lien credit facility, with the option of the facilities being extended for a further 364-day period at the request of the Corporation and subject to the approval of the syndicate. The maturity of the newly reconfirmed first lien credit facility is extended through to May 30, 2025.

### Term Debt

As at September 30, 2023, the Corporation had a non-revolving first lien term facility of \$56 million with a syndicate of banks, maturing on December 19, 2024. The principal amount is repayable in scheduled quarterly repayments, commencing on March 31, 2023. As at September 30, 2023, the Corporation had \$47.9 million drawn on the facility, of which \$16 million was reflected as current term debt.

As at September 30, 2023, the Corporation had a non-revolving second lien term loan commitment of \$200 million, being the aggregate of two term facilities of \$160 million, maturing on December 9, 2026 (Term Facility A) and \$40 million, maturing on April 30, 2025 (Term Facility B). As at September 30, 2023, the Corporation had \$177.8 million, excluding unamortized issue costs of \$5.5 million, drawn on these facilities, of which \$11.8 million was reflected as current term debt.

The principal amounts are repayable in scheduled quarterly repayments, commencing on December 31, 2022 for Term Facility A and March 31, 2023 for Term Facility B.

Under Term Facility A, the Corporation is required to make additional principal repayments in each calendar month in which a shareholder distribution is paid. Under Term Facility B, the Corporation is permitted to make an additional principal repayment in each calendar month subject to whether the WTI average price is under \$70 (USD/bbl) for the prior month commodity price, commencing on May 31, 2024.

### Financial Covenants

The Corporation is subject to certain financial covenants under the first lien and second lien facilities. As at September 30, 2023, the Corporation was compliant with all restrictions and covenants in its first and second lien credit agreements.

### Emissions Reduction Fund

As at September 30, 2023, the Corporation had a \$7.4 million (December 31, 2022 - \$7.2 million) loan repayable relating to the Government of Canada Emissions Reduction Fund (“ERF”), which is included as term debt within these financial statements. As at September 30, 2023, the Corporation had received \$10.4 million (December 31, 2022 – \$9.8 million) of funds from ERF for the Corporation’s planned gas emissions reduction program.

## 7. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability Component	Equity Component
Balance at December 31, 2021	79,000	73,935	6,266
Accretion of discount	—	2,696	—
Other finance expenses	—	360	—
Redeemed	(44,500)	(44,500)	(3,551)
Balance at December 31, 2022	34,500	32,491	2,715
Accretion of discount	—	963	—
<b>Balance at September 30, 2023</b>	<b>34,500</b>	<b>33,454</b>	<b>2,715</b>

The fair value of the convertible debentures at September 30, 2023 was \$34.5 million using quoted market prices on the TSX (level 1 fair value).

## 8. DECOMMISSIONING OBLIGATIONS

The Corporation’s decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total uninflated and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$354.6 million (December 31, 2022 – \$351.9 million). These payments are expected to be made over the next 53 years. A risk free rate of 3.81 percent (December 31, 2022 – 3.28 percent) and an implied inflation rate of 1.75 percent (December 31, 2022 – 2.09 percent) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	September 30, 2023	December 31, 2022
Balance, beginning of year	\$ 263,642	\$ 307,515
Liabilities related to acquisitions	—	11,469
Liabilities related to dispositions	(2,417)	—
Change in estimate <sup>(1)</sup>	(38,424)	(54,483)
Liabilities incurred	1,823	3,337
Accretion expense	5,894	7,002
Site rehabilitation program grant	—	(3,303)
Decommissioning expenditures	(7,305)	(7,895)
<b>Balance, end of period</b>	<b>\$ 223,213</b>	<b>\$ 263,642</b>
<b>Expected to be incurred within one year</b>	<b>10,000</b>	<b>10,000</b>
<b>Expected to be incurred beyond one year</b>	<b>\$ 213,213</b>	<b>\$ 253,642</b>

<sup>(1)</sup>The change in estimate was primarily the result of the change in discount and inflation rates.

## 9. SHARE CAPITAL

### (a) Flow-through Share Issuance

In March 2023, the Corporation issued 1.9 million flow-through shares related to Canadian development expenditures at a price of \$10.61 per share for total gross proceeds of \$19.6 million. The implied premium on the flow-through shares of \$1.61 per share or \$3.0 million was recorded as a flow-through share liability. As at September 30, 2023, the Corporation had incurred all of the qualifying development expenditures. The implied premium related to expenditures has been released through the deferred tax expense.

### (b) Restricted and Performance Share Award Incentive Plan

The Corporation has a Stock Incentive Plan which authorizes the Board of Directors to grant restricted share awards (“RSAs”) and performance share awards (“PSAs”) to directors, officers, employees and certain consultants of Surge.

The number of restricted and performance share awards outstanding are as follows:

	Number of restricted share awards	Number of performance share awards
Balance at December 31, 2022	1,465,379	2,214,024
Granted	1,183,899	834,485
Reinvested	72,225	92,586
Exercised	(1,027,192)	(959,553)
Forfeited	(24,986)	(6,178)
<b>Balance at September 30, 2023</b>	<b>1,669,325</b>	<b>2,175,364</b>

The weighted average fair value of awards granted for the period ended September 30, 2023 is \$8.36 (2022 - \$9.46) for PSAs and \$8.62 (2022 - \$9.22) per RSA. In the case of PSAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Corporation relative to pre-defined corporate performance measures for a particular period. On the vesting dates, the Corporation has the option of settling the award value in cash or common shares of the Corporation. For purposes of stock-based compensation a payout multiple of 1.0 was assumed for the PSAs granted during the period.

**(c) Stock-based compensation**

A reconciliation of the stock-based compensation expense is provided below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation on PSAs and RSAs	<b>3,722</b>	2,076	<b>11,106</b>	5,847
Capitalized stock-based compensation	<b>(1,420)</b>	(768)	<b>(4,249)</b>	(2,146)
Total stock-based compensation expense	<b>2,302</b>	1,308	<b>6,857</b>	3,701

**(d) Per share amounts**

The following table summarizes the shares used in calculating income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average number of shares - basic	<b>99,384,440</b>	83,626,295	<b>98,276,893</b>	83,447,898
Effect of dilutive instruments	<b>1,588,786</b>	2,413,802	<b>2,458,779</b>	2,558,756
Weighted average number of shares - basic and diluted	<b>100,973,226</b>	86,040,097	<b>100,735,672</b>	86,006,654

In computing diluted per share amounts for the three months ended September 30, 2023, 275,191 (2022 - 547,747) RSAs and nil (2022 - 516,615) PSAs were excluded from the calculation as their effect was anti-dilutive. In computing diluted per share amounts for the nine months ended September 30, 2023, nil (2022 - 547,747) RSAs and nil (2022 - 516,615) PSAs were excluded from the calculation as their effect was anti-dilutive. The common shares potentially issuable on the conversion of the convertible debentures were also excluded as they were determined to be anti-dilutive.

**(e) Dividend**

The Board of Directors declared a dividend of \$0.04 per share for the month of September 2023 (January - June 2022 - nil per share and June - September 2022 - \$0.035 per share). Dividends of \$0.04 per share were declared and outstanding at September 30, 2023 and were paid in October 2023. Dividends for the month of October 2023 have been declared at \$0.04 per share.

**10. REVENUE**

The following table presents the Corporation's petroleum and natural gas revenues disaggregated by revenue source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oil	\$ <b>177,440</b>	\$ 166,487	\$ <b>479,634</b>	\$ 520,397
Natural gas liquids	<b>3,173</b>	3,920	<b>9,433</b>	12,912
Natural gas	<b>3,862</b>	8,890	<b>12,855</b>	28,111
Total petroleum and natural gas revenue	\$ <b>184,475</b>	\$ 179,297	\$ <b>501,922</b>	\$ 561,420
Processing	<b>1,812</b>	1,941	<b>6,046</b>	5,316
Total petroleum, natural gas and processing revenue	\$ <b>186,287</b>	\$ 181,238	\$ <b>507,968</b>	\$ 566,736

The Corporation's revenue was generated entirely in the provinces of Alberta, Saskatchewan, and Manitoba. The majority of revenue resulted from sales whereby the transaction price was based on the index prices.

## 11. SUBSEQUENT EVENT

Subsequent to September 30, 2023, the Corporation entered into an agreement with a syndicate of underwriters (the "Underwriters"), led by National Bank Financial Inc. pursuant to which the Underwriters purchased \$48.3 million principal amount of convertible subordinated unsecured debentures (the "Debentures") at a price of \$1,000 per Debenture (the "Offering"), on a "bought deal" basis.

The Debentures will mature and be repayable on December 31, 2028 (the "Maturity Date") and will accrue interest at the rate of 8.50 percent per annum payable semi-annually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), with the first such payment to be made June 30, 2024. At the holder's option, the Debentures may be converted into common shares of the Corporation at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, (ii) if called for redemption, the date fixed for redemption by the Corporation, or (iii) if called for repurchase in the event of a change of control, the payment date, at a conversion price of \$13.25 per share, subject to adjustment in certain events (the "Conversion Price"). This represents a conversion rate of approximately 75.4717 common shares for each \$1,000 principal amount of Debentures, subject to certain anti-dilution provisions. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date immediately prior to the date of conversion.

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

The Debentures may not be redeemed by the Corporation prior to December 31, 2026. On and after December 31, 2026 and prior to December 31, 2027, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125 percent of the Conversion Price. On or after December 31, 2027 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

On October 19, 2023, the Corporation also announced the issuance of a notice of redemption to holders of its outstanding \$34.5 million 6.75% Convertible Unsecured Subordinated Debentures due June 30, 2024. As set out in the notice of redemption, the redemption date is November 18, 2023.