

SUSTAINABILITY REPORT 2022



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



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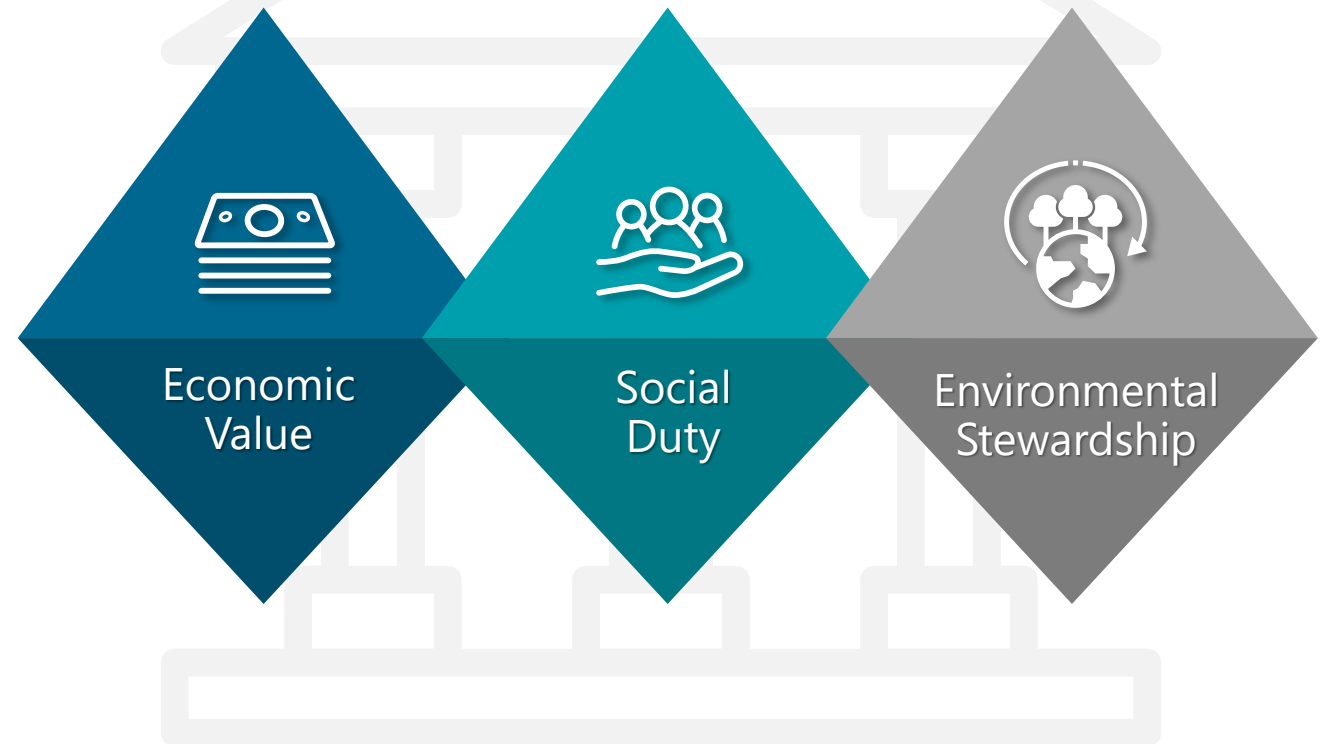
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ABOUT THIS REPORT

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 2022.

In 2020, Surge established a mandate to report under the Task-Force for Climate-related Financial Disclosures ("TCFD"). TCFD was created to help provide a standardized framework for disclosing climate-related financial risks across all industries. In 2022, Surge continued to incorporate the recommended guidelines under TCFD and reaffirmed our commitment to continually improving our systems of data capture and collection.

GOVERNANCE

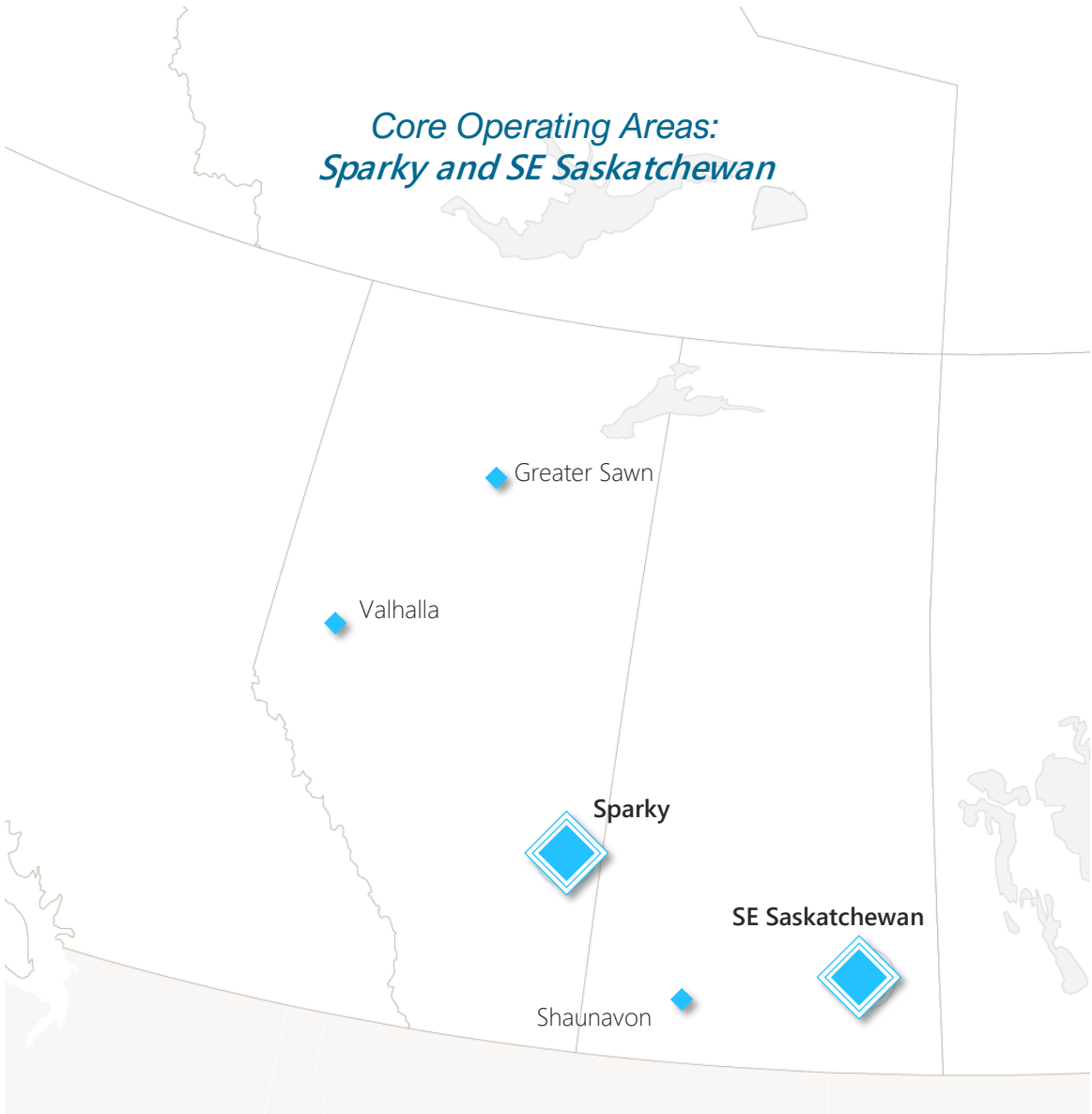


WHO WE ARE

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 sustainably develop these premium assets.

Corporate Overview	2022	2021
Production (boe/d)	21,262	17,642
% Oil and NGL's	85%	84%
Royalties (\$000's)	127,548	58,465
Cash flow from operating activities (\$000's)	276,125	100,484





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 Alberta and Saskatchewan.

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

I am pleased to present to you the highlights of an extraordinary year for Surge. The achievements of 2022 stand as a testament to the diligence, vision, and unwavering commitment of our talented team.

Financial and Operational Milestones

In 2022, Surge delivered a Total Shareholder Return (TSR) of 112%, outperforming the Capped Energy Index TSR by 110%. The Company reported record cash flow from operating activities of \$276.1 million, a substantial increase of 175% over 2021.

Further affirming Surge's strong financial position, we reported Adjusted Funds Flow (AFF) of a record \$293.6 million, a significant increase of 190% over 2021. This exceptional performance allowed the Company to reinstitute our annual base cash dividend starting at \$0.42 per share, which was promptly increased to \$0.48 per share in February, 2023.

Strategic Acquisitions and Equity Offering

In late 2022, Surge successfully completed a strategic \$198 million core area acquisition of 4,000 boepd (98% oil) of light and medium gravity crude oil production. We also closed a highly successful upsized and oversubscribed \$80 million common share equity offering, underlining investor confidence in Surge's strategic direction.

Sustainability at Surge

We are deeply committed to the Company's sustainability initiatives, investing \$11.2 million in abandonment activities in 2022. Surge furthered our environmental commitment by implementing two vapor recovery unit installations, reducing annual emissions by over 3,000 tC02e.

Surge also focused on further developing our people in 2022, implementing leadership training for all key employees. We also focused on expanding Surge's community impact both in Calgary as well as in the areas in which we operate. We are especially proud of our lasting relationship with the United Way, to which we grew our contributions by >50% in 2022. Impacts like this could not be made without a dedicated team and strong corporate culture.

From Strength to Strength

Surge remains dedicated to responsible asset development, stakeholder engagement, and driving value for our shareholders. Our team is energized and motivated to continue on this trajectory of sustainable growth.

Thank you for your continued trust and support. Together, we will build on these strong foundations to make 2023 another record-breaking year for Surge Energy.

Yours truly,

Paul Colborne,
President and CEO

**For further details, footnotes, and general disclosures, please refer to Surge's 2022 year-end press release.*

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

Core Elements of Recommended Climate-Related Financial Disclosures



Adapted from the 2017 TCFD Report

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 2022, the EH&S committee started discussions around including emissions reduction as a part of the short-term incentive plan.

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: physical risk and transition risk. Surge has committed to re-evaluate both physical and transition risks as part of our annual strategic review process.

Climate Risk and Opportunities






While climate change affects nearly all areas of the economy, 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. 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 proven risk management process. Risks are assessed and estimated through a combination of quantitative and qualitative measures. By incorporating these risks into an existing 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
	Flooding	Acute	Medium
	Fire	Acute	Low
	Drought	Acute	Low
	Rising Temperatures	Chronic	Low
	Winter Storms	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.

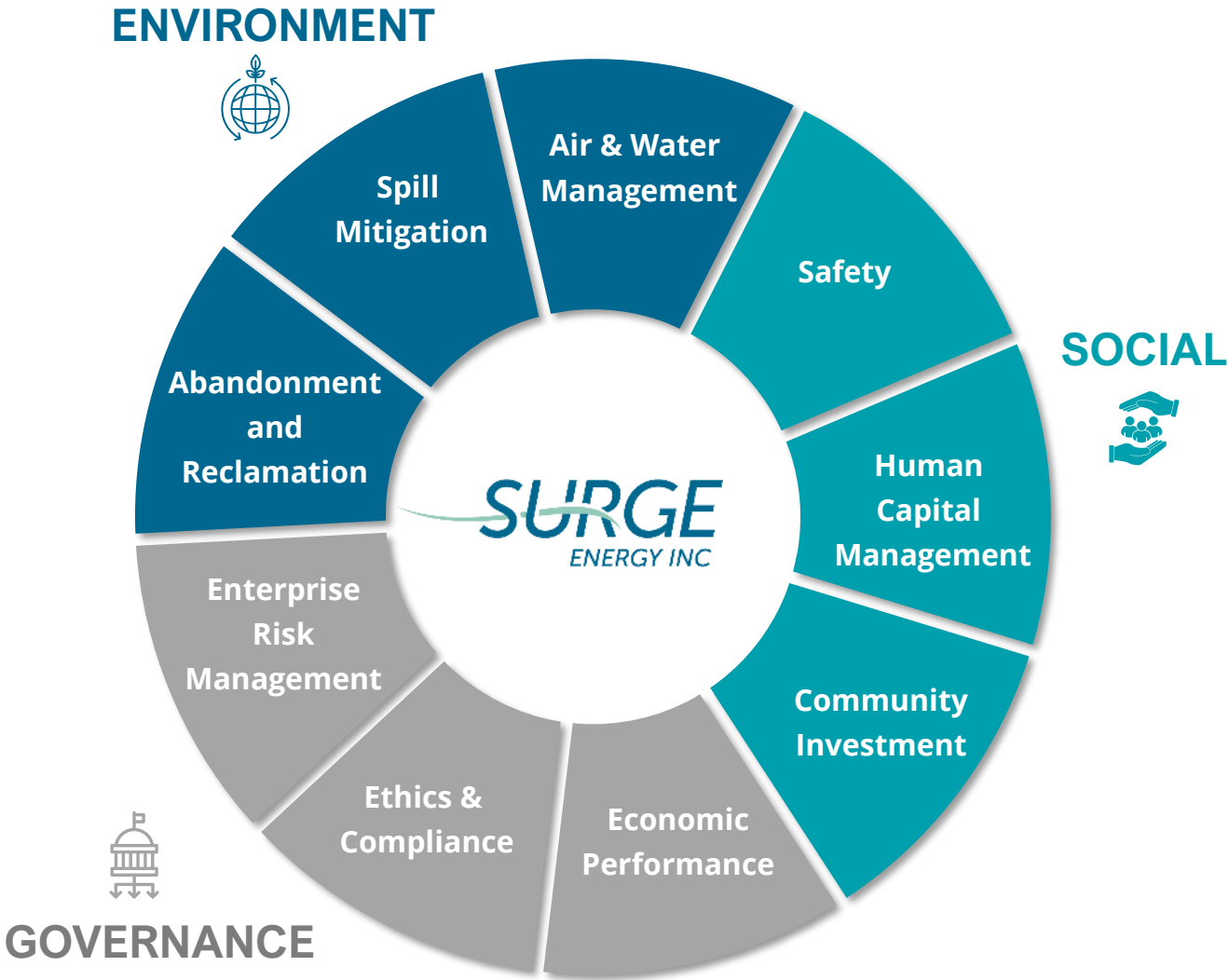
	TYPE	DESCRIPTION	MITIGATION	PRIMARY ANTICIPATED FINANCIAL IMPACT	TIMEFRAME
RISKS	Policy & Legal	Carbon pricing & carbon regulation	Carbon pricing is considered in the evaluations of new project economics. Carbon discussions at both the provincial and federal level are tracked to understand the potential impact of new climate regulations on Surge.	Increased expenses	Short
	Technology	Increasing competition from renewable energy	Our assets are characterized by low decline rates and exceptional resilience to various economic conditions, ensuring that our business remains competitive even as renewable and other emerging energy sources continue to evolve.	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 Sustainability 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 Sustainability 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 goal is to ensure all 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 aid in creating 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 constantly looking to refine our protocols and procedures to further Surge's ability to accurately monitor, track, and quantify emissions.

In 2022 Surge Reduced Scope 1 Emission Intensity by 12%



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 CO2e 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.

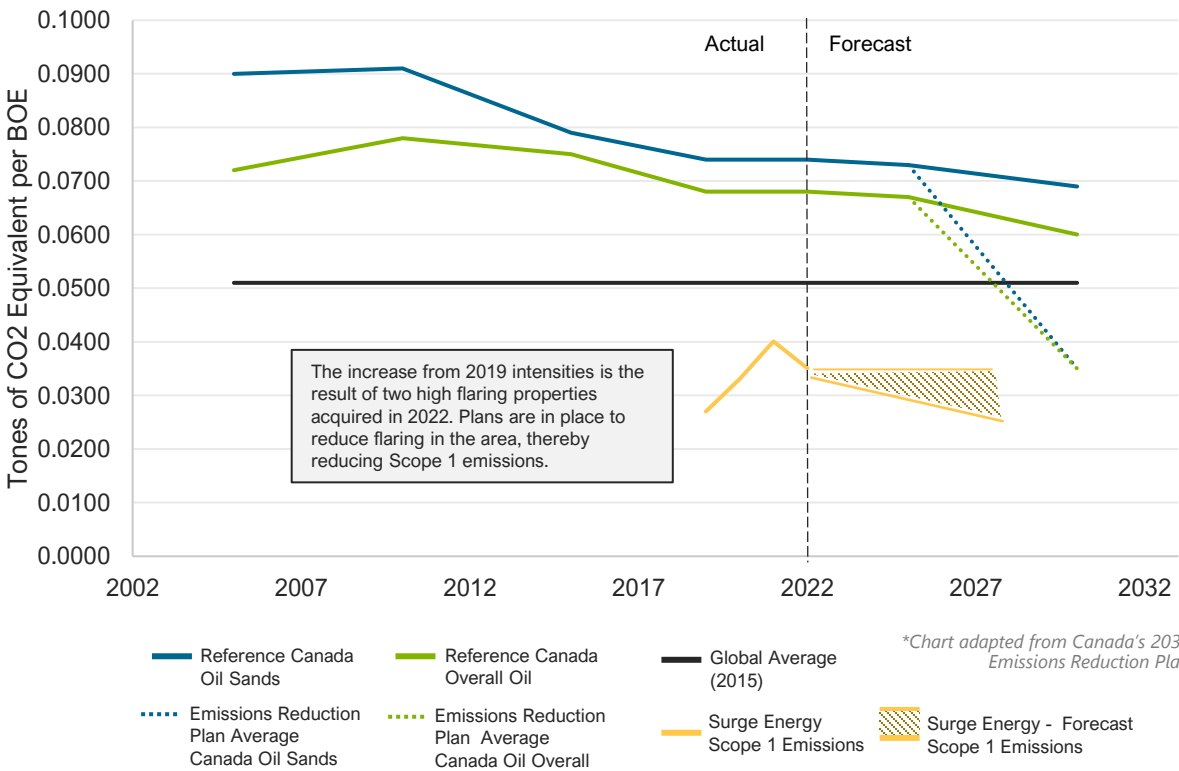
Programs Utilized: In Alberta, Surge follows the provincial program: Technology Innovation and Emission Reduction program; and in Saskatchewan we follow the federal program: Output-based Performance Standards.

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 (NRCan) to access funding for multiple projects that continue to help reduce the Company’s greenhouse gas emissions. NRCan is committed to improving the quality of life of all Canadian’s by ensuring responsible natural resources development.

Programs Utilized: Natural Resource Canada: Emission Reduction Fund

CASE STUDY

Emissions Reduction

Issue: Surge conducted a pilot project in its Sparky core area in Alberta where flared VRU (Vapour Recovery Unit) gas was tied into a sales gas

Solution: Surge installed two vapour recovery units to significantly cut down on emissions while creating a new revenue stream.

Overview: In 2022, Surge introduced a VRU at two strategic sites in the Provost and Betty Lake fields within the Sparky core region. This combined effort removed over 3,000 tonnes of c02e annually. With the gas now captured and integrated, Surge can monetize this resource, creating a new revenue stream.

Surge remains committed to minimizing environmental impacts of its operations. By shifting vented gas to VRU recovery, we have substantially decreased methane emissions.



CASE STUDY

Emergency Response Planning

Issue: Surge has diverse operating areas, each with its own unique hazards.

Solution: Surge implemented site-specific training for all areas of operations.

Overview: Site-specific training is a tailored approach to employee preparation, emphasizing the unique challenges and characteristics of a specific work location. Unlike generic safety training or courses, it delves deep into the distinctive safety concerns, emergency protocols, equipment, and environmental conditions of a given site. This depth ensures heightened hazard awareness among employees, making them adept at identifying and navigating potential risks unique to their working environment resulting in fewer accidents for workers.

Additionally, site-specific training enhances operational efficiency, as employees are now better equipped to deal with site-related challenges. It ensures strict adherence to local and industry regulations, with training modules being designed to meet the exact standards required and serves as a proactive approach to environmental conservation, leading to noticeable improvements in environmental protection.

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.

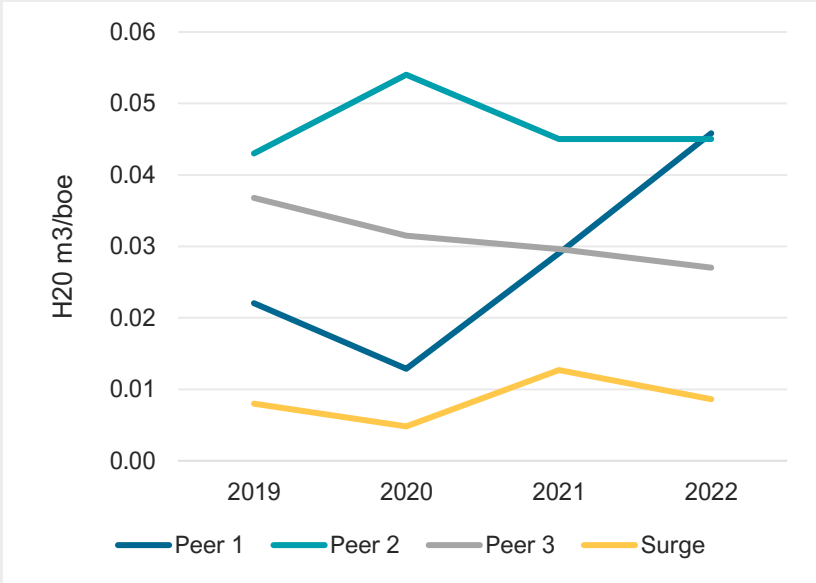
Water and Technology

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 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 ERP 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.



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 \$11.2 million in 2022**. 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.

249 pipeline segments and
117 wells abandoned



CASE STUDY

Site Rehabilitation Program

Issue: Alberta lacked a robust process for identifying, analyzing, and responding to key issues associated with site rehabilitation.

Solution: The Site Rehabilitation Program (“SRP”) was born. A \$1 billion grant that helped companies with abandonment, remediation, and reclamation activities.

The SRP was initiated by Alberta’s government in May 2020 and ended in March 2023. Funded by a \$1 billion Canadian federal grant, SRP focused on environmental cleanup of oil and gas sites.

The SRP’s comprehensive and flexible framework is perfectly aligned with Surge’s multi-stage approach to site closure activities, ranging from initial abandonment to thorough Environmental Site Assessments and, finally, to remediation and reclamation. Utilizing the SRP grants, and the program’s flexible framework, with its phased funding approach for multi-stage closure activities, has allowed Surge to expand the scope of our projects with financial ease. The SRP’s variable application periods, each tailored with specific priorities, have provided us with the funding agility to align seamlessly with our existing project timelines. Overall, utilizing SRP has allowed Surge to track more sites, sooner.

SOCIAL

People are the backbone of our business and are instrumental to our success. Both the 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 our Company to ensure continued improvement and safe 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 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 2022, Surge recorded an LTIF of zero, and in 2022, recorded a TRIF of 0.55.

Over 7 Years Without Lost Time Injury

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



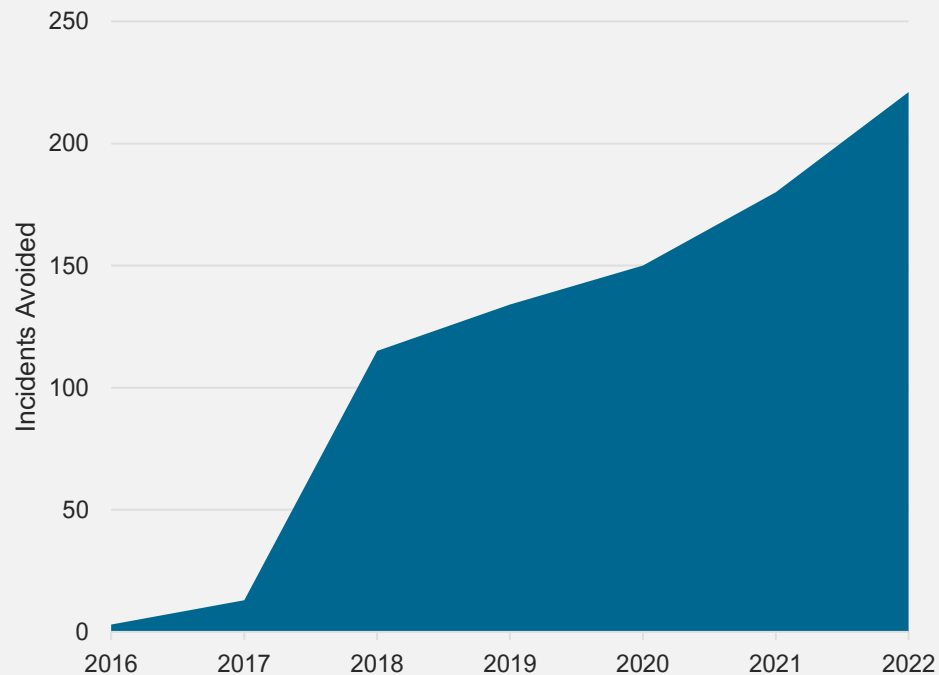
Each year we conduct a field tour organized by our EH&S Committee which provides further engagement between the Board, executive, management, field, and operational teams. These tours foster productive interaction and understanding between various groups within the organization.

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.

SURGE'S HAZARD IDENTIFICATION TRACK RECORD



Surge successfully and proactively identified and avoided 221 hazards in 2022

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. This drives 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 top 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 to our success is a strong belief that investing in our staff is the best way of securing a strong future for Surge.

CASE STUDY

Leadership Training

Situation: Renewing focus on company culture after the COVID-19 lockdowns.

Solution: Identifying and investing in Surge's leadership through extensive and ongoing training.

Our primary goal is to create a workplace environment where our staff genuinely enjoy being, and where collaboration thrives. Recognizing that culture starts from the top and trickles down, we have invested in our leaders' growth by providing them with 40 hours of comprehensive leadership training. This program encompassed crucial subjects like conflict resolution, performance management, effective communication, and the pivotal role of leadership in shaping and nurturing our organizational culture.

Corporate Culture

Surge is committed to maintaining a dynamic, positive, and fun work environment. We want a strong set of shared workplace beliefs and values and reflects both the written and unwritten rules that the people in our organization follow. We are focusing on team building initiatives, providing flexibility in the workplace, and focus on retention, motivation, and engagement.

In 2022, and in conjunction with bringing community back into the office, we moved our head office. A key part of this decision was Surge's understanding that social well-being extends beyond our desks. Our external environment plays a substantial role in determining the overall happiness and fulfillment of our team. The new location provides a safer environment for employees and allows more opportunities to de-stress by getting active. The space further offers an increased access to a diverse range of restaurants, allowing for shared meals and social interactions, strengthening the social fabric within our organization.



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 our 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

Surge continued its partnership United Way, Stars, Veterans Association, and Wood's Homes during 2022. Surge raised over \$30,000 for the United Way, surpassing our total from 2021 by almost \$10,000.

During 2022 Surge focused on expanding our community impact, providing more support to our field and local communities through events, awareness, education, and athletics.

Surge is especially proud of a few such events, including: our donation to the Provost Musical Festival, the Consort 4h Beef Club, the West County 4h Achievement Day, and the Excellerators Car Club.

Surge has expanded our impact in Calgary as well, providing support to the Calgary Police Youth Foundation, the Calgary Women's Emergency Shelter, Children's Cottage Society, Redwood Firefighters, the Provost Lions Community Handi-Van Service Society, Big Brothers Big Sisters "Big Brunch", Momentum, and donated to the Haskayne graduate scholarship for women in Finance.

As athletic programs play a major role in strengthening communities, we wanted to give back by supporting the Calgary Royals Athletic Association, the Bonspiel 100th year of Lampman Curling Club, the Macklin & District Health Foundation Golf Tournament, the Provost Community Parks & Recreation Society Splash Park, the Estevan Bruins Hockey Club, the Provost District & Golf Club, the World Bunnock Tournament, and the Erskine Rec Board Fundraiser to bring in a community rink.

We continued our longstanding partnerships with both STARS and Woods Homes in 2022, 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.



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 Sustainability performance critical in driving long-term shareholder value, and place emphasis on pursuing Sustainability 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.

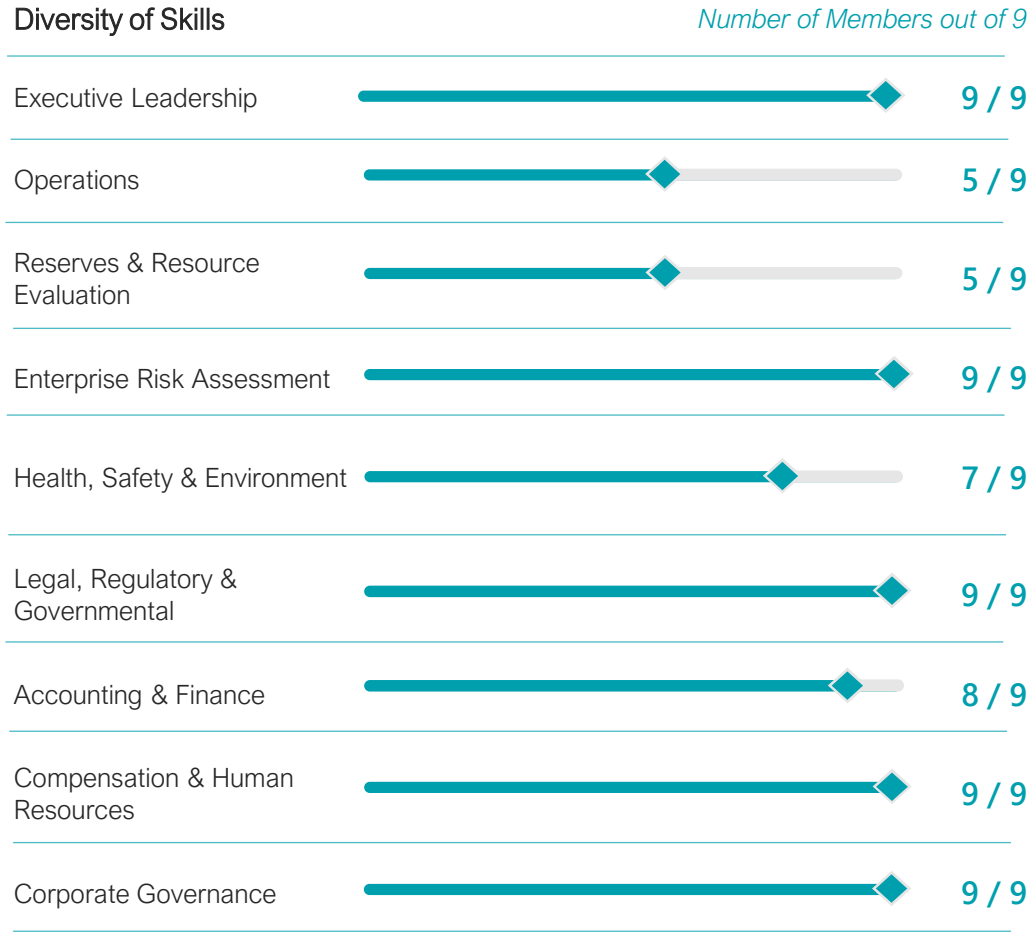
Average Tenure and Board Independence

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 2022, 44% 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	2022
Net	Boe/d	21,175	17,976	17,642	21,262
Oil	Bbl/d	17,127	14,558	14,280	17,413
NGL	Bbl/d	692	600	600	708
Conventional Natural Gas	Mcf/d	20,135	16,906	16,571	18,844
Producing Wells	Net count	1,985	1,761	1,698	1,931
Non-Producing Wells	Net count	2,867	2,913	3,155	3,892
<i>Emissions¹</i>					
Direct, scope 1	CO ₂ e tones	208,586	217,463	258,981	272,372
Carbon Dioxide (CO ₂)	CO ₂ e tones	159,380	168,503	175,187	196,603
Methane (CH ₄)	CO ₂ e tones	56,864	54,170	95,027	74,245
Fuel combustions*	CO ₂ e tones	95,917	106,363	96,054	114,705
Flare	CO ₂ e tones	70,093	72,434	84,218	102,320
Vent	CO ₂ e tones	42,016	36,903	62,073	51,430
Fugitives	CO ₂ e tones	560	1,762	16,636	3,918
Indirect, Scope 2	CO ₂ e tones	82,087	74,799	77,617	100,994
Total, Scope 1 & Scope 2	CO ₂ e tones	290,673	292,262	336,598	373,366
Direct GHG intensity	tones CO ₂ e/boe	0.0270	0.0331	0.0401	0.0351
Indirect GHG intensity	tones CO ₂ e/boe	0.0106	0.0114	0.0120	0.0130
Total GHG intensity	tones CO ₂ e/boe	0.0376	0.0444	0.0521	0.0480
Carbon dioxide sequestered	CO ₂ e tones	2,691	5,666	5,414	5,352

DATA TABLES

Water

	Units	2019	2020	2021	2022
Fresh water, withdrawals	m3	61,578	31,402	81,718	66,363
Non-potable water withdrawals	m3	73,828	2,642	84,053	24,505
Fresh water intensity	m3/boe	0.0080	0.0048	0.0127	0.0086
Produced water (Saline), withdrawals	m3	7,237,796	9,426,980	10,300,057	9,633,852
Injected for waterflood	m3	7,269,163	8,754,230	9,894,381	9,726,208

Spills

Number of reportable spills	count	8	6	8	17
Total volume of reportable spills	m3	62	35	42	95
Spill intensity	m3/boe produced	0.00291	0.00195	0.00238	0.00447
Pipeline incidents	count	7	5	7	10
Pipeline distance (total)	kms	3,865	3,865	4,007	5,304

Wells

Number of producing wells	Net	1,985	1,761	1,698	1,931
Number of non-producing wells	Net	2,867	2,913	3,155	3,892
Wells abandoned	Net	149	275	270	117
Pipelines abandoned	kms	37	156	296	249
Active Reclamation Sites	count	100	349	387	328
Reclamation certificates received	count	23	25	12	17
Gross ARO Spend	\$ Thousands CAD	\$ 5,522	\$ 9,253	\$ 12,700	\$ 11,200

DATA TABLES

Health and Safety

	Units	2019	2020	2021	2022
Exposure hours	hours	1,107,530	680,827	1,107,000	1,467,775
Lost-time injury frequency (LTIF)	Total	-	-	-	-
Total recordable injury frequency (TRIF)	Total	0.36	0.88	0.36	0.55
Fatalities	Total	-	-	-	-

Employee Profile

	2019	2020	2021	2022
Full-time	74	69	74	85
Part-time	2	2	2	0
Field	6	6	6	6
Office	70	65	70	79
Corporate, % Female	52%	54%	51%	44%
Corporate, % Male	48%	46%	49%	56%
Board of Directors, % Female	33%	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 Surge's other 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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