SURGE ENERGY INC

TSX: **SGY**

# Premium Oil Assets Driving Free Cash Flow and Shareholder Returns

**CORPORATE PRESENTATION**

November 2024

# The Surge Value Proposition

High quality assets and strategic capital allocation maximize shareholder value and returns

**+** **+** **=** **$$$**

## High Quality Conventional Assets

- Light/medium oil asset base
- Large OOIP (>2.5 billion barrels)
- High operating netbacks ($39/boe)
- Low recoveries (8.7%)
- Low declines (24%)
- 12-year drilling inventory

## Disciplined Capital Allocation

- 95% of capital spending focused on two of the top crude oil plays in Canada (Sparky and SE Sask)
- Returning free cash flow to shareholders through a sustainable base dividend and NCIB share repurchases

## Proven Management and Board

- Seasoned management team with a proven track record
- Strong governance with significant insider ownership = shareholder alignment and commitment to long-term sustainability and success

## Maximize Free Cash Flow and Shareholder Returns

- Focus on enhanced free cash flow and financial flexibility
- A shareholder returns-based model with an increasing, compounding dividend
- ~$1.3 billion in tax pools allows for maximum distribution of free cash flow on a tax-efficient basis[1]

[1] *This represents a 4-year tax horizon at US$70 WTI pricing.*

*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, and non-GAAP and other financial measures.*

# Proven Business Strategy

SURGE

## Focused on sustainable returns and enhancing free cash flow

### Surge executes on a simple, repeatable business strategy:

- Develop high quality conventional oil reservoirs with proven technology, and further enhance recovery through waterflood;
- Strategically allocate capital to highest return opportunities to maximize free cash flow generation; and
- Positively impact the communities in which we operate through our commitment to strong environment, social, and governance principles.

1 **DISCIPLINED CAPITAL ALLOCATION**

Undertake low cost, low risk projects that support sustainability

2 **FINANCIAL FLEXIBILITY**

Focus on high return strategic opportunities to maximize free cash flow and shareholder returns, and enhance liquidity

3 **RESPONSIBILITY PRINCIPLES**

Continued focus on minimizing environmental impact and investing in community engagement

**SUSTAINABLE STRATEGY**

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# Recent Highlights

## In Q3 of 2024, Surge:

- Increased average daily production over Q2/24[1], <u>and</u> delivered strong **adjusted funds flow** (“AFF”) of $72.7 million;
- Strategically repositioned the Company’s **debt capital structure** by:
    - Closing an attractive $175 million unsecured 5 year term (8.5%) note offering;
    - Repaying its $126 million second-lien term facility; and
    - Increasing its first-lien credit facility by $40 million, <u>which now stands undrawn at $250 million.</u>
- **Returned ~$17 million to shareholders** (23% of AFF) by way of:
    - An attractive (~8% yield) annual cash dividend of $0.52 per share ($12.7 million returned to shareholders in Q3/24); <u>AND</u>
    - Normal Course Issuer Bid (“NCIB”) share buybacks ($4.0 million returned to shareholders in Q3/24).
- Continued to develop **Hope Valley** as an exciting **new Sparky crude oil discovery,** with >80 drilling locations; and
- Released **2025 capital and operating budget**[2] focused on maximizing free cash flow as follows:
    - $170 million capital spending program
    - $277 million adjusted funds flow (forecast)
    - $85 million free cash flow (forecast)
    - $0.52 per share annual dividend
    - 23,750 boepd (87% liquids) average production
    - 95% of development capital focused in Sparky and SE Saskatchewan core areas
    - 65 net wells planned
    - <8% of drilling location inventory to be utilized

*[1] Q3/24 was the first full quarter following the non-core asset sales of approximately 1,100 boepd that closed in late Q2/24, as announced on May 29, 2024.*
*[2] Utilizing a US$70 WTI crude oil price assumption.*
*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, and non-GAAP and other financial measures.*

# Corporate Guidance for 2025

| Key Guidance & Assumptions[1] | US$70 WTI[6] |
|---|---|
| 2025 Adjusted Funds Flow[2] | **$277 MM** |
| 2025 Cash Flow From Operating Activities[3] | **$255 MM** |
| 2025 Free Cash Flow[2] Before Dividends | **$85 MM** |
| 2025 Free Cash Flow Margin[2] | **31%** |
| 2025 Exit Net Debt To Cash Flow From Operating Activities[2,3] | **0.8x** |

## Market Snapshot

| | |
|---|---|
| Basic Shares Outstanding[4] | 101.4 MM |
| Average Daily Volume | 0.5 MM Shares |
| Market Capitalization / Debt / Enterprise Value[5] | $608 MM / $247 MM / $855 MM |

**23,750** BOEPD
2025 Average Production (est.)
*(87% liquids)*

**$170** MILLION
Sustainably-Oriented 2025 Capital Budget (est.)

**$0.52**
Annual Per Share Dividend[3]

**~$1.3B**
Tax Pools[7]

SURGE

***Focused on returns and enhancing free cash flow while managing risk***

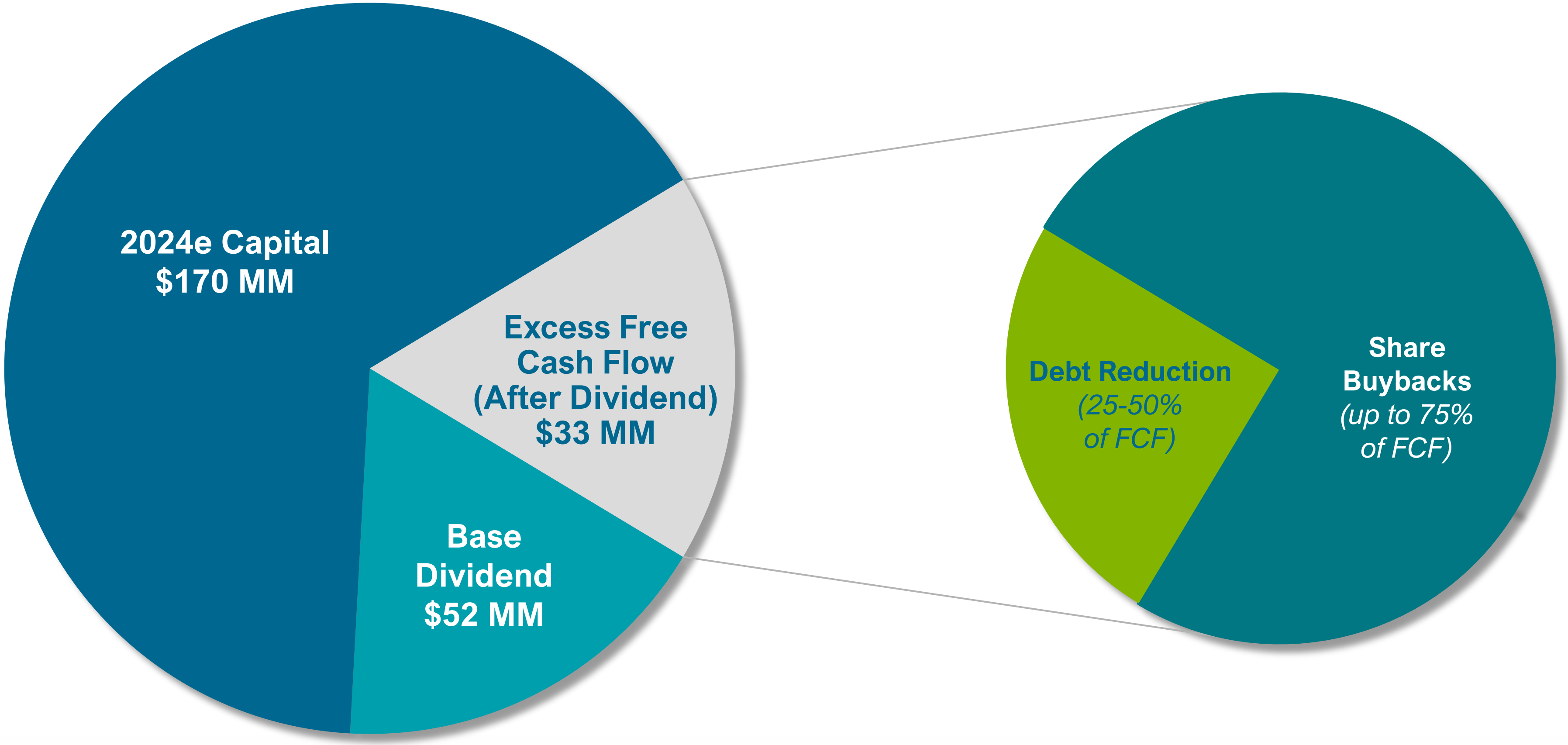

[1] Based on the following pricing assumptions: US$70 WTI, US$13.50 WCS differential, US$3.50 EDM differential, $0.725 CAD/USD FX, and $2.50 AECO.
[2] Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil & gas information, and non-GAAP and other financial measures.
[3] Assumes nil change in non-cash working capital.
[4] As at September 30, 2024.
[5] Market Capitalization and Enterprise Value are based on a $6.00 SGY share price and net debt of $247MM as at September 30, 2024.
[6] Every US$1 increase in WTI pricing adds $8 million to Surge's cash flow.
[7] Estimated as at December 31, 2024. This represents a 4-year tax horizon at US$70 WTI pricing.

# Return of Capital Framework

Surge is well positioned to deliver returns to shareholders through its base dividend and excess Free Cash Flow

**2025 Guidance Cash Flow @ US$70 WTI: $255 MM**

**Allocation of Excess Free Cash Flow (After Base Dividend)**




*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, and non-GAAP and other financial measures.*

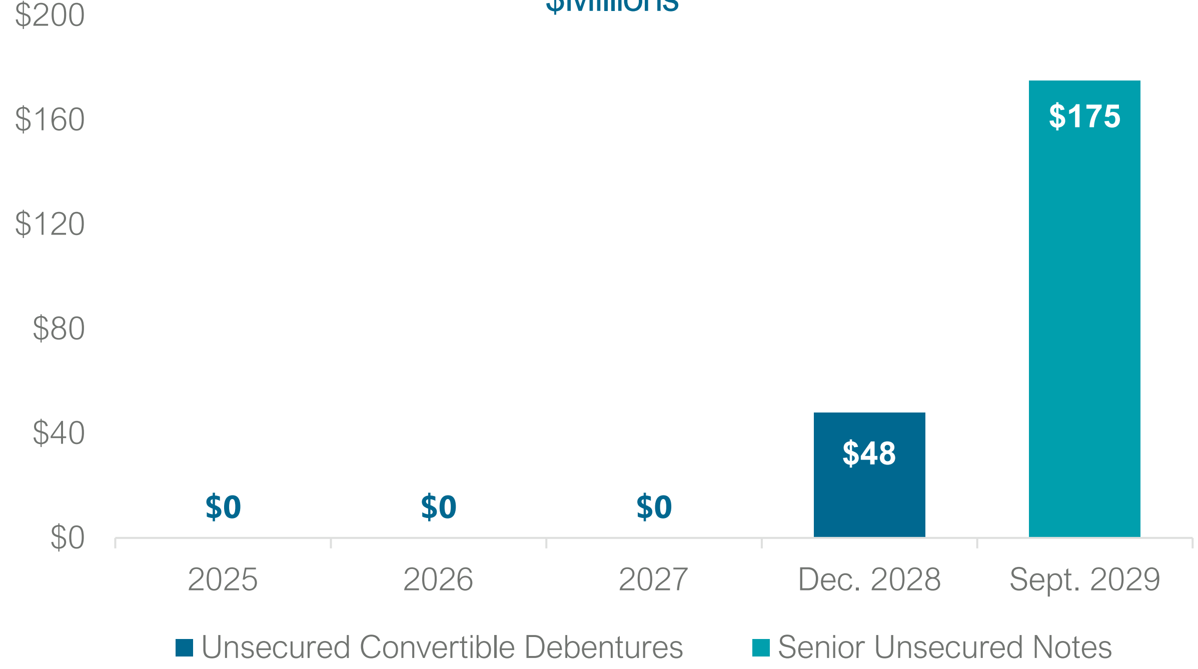
# Significant Liquidity

## Debt structure supports return of capital framework

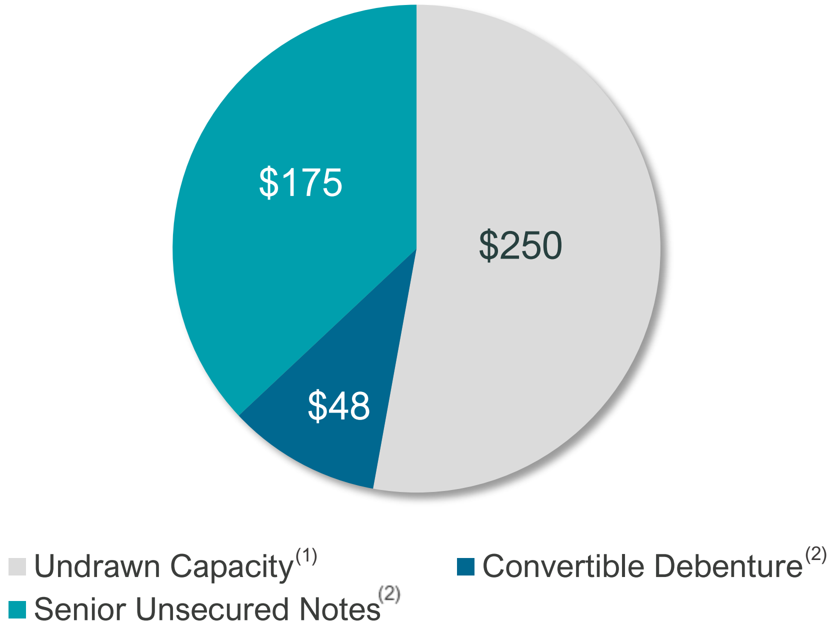
Surge's current drawn debt has long-dated maturities, termed out through late 2028 and 2029, with attractive interest rates.

### Term Debt Maturity Schedule

$Millions




### Debt Composition ($MM)




**$250 million of undrawn capacity provides significant financial flexibility**

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*(1) Historical Working Capital Deficit of $25-30MM*
*(2) Represents the est. balance sheet liability as at Sep 30, 2024*

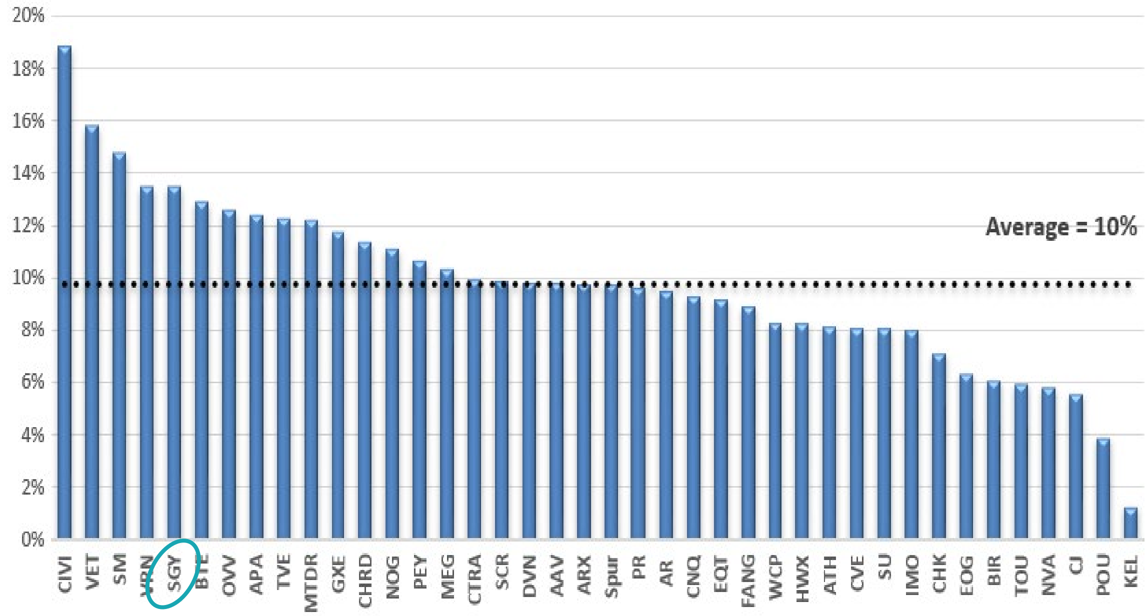
# Positioned To Be A Top Performer

SURGE

## Surge has been independently recognized as having one of the best FCF margins in its intermediate peer group while trading at a very attractive NAV valuation.

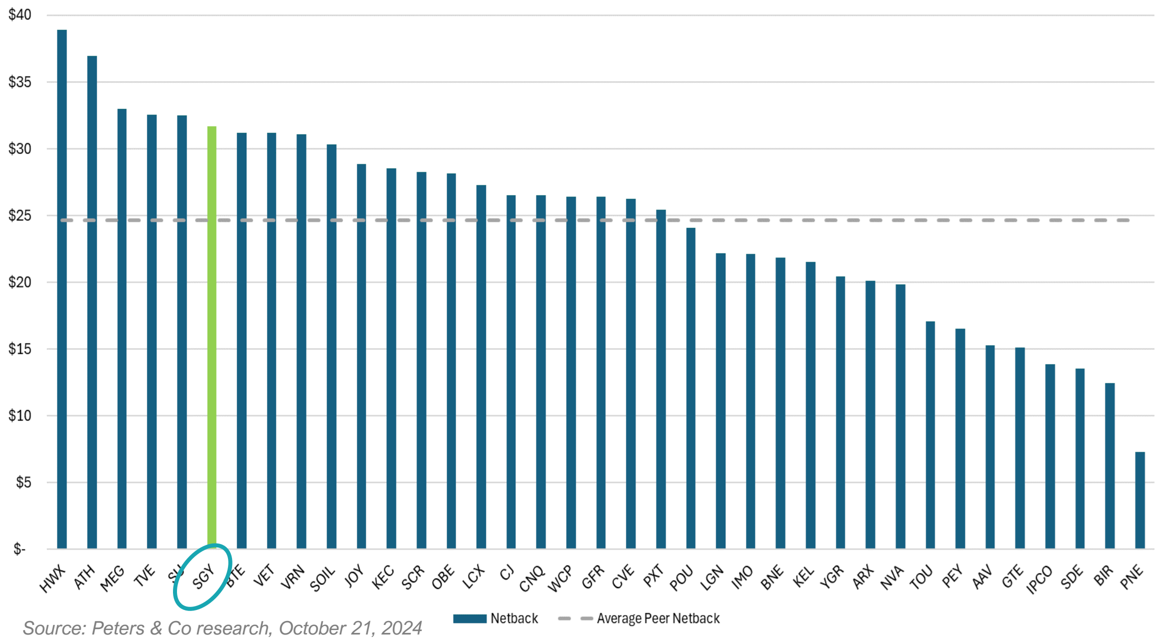
Surge's top tier FCF margin is driven by high crude oil operating netbacks, low declines, and quick well payouts in the Sparky and SE Saskatchewan.

### 2025 Free Cash Flow Yield @ $70 WTI




*Source: Ninepoint Partners. $3.50 NYMEX Gas, forex strip, and $12.50 WCS differential.*

### Canadian Peer Group 2025e Netback ($/boe)




*Source: Peters & Co research, October 21, 2024*

# Compelling opportunity for energy investors

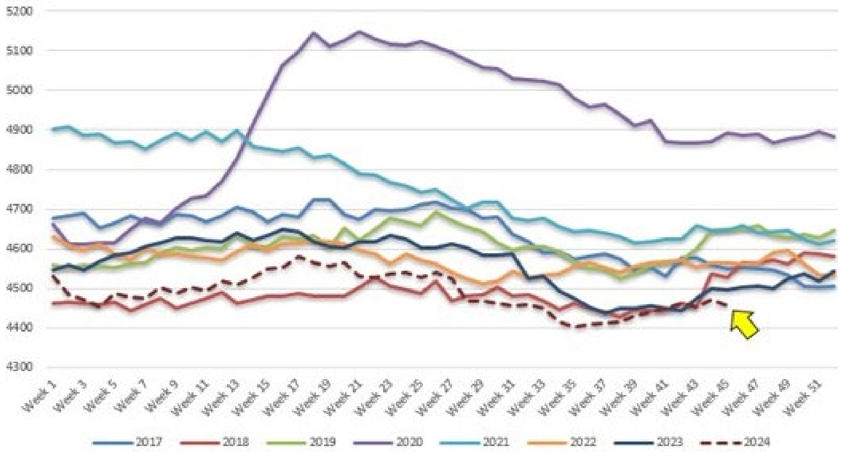
While global oil demand is at a record high, global crude inventories currently stand at the lowest level on record since 2017, and the SPR remains near a 40 year low. With growing geopolitical tensions increasing the possibility of supply disruptions and price volatility, this uncertainty (and compelling oil market fundamentals) supports higher crude prices over the coming months.

With low debt levels, excellent free cash flow margins, and a low historic trading multiple, Surge (87% light/medium oil) offers attractive returns to investors.

*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, and non-GAAP and other financial measures*

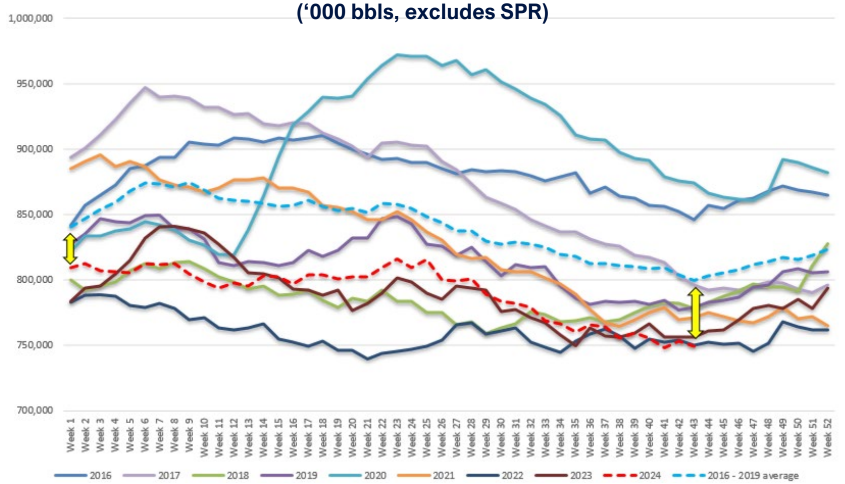
## Energy will continue to offer investors an attractive value proposition through 2025 and beyond

**Global Observable Oil Inventories (onshore + oil-on-water)**
**(MM bbls)**




*Source: Ninepoint Partners, Kpler (inventory data only available back to 2017*
*NOTE: This is after the global oil market absorbed ~206MM BBls net from the US Strategic Political Reserve (SPR) since Jan. 7, 2022.*

**US "Big 3" (Crude + Gasoline + Distillate) Inventory Levels**
**('000 bbls, excludes SPR)**




*Source: Ninepoint Partners, EIA*

Spotlight:

# Sparky and SE Saskatchewan

*Surge offers exposure to* ***two of the top four*** *conventional oil growth plays in Canada*

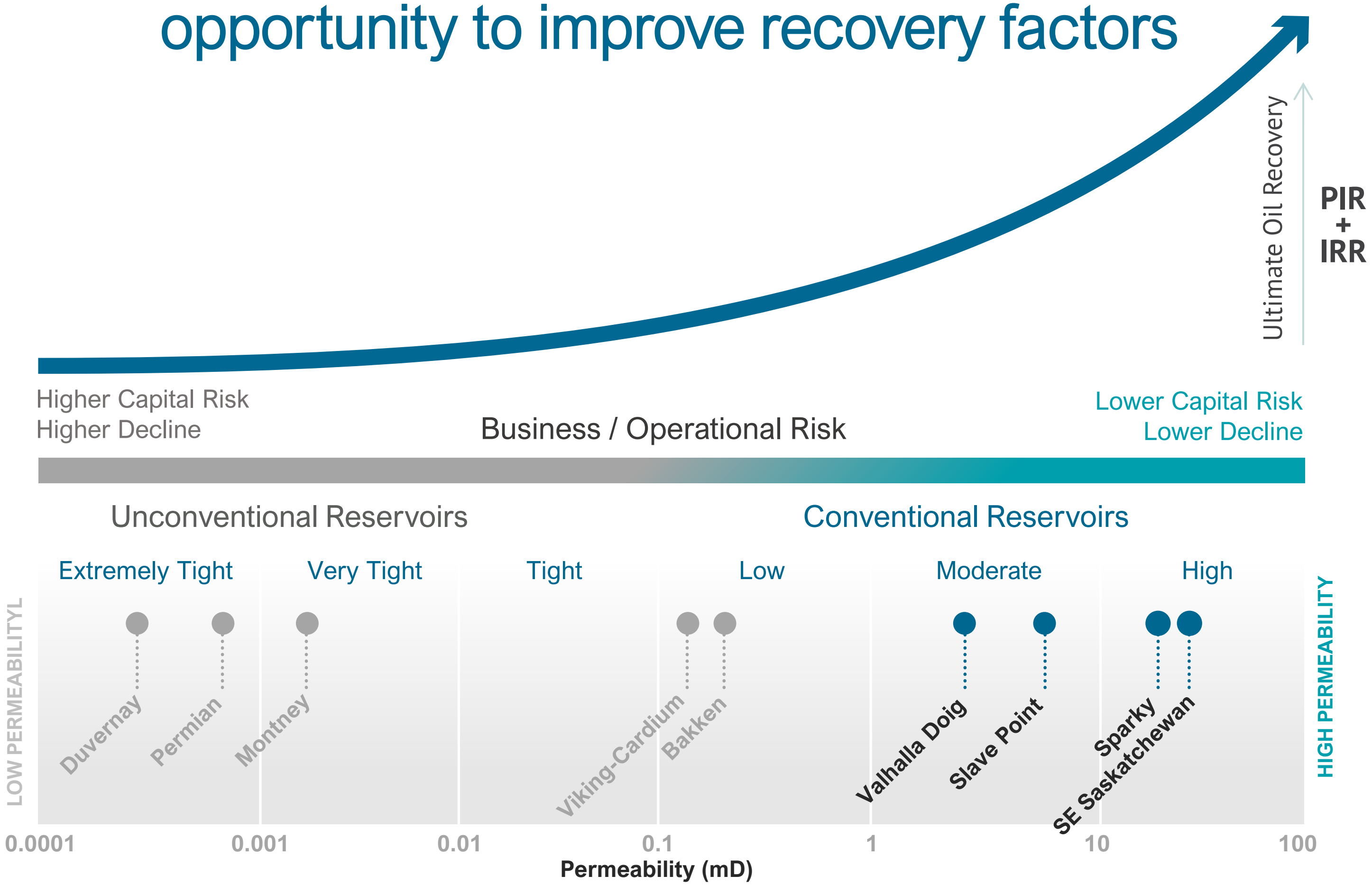
SURGE ENERGY INC

# Advantages of Conventional Reservoirs

Surge proactively targets low risk conventional reservoirs. The Company currently has >2.5 billion barrels of net OOIP with an 8.7% recovery factor (cumulative to date).

- High permeability conventional reservoirs lower capital risk and decline profiles.
- Potential for greatly improved ultimate oil recovery and greater IRR and PIR.
- Enhanced oil recovery from waterflood potential lowers decline rates and adds incremental barrels at a low cost.

## Conventional reservoirs offer lower risk, predictable, repeatable development with opportunity to improve recovery factors




Increasing permeability = higher quality reservoir

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# Core Area Focused

## Sparky and SE Saskatchewan provide exceptional economics and a depth of drilling inventory

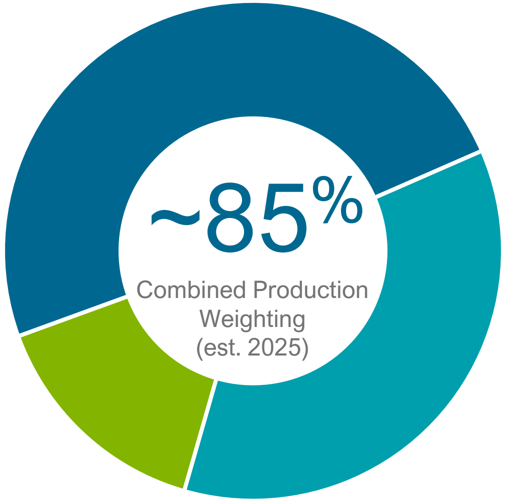
### Sparky

Light/medium crude oil production with compelling returns. Low on-stream costs with extensive drilling and waterflood inventory provides excellent long term sustainable growth potential.

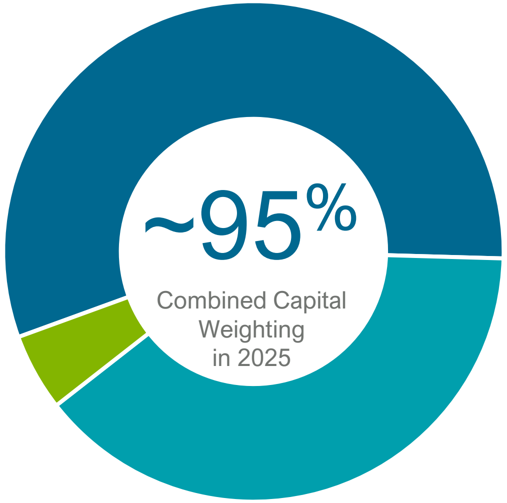
### SE Saskatchewan

Highly focused, operated asset base with excellent light oil operating netbacks. Low-cost wells with short payouts. Potential for continued area consolidation.

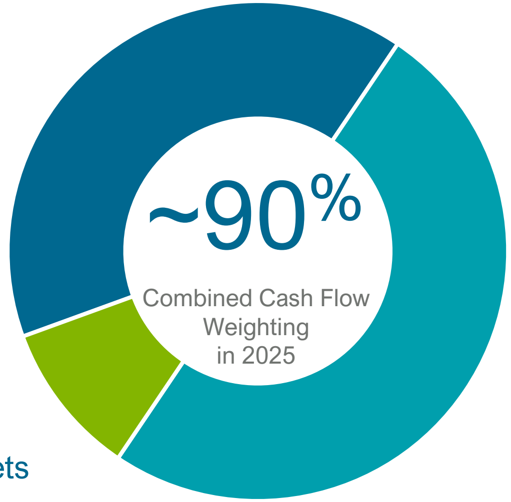
### 2025 Production Weighting by Area




### 2025 Capital Weighting by Area




### 2025 Cash Flow Weighting by Area




● Sparky ● SE Saskatchewan ● Other Surge Assets

*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, and non-GAAP and other financial measures.*

## Sparky

# A One-of-a-Kind Position

Surge holds a dominant land position and is drilling a mix of horizontal multi-frac and horizontal multi-lateral wells in the Sparky area

### Sparky Formation Facts

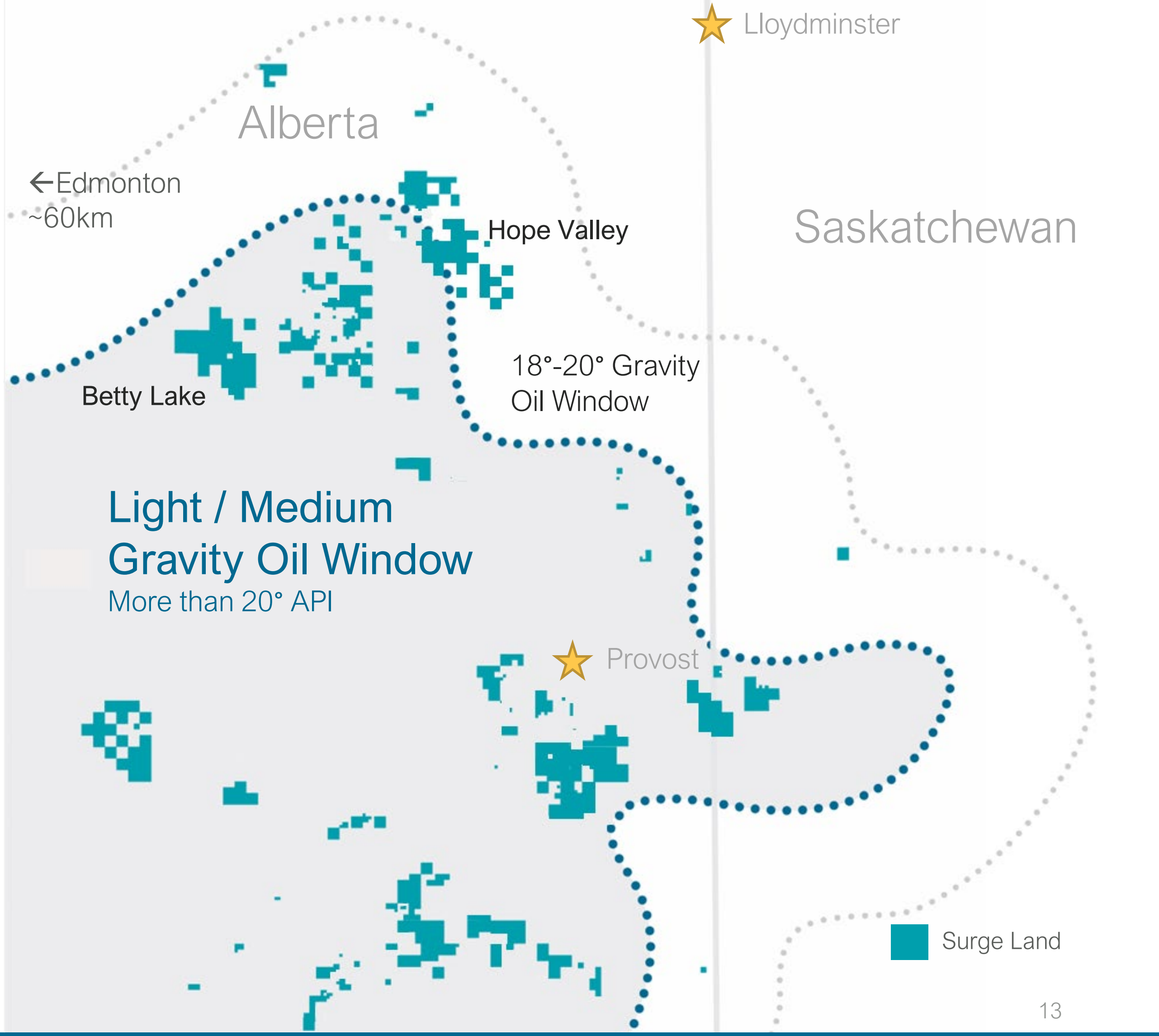
| | |
|---|---|
| First Production | May 1922 |
| Original Oil in Place | >11 Bbbls |
| Cumulative Production | ~1.33 Bbbls |
| Recovery Factor to date | ~12% |
| Producing Wells | ~23,400 |
| Hz Wells | ~1,440 |
| Multi-Frac Hz Wells | ~452 |
| Surge Drilled Multi-Frac Hz | >246 |
| Multi-Leg Hz Wells | ~450 |
| Surge Drilled Multi-Leg Hz | 23 |

*Data sourced from Canadian Discovery and Geoscout*

- Large, well established oil producing fairway in Western Canada
- Increased market focus with operators implementing multi-lateral horizontals in areas of higher oil viscosity; being compared to the Clearwater
- Per well economics with quick payouts and excellent rates
- Conventional sandstone reservoirs support top-tier capital efficiencies
- Shallow depth (700-900m)
- Low geological risk due to 3D seismic and thousands of vertical penetrations

## Over 11 Billion Barrel Trend

*One of Canada's Largest Accumulations of Oil*

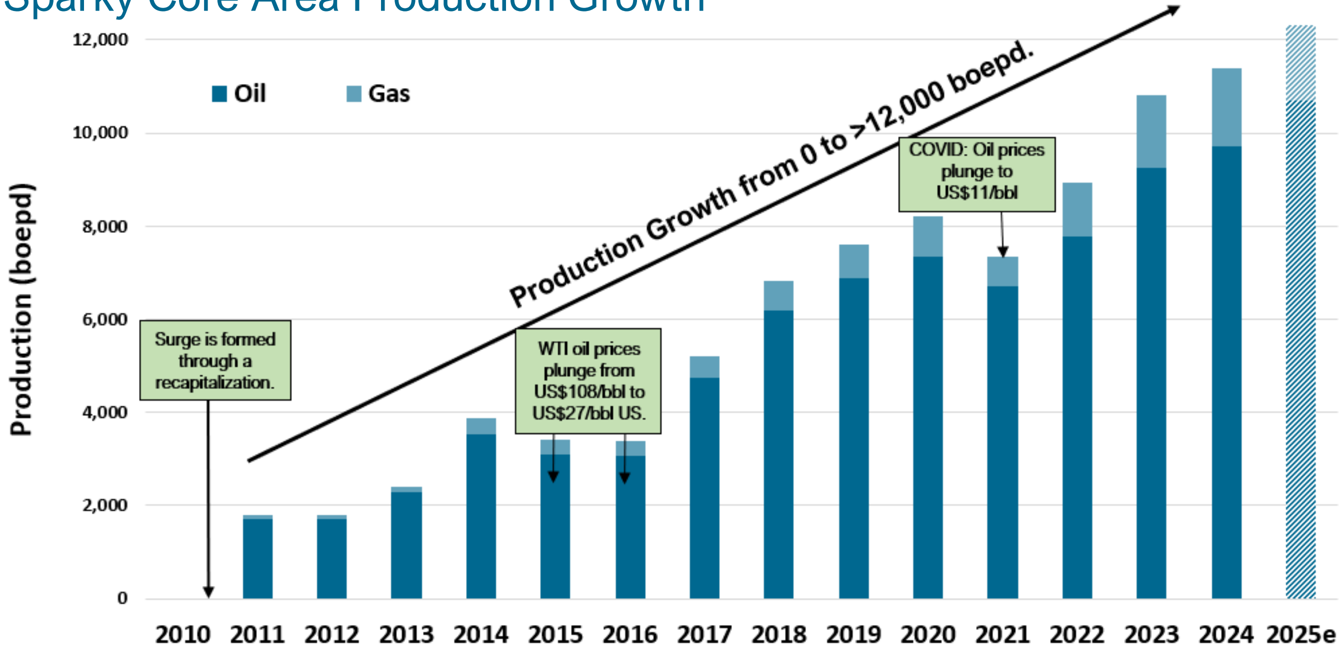


## Sparky

# Long-Term Growth Potential

Pad drilling, advanced horizontal multi-stage fracturing technology, and multi-lateral horizontal success have unlocked the potential of the Sparky play

### Sparky Core Area Production Growth




- Production has grown by >500% from 1,800 boepd in 2011 to ~11,500 boepd today
- Low-cost drilling (DCET[1] of ~$1.6MM per well)
- Focus on lighter WCS oil gravity (18-31° API) = higher operating netbacks
- Proven waterflood potential (Wainwright pool at >30% recovery factor)

**>1 billion bbls**
OOIP net to SGY (internally estimated)

**>520 net**
>140 Multi-Lateral Locations
** As of Jan. 1, 2024*

**>11,500 boepd**
Production (>85% liquids)

**>12 year**
Drilling Inventory (based on 38 wells per year)

[1] *Drill case equipment tie-in.*

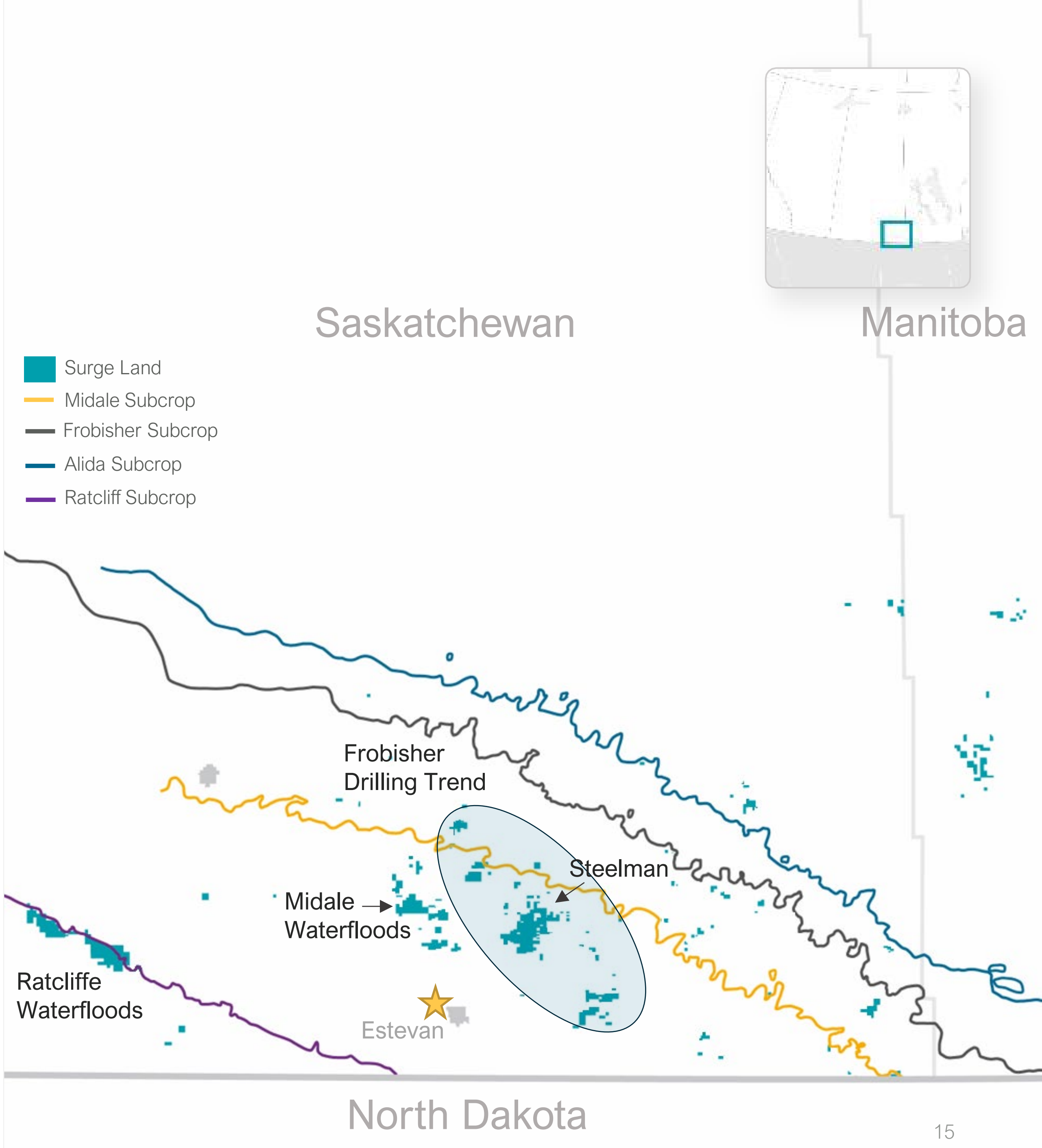
## SE Saskatchewan

# A Light Oil Balance

Surge's operational track record of success in SE Saskatchewan makes this an exciting growth area

### Area Benefits

- Organic growth opportunities
- Strategic acquisitions or tuck-in consolidation opportunities
- Cost-efficient drilling
- Extremely quick turnaround from spud to on production (under two weeks)
- High operating netback ($47.50 at $70WTI)
- Mix of low decline waterfloods & highly economic drilling
- Assets have low liabilities; minimal inactive ARO
- Year-round access



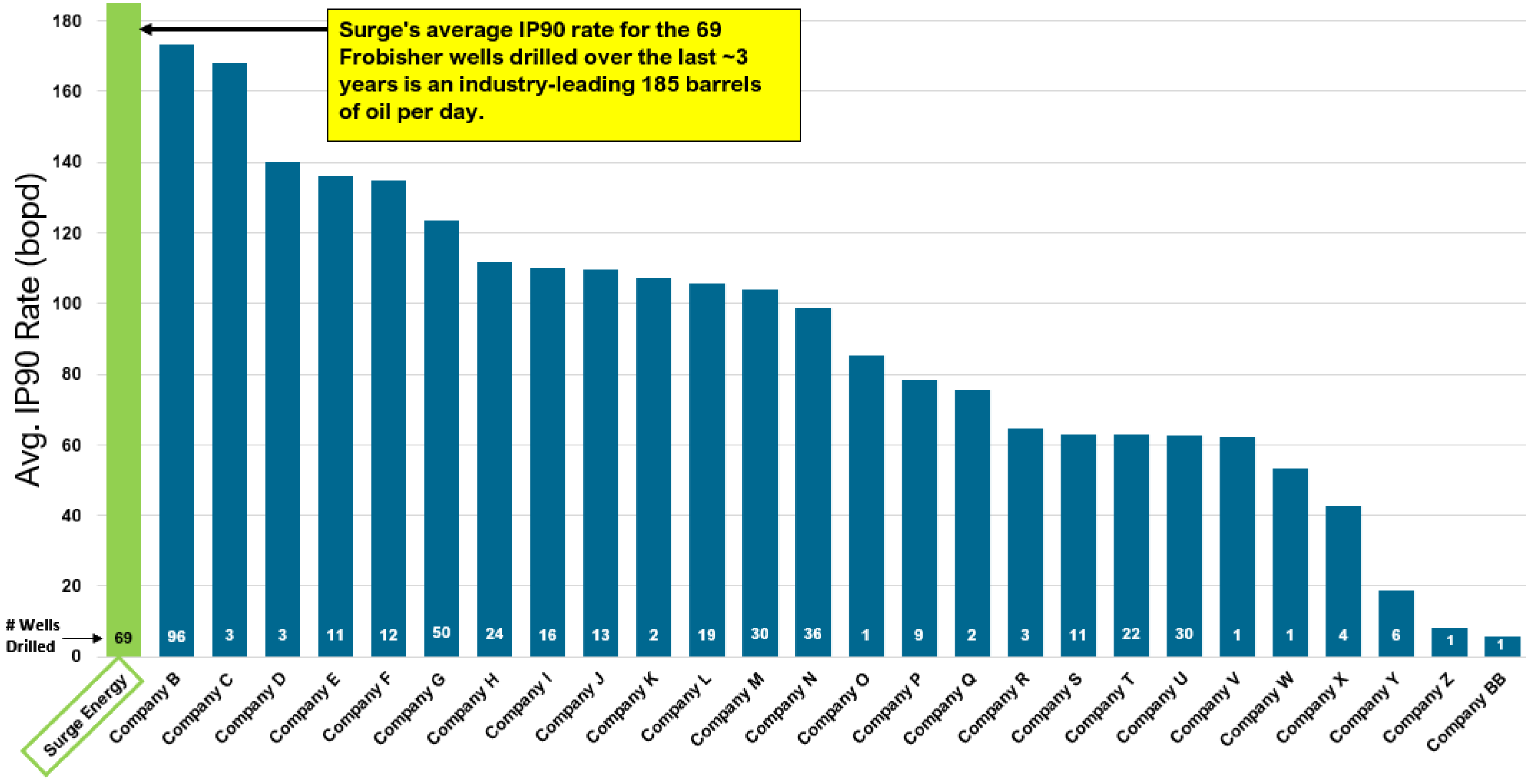

*Data sourced from Canadian Discovery and Geoscout*

## SE Saskatchewan

# Key Growth Driver

High operating netback light oil production and reserves from low risk, proven conventional reservoirs

### SE Saskatchewan Frobisher Average IP90 By Operator *(January 2022 - September 2024)*




**>400 million bbls**

OOIP net to SGY *(internally estimated)*

**>250 net**

SE Saskatchewan drilling locations

** Internally estimated as of Jan. 1, 2024*

**~8,500 boepd**

Production (90% liquids)

**~8 year**

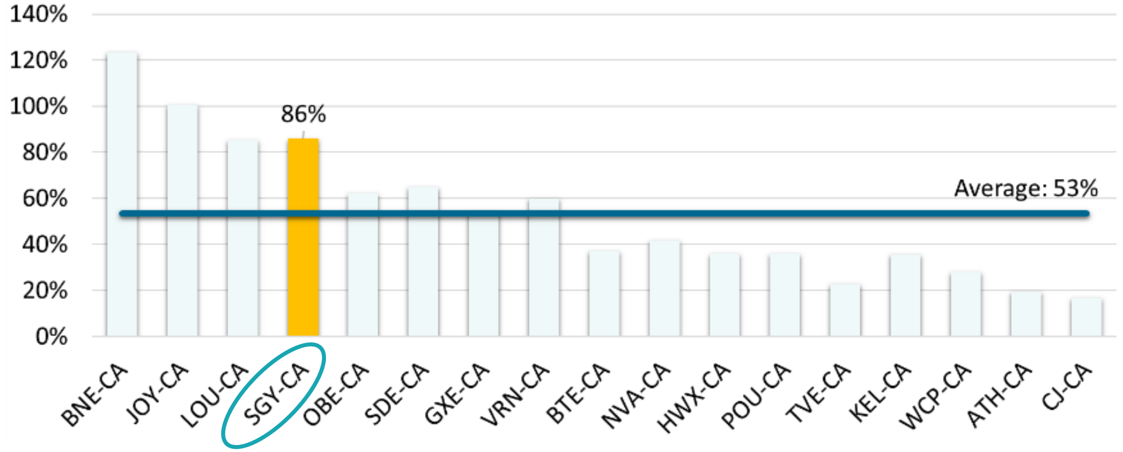
Drilling Inventory (based on ~30 wells per year)

*Please see the Advisories section at the back of this presentation for further details regarding forward-looking statements, oil and gas information, non-GAAP and other financial measures, and additional metrics.*

# Analyst Coverage

| Financial Institution | Analyst | Email Address | SGY 12-Month Target Price |
|---|---|---|---|
| Acumen Capital Partners | Trevor Reynolds | treynolds@acumencapital.com | $12.25 |
| ATB Capital Markets | Amir Arif | aarif@atb.com | $9.75 |
| BMO Capital Markets | Jeremy McCrea | jeremy.mccrea@bmo.com | $11.00 |
| Canaccord Genuity | Mike Mueller | mmueller@cgf.com | $10.50 |
| Cormark Securities | Brent Watson | bwatson@cormark.com | $13.75 |
| Eight Capital | Phil Skolnick | pskolnick@viiicapital.com | $13.50 |
| National Bank Financial | Dan Payne | dan.payne@nbc.ca | $11.25 |
| Peters & Co. | Christian Comeau | ccomeau@petersco.com | $9.00 |
| Raymond James | Luke Davis | luke.davis@raymondjames.ca | $8.50 |
| Schachter Energy Research | Josef Schachter | josef@schachterenergyreport.ca | $14.00 |
| Velocity Trade Capital | Mark Heim | mark.heim@velocitytradecapital.com | $11.00 |
| | | Average: | $11.32 |

**Upside Above Current Share Price to Consensus Factset Analyst Target Price**




# Leadership

## Paul Colborne

President & CEO

## Jared Ducs

CFO

## Murray Bye

COO

## Derek Christie

Senior VP, Exploration

## Margaret Elekes

Senior VP, Land & BD

## Dan Kelly

VP, Finance

## Grant Cutforth

VP, Business Development

# Board of Directors

## Paul Colborne

President & CEO

## Jim Pasieka[1]

Chairman

## Marion Burnyeat[2,3]

Independent Director

## Daryl H. Gilbert[3,4]

Independent Director

## Michelle Gramatke[2,4,5]

Independent Director

## Robert Leach[2,5,6]

Independent Director

## Allison Maher[2,4,5]

Independent Director

## Dan O’Neil[3,4]

Independent Director

## Murray Smith[2,3]

Independent Director

## Board Committees

1. Chair of the Board
2. Member of the Compensation, Nominating and Corporate Governance Committee. Ms. Burnyeat serves as Chair.
3. Member of the Environment, Health and Safety Committee. Mr. Gilbert serves as Chair.
4. Member of the Reserves Committee. Mr. O’Neil serves as Chair.
5. Member of the Audit Committee. Ms. Maher serves as Chair.
6. Lead independent director of the Board.

# Corporate Information

## TSX

# SGY.TO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## First Lien Lending Syndicate

National Bank of Canada

ATB Financial

Bank of Montreal

BDC Capital

Canadian Western Bank

## Auditor

KPMG LLP

## Legal Counsel

McCarthy Tétrault LLP

## Evaluation Engineers

Sproule Associates Ltd.

## Registrar & Transfer Agent

Odyssey Trust

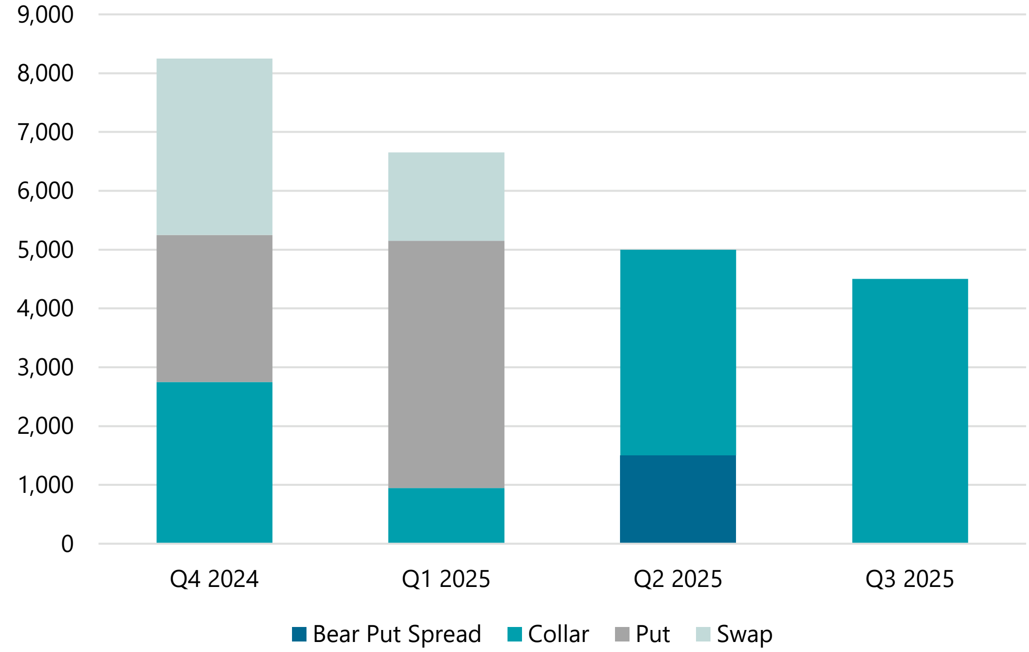
## Investor Contacts

Paul Colborne, President & CEO
Jared Ducs, CFO
invest@surgeenergy.ca

# Appendix

SURGE ENERGY INC

# WTI Hedging Summary




## WTI Crude Oil Derivative Contracts

| | Swaps | | Collars | | | Bought Put | | Sold Put | |
|---|---|---|---|---|---|---|---|---|---|
| Period | Volumes | Avg. Price | Volumes | Average Bought Put | Average Sold Call | Volumes | Avg. Price | Volumes | Avg. Price |
| Q4 2024 | 3,000 | $79.42 | 2,750 | $65.00 | $100.00 | 2,500 | $65.00 | - | $ - |
| Q1 2025 | 1,500 | $78.61 | 947 | $65.00 | $82.73 | 4,204 | $65.00 | - | $ - |
| Q2 2025 | - | $ - | 3,500 | $66.43 | $93.21 | 1,500 | $75.00 | 1,500 | $61.00 |
| Q3 2025 | - | $ - | 4,500 | $70.00 | $80.00 | - | $ - | - | $ - |

*All WTI prices are displayed in USD.*

# Hedging Detail

## WCS and MSW Derivative Contracts

| | WCS: Swaps | | WCS: Collars | | | MSW: Swaps | |
|---|---|---|---|---|---|---|---|
| Period | Volumes | Avg. Price | Volumes | Average Bought Put | Average Sold Call | Volumes | Avg. Price |
| Q4 2024 | 3,326 | -$13.73 | 1,000 | -$11.00 | -$17.80 | 4,000 | -$3.00 |
| Q1 2025 | 4,500 | -$14.09 | - | $ - | $ - | 3,000 | -$3.65 |
| Q2 2025 | 3,500 | -$13.82 | - | $ - | $ - | 3,000 | -$3.65 |
| Q3 2025 | 3,500 | -$13.82 | - | $ - | $ - | 3,000 | -$3.65 |
| Q4 2025 | 3,500 | -$13.82 | - | $ - | $ - | 2,000 | -$3.93 |

## Natural Gas Derivative Contracts

| | Swaps | | Collars | | |
|---|---|---|---|---|---|
| Period | Vol. | Avg. Price | Vol. | Average Bought Put | Average Sold Call |
| Q4 2024 | 1,326 | $5.62 | 3,674 | $4.43 | $7.21 |
| Q1 2025 | 2,000 | $5.62 | 3,000 | $4.74 | $7.58 |
| Q2 2025 | 1,700 | $4.38 | 3,300 | $4.06 | $4.74 |
| Q3 2025 | 1,700 | $4.38 | 3,300 | $4.06 | $4.74 |
| Q4 2025 | 2,230 | $3.55 | 1,112 | $4.06 | $4.74 |
| Q1 2026 | 2,500 | $3.27 | - | $ - | $ - |

## Foreign Currency Exchange Derivative Contracts

| Type | Term | Notional Amount (USD) | Floor | Ceiling | Forward rate |
|---|---|---|---|---|---|
| Average Rate Collar | Jan 2024 – Dec 2024 | $10,000,000 | $1.3225 | $1.4040 | - |
| Average Rate Collar | May 2024 – Dec 2024 | $5,000,000 | $1.3300 | $1.4100 | - |
| Average Rate Collar | Jan 2025 – Dec 2025 | $5,000,000 | $1.3300 | $1.4050 | - |
| Average Rate Swap | Jan 2025 – Jun 2025 | $5,000,000 | - | - | $1.3816 |

## Power Hedges

| | Swaps | |
|---|---|---|
| **Period** | MW (24 x7) | Avg. Price |
| 2024 | 10.5 | $72.99 |
| 2025 | 10.5 | $68.19 |
| 2026 | 10.5 | $72.22 |
| 2027 | 3.5 | $75.39 |

*All WCS and MSW prices and FX hedges are displayed in USD. Gas and Power hedges shown in CAD.*

# Advisories - Forward-Looking Statements

This presentation contains forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

This presentation contains forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "potential" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

More particularly, this presentation contains statements concerning: Surge's expectation it will meet the Company's 2024 production exit rate target; the anticipated completion date of the construction of a multi-well battery at Hope Valley; the anticipated use of the seismic data obtained from its 3D seismic program in Surge's 2025 drilling program and the expectations such data will help to further de-risk its expanding Hope Valley inventory; Surge's expectations and estimates with respect to its 2025 capital and operating budget; Surge's 2025 guidance; Surge's continued focus through 2025 on its disciplined capital allocation strategy; the anticipation that a majority of the Company's remaining free cash flow in 2025 will be used for share repurchases under its NCIB program; the expectation that the reduction in Surge's 2025 capital budget will improve the sustainability of the Company's dividend and shareholder returns based business model; Management's focus on the continued growth of Surge's multi-lateral well footprint in the Mannville stack and the commitment to development drilling in the Sparky area; Surge's planned 2025 drilling program; Surge's expectations regarding crude oil prices and WCS differentials; Surge's identification of potential drilling locations, including in Hope Valley; and the Company's ability to de-risk future drilling locations in Hope Valley.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions around the performance of existing wells and success obtained in drilling new wells; Surge's pricing assumptions of US$70 WTI, US$13.50 WCS differential, US$3.50 EDM differential, $0.725 CAD/USD FX and $2.50 AECO; anticipated operating, transportation and general and administrative costs and expenses; the application of regulatory and royalty regimes; prevailing economic conditions; development and completion activities; the performance of new wells; the successful implementation of waterflood programs; the availability of and performance of facilities and pipelines; the geological characteristics of Surge's properties; the successful application of drilling, completion and seismic technology; the determination of decommissioning liabilities; prevailing weather conditions; licensing requirements; the impact of completed facilities on operating costs; the availability and costs of capital, labour and services; and the creditworthiness of industry partners.

Although Surge believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Surge can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the condition of the global economy, including trade, public health and other geopolitical risks (including the Russian invasion of Ukraine and continued conflict in the Middle East); risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; inability of Surge to fund its future capital requirements and business plan; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks); commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; risks related to decommissioning liabilities including as a result of changes to laws or regulations, reserves estimates, costs and technology; failure to obtain the continued support of the lenders under Surge's current bank line; potential decrease in the available lending limits under Surge's credit facilities as a result of the syndicate's interpretation of the Company's reserves, commodity prices and decommissioning obligations; or the inability to obtain consent of lenders to increase or maintain the credit facilities. Certain risks are set out in more detail in Surge's annual information form dated March 6, 2024 and in Surge's interim management discussion and analysis for the period ended September 30, 2024, both of which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

The forward-looking statements contained in this presentation are made as of the date hereof and Surge undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

# Advisories - Oil and Gas Advisories

The term “boe” means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. “Boe/d” and “boepd” mean barrel of oil equivalent per day. Bbl means barrel of oil and “bopd” means barrels of oil per day. NGLs means natural gas liquids.

This presentation contains certain oil and gas metrics and defined terms which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar metrics/terms presented by other issuers and may differ by definition and application.

“Internally estimated” means an estimate that is derived by Surge’s internal Qualified Reserve Evaluators (“QREs”) and prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and the COGE Handbook. All internal estimates contained in this new release have been prepared effective as of January 1, 2024.

## Drilling Inventory

This presentation discloses drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved locations and probable locations derived from an internal evaluation using standard practices as prescribed in COGEH and account for drilling locations that have associated proved and/or probable reserves, as applicable.

Unbooked locations are internal estimates based on prospective acreage and assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by Surge’s internal certified Engineers and Geologists as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill any or all unbooked drilling locations and if drilled, there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain unbooked drilling locations have been de-risked by drilling existing wells in close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where Management has less information about the characteristics of the reservoir and therefore, there is more uncertainty whether wells will be drilled in such locations and if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Assuming a January 1, 2024 reference date (and net of the May 29, 2024 non-core dispositions, announced May 30, 2024), the Company will have over >1,000 gross (>900 net) drilling locations identified herein; of these, >530 gross (>490 net) are unbooked locations. Of the 424 net booked locations identified herein, 339 net are Proved locations and 85 net are Probable locations based on Sproule's 2023 year-end reserves and excluding the sold non-core properties. Assuming an average number of net wells drilled per year of 75, Surge's >900 net locations provide >12 years of drilling.

Surge’s internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2024. All locations were risked appropriately, and Estimated Ultimate Recovery (“EUR”) was measured against Discovered Petroleum Initially In Place (“DPIIP”) estimates to ensure a reasonable recovery factor was being achieved based on the respective spacing assumption. Other assumptions, such as capital, operating expenses, wellhead offsets, land encumbrances, working interests and NGL yields were all reviewed, updated and accounted for on a well-by-well basis by Surge’s internal QREs. All type curves fully comply with Part 5.8 of the Companion Policy 51 – 101CP.

Assuming a September 30, 2024 reference date, the Company will have over >80 gross (>80 net) Hope Valley area drilling locations identified herein; of these, >70 gross (>70 net) are unbooked locations. Of the 9 net booked locations identified herein, 6 net are Proved locations and 3 net are Probable locations based on Sproule’s 2023 year-end reserves.

Surge’s internal Hope Valley type curve profile of 172 bopd (IP30), 170 bopd (IP90) and 175 mbbl (175 mboe) EUR reserves per well, with assumed $2.5 MM per well capital, has a payout of <12 months @ US$70/bbl WTI (C$76/bbl WCS) and a ~168% IRR.

Assuming a December 31, 2024 reference date, the Company will have over >300 gross (>250 net) SE Saskatchewan & Manitoba area drilling locations identified herein; of these, >125 gross (>100 net) are unbooked locations. Of the 153 net booked locations identified herein, 122 net are Proved locations and 31 net are Probable locations based on Sproule’s 2023 year-end reserves.

Assuming a December 31, 2024 reference date, the Company will have over >200 gross (>165 net) Frobisher drilling locations identified herein; of these, >100 gross (>75 net) are unbooked locations. Of the 88 net booked locations identified herein, 68 net are Proved locations and 19 net are Probable locations based on Sproule’s 2023 year-end reserves.

Surge’s internal Frobisher type curve profile of 173 bopd (IP30), 143 bopd (IP90) and 84 mbbl (84 mboe) EUR reserves per well, with assumed $1.25 MM per well capital, has a payout of < 7 months @ US$70/bbl WTI (C$89/bbl LSB) and a >300% IRR.

# **Advisories** - Non-GAAP & Other Financial Measures

SURGE

This presentation includes references to non-GAAP and other financial measures used by the Company to evaluate its financial performance, financial position or cash flow. These specified financial measures include non-GAAP financial measures and non-GAAP ratios, are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. Certain secondary financial measures in this presentation – namely, "adjusted funds flow", “adjusted funds flow per share”, “adjusted funds flow per boe”, “free cash flow”, “excess free cash flow”, “free cash flow yield”, “free cash flow margin”, “net debt”, “net debt to cash flow from operating activities”, “operating netback”, and “operating netback per boe” are not prescribed by GAAP. These non-GAAP and other financial measures are included because management uses the information to analyze business performance, cash flow generated from the business, leverage and liquidity, resulting from the Company’s principal business activities and it may be useful to investors on the same basis. None of these measures are used to enhance the Company’s reported financial performance or position. The non-GAAP and other financial measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. They are common in the reports of other companies but may differ by definition and application. All non-GAAP and other financial measures used in this document are defined below, and as applicable, reconciliations to the most directly comparable GAAP measure for the period ended September 30, 2024, have been provided to demonstrate the calculation of these measures:

## Adjusted Funds Flow and Adjusted Funds Flow Per Share

Adjusted funds flow is a non-GAAP financial measure. The Company adjusts cash flow from operating activities in calculating adjusted funds flow for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs. Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such, may not be useful for evaluating Surge’s cash flows.

Changes in non-cash working capital are a result of the timing of cash flows related to accounts receivable and accounts payable, which management believes reduces comparability between periods. Management views decommissioning expenditures predominately as a discretionary allocation of capital, with flexibility to determine the size and timing of decommissioning programs to achieve greater capital efficiencies and as such, costs may vary between periods. Transaction and other costs represent expenditures associated with property acquisitions and dispositions, debt restructuring and employee severance costs, which management believes do not reflect the ongoing cash flows of the business, and as such, reduces comparability. Each of these expenditures, due to their nature, are not considered principal business activities and vary between periods, which management believes reduces comparability.

Adjusted funds flow per share is a non-GAAP ratio, calculated using the same weighted average basic and diluted shares used in calculating income per share.

The following table reconciles cash flow from operating activities to adjusted funds flow and adjusted funds flow per share:

| | Three Months Ended Sept 30, | | Nine Months Ended Sept 30, | |
|---|---|---|---|---|
| *($000s except per share)* | 2024 | 2023 | 2024 | 2023 |
| Cash flow from operating activities | 73,420 | 71,315 | 213,809 | 186,429 |
| Change in non-cash working capital | (10,357) | 12,644 | (12,494) | 20,611 |
| Decommissioning expenditures | 4,016 | 2,695 | 9,640 | 7,305 |
| Cash settled transaction and other costs | 5,631 | 220 | 7,047 | 500 |
| Adjusted funds flow | 72,710 | 86,874 | 218,002 | 214,845 |
| Per share - basic ($) | 0.72 | 0.87 | 2.16 | 2.19 |

## Free Cash Flow, Excess Free Cash Flow, Free Cash Flow Yield, and Free Cash Flow Margin

Free Cash Flow (“FCF”) and excess Free Cash Flow (“excess FCF”) are non-GAAP financial measures. During the period, management changed the composition of FCF and excess FCF. This change was made as a result of management’s assessment that decommissioning expenditures and cash settled transaction and other costs are not considered principal business activities and vary between periods, which management believes reduces comparability. Management believes the timing of collection, payment, or incurrence of these items involves a high degree of discretion and as such, may not be useful for evaluating Surge’s cash flows. Prior period calculations of FCF and excess FCF have been restated in the table below to reflect this change.

FCF is calculated as cash flow from operating activities, adjusted for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs, less expenditures on property, plant and equipment. Excess FCF is calculated as cash flow from operating activities, adjusted for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs, less expenditures on property, plant and equipment, and dividends paid. Management uses FCF and excess FCF to determine the amount of funds available to the Company for future capital allocation decisions.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *($000s except per share)* | 2024 | 2023 | 2024 | 2023 |
| Cash flow from operating activities | 73,420 | 71,315 | 213,809 | 186,429 |
| Change in non-cash working capital | (10,357) | 12,644 | (12,494) | 20,611 |
| Decommissioning expenditures | 4,016 | 2,695 | 9,640 | 7,305 |
| Cash settled transaction and other costs | 5,631 | 220 | 7,047 | 500 |
| Adjusted funds flow | 72,710 | 86,874 | 218,002 | 214,845 |
| Less: expenditures on property, plant and equipment | (51,361) | (43,945) | (136,826) | (120,267) |
| Free cash flow | 21,349 | 42,929 | 81,176 | 94,578 |
| Less: dividends paid | (12,741) | (11,889) | (36,870) | (34,785) |
| Excess free cash flow | 8,608 | 31,040 | 44,306 | 59,793 |

FCF yield is a non-GAAP ratio, calculated as free cash flow divided by the number of basic shares outstanding, divided by the Company’s share price at the date indicated herein. Management uses this measure as an indication of the cash flow available for return to shareholders based on current share prices.

FCF margin is a non-GAAP ratio, calculated as FCF divided by adjusted funds flow.

# **Advisories** - Non-GAAP & Other Financial Measures

SURGE

## Net Debt and Net Debt to Cash Flow from Operating Activities

Net debt is a non-GAAP financial measure, calculated as bank debt, senior unsecured notes, term debt, plus the liability component of the convertible debentures plus current assets, less current liabilities, however, excluding the fair value of financial contracts, decommissioning obligations, and lease and other obligations. This metric is used by management to analyze the level of debt in the Company including the impact of working capital, which varies with the timing of settlement of these balances.

| ($000s) | As at September 30, 2024 | As at June 30, 2024 | As at September 30, 2023 |
|---|---|---|---|
| Cash | 11,500 | — | — |
| Accounts receivable | 53,193 | 56,960 | 74,624 |
| Prepaid expenses and deposits | 4,215 | 5,803 | 3,050 |
| Accounts payable and accrued liabilities | (93,094) | (90,791) | (83,978) |
| Dividends payable | (4,395) | (4,018) | (4,013) |
| Bank debt | — | (33,010) | (11,900) |
| Senior unsecured notes | (170,642) | — | — |
| Term debt | (9,094) | (131,044) | (230,624) |
| Convertible debentures | (38,997) | (38,607) | (33,454) |
| Net Debt | (247,314) | (234,707) | (286,295) |

Net debt to cash flow from operating activities is a non-GAAP ratio, calculated as exit net debt divided by cash flow from operating activities. Management uses this ratio to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Surge monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and dividend levels.

## Operating Netback, Operating Netback per boe, and Adjusted Funds Flow per boe

Operating netback is a non-GAAP financial measure, calculated as petroleum and natural gas revenue and processing and other income, less royalties, realized gain (loss) on commodity and FX contracts, operating expenses, and transportation expenses. Operating netback per boe is a non-GAAP ratio, calculated as operating netback divided by total barrels of oil equivalent produced during a specific period of time. There is no comparable measure in accordance with IFRS. This metric is used by management to evaluate the Company's ability to generate cash margin on a unit of production basis.

Adjusted funds flow per boe is a non-GAAP ratio, calculated as adjusted funds flow divided by total barrels of oil equivalent produced during a specific period of time.

Operating netback & adjusted funds flow are calculated on a per unit basis as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($000s) | 2024 | 2023 | 2024 | 2023 |
| Petroleum and natural gas revenue | 162,191 | 184,475 | 493,531 | 501,922 |
| Processing and other income | 2,054 | 1,812 | 6,812 | 6,046 |
| Royalties | (32,581) | (33,384) | (90,226) | (88,278) |
| Realized loss on commodity and FX contracts | (217) | (1,535) | (3,229) | (5,515) |
| Operating expenses | (43,242) | (47,988) | (141,075) | (148,654) |
| Transportation expenses | (3,035) | (2,902) | (8,328) | (10,344) |
| Operating netback | 85,170 | 100,478 | 257,485 | 255,177 |
| G&A expense | (5,154) | (4,716) | (15,437) | (14,117) |
| Interest expense | (7,306) | (8,888) | (24,046) | (26,215) |
| Adjusted funds flow | 72,710 | 86,874 | 218,002 | 214,845 |
| Barrels of oil equivalent (boe) | 2,189,137 | 2,217,941 | 6,604,665 | 6,615,403 |
| Operating netback ($ per boe) | 38.91 | 45.30 | 38.98 | 38.58 |
| Adjusted funds flow ($ per boe) | 33.22 | 39.16 | 33.00 | 32.49 |