

Condensed Interim Statements of Financial Position

Stated in thousands of Canadian dollars

(Unaudited)

As at	March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash	\$ 11,736	\$ 7,594
Accounts receivable	55,506	58,327
Fair value of financial contracts (note 5)	4,253	6,460
Prepaid expenses and deposits	2,363	3,233
	73,858	75,614
Non-current assets		
Fair value of financial contracts (note 5)	—	20
Property, plant and equipment (note 4)	1,226,996	1,206,279
Deferred income taxes	82,013	84,236
	1,309,009	1,290,535
	\$ 1,382,867	\$ 1,366,149
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 94,749	\$ 95,433
Dividends payable (note 9)	4,313	4,350
Fair value of financial contracts (note 5)	5,851	4,111
Current portion of term debt (note 6)	2,381	715
Current portion of lease and other obligations	5,137	4,092
Current portion of decommissioning obligations (note 8)	10,000	10,000
	122,431	118,701
Non-current liabilities		
Fair value of financial contracts (note 5)	258	—
Senior unsecured notes (note 6)	171,090	170,872
Term debt (note 6)	3,256	5,509
Convertible debentures (note 7)	39,819	39,401
Decommissioning obligations (note 8)	292,861	281,624
Lease and other obligations	21,444	11,534
	528,728	508,940
Shareholders' equity		
Share capital	1,752,340	1,767,739
Equity component of convertible debentures (note 7)	6,375	6,375
Contributed surplus	102,285	88,970
Deficit	(1,129,292)	(1,124,576)
	731,708	738,508
	\$ 1,382,867	\$ 1,366,149

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

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

Stated in thousands of Canadian dollars, except per share amounts

(Unaudited)

	Three Months Ended March 31,	
	2025	2024
Revenue		
Petroleum and natural gas revenue (note 10)	\$ 160,722	\$ 158,167
Processing income (note 10)	2,162	2,504
Royalties	(28,457)	(30,144)
Unrealized loss on financial contracts (note 5)	(3,520)	(15,054)
Realized gain on financial contracts (note 5)	1,427	137
	132,334	115,610
Expenses		
Operating	41,996	51,937
Transportation	2,458	2,663
General and administrative	5,598	5,126
Stock-based compensation (note 9)	2,033	1,646
Depletion and depreciation (note 4)	56,013	46,837
Finance expense	13,750	11,866
Gain on disposals	(217)	—
Transaction and other costs	233	775
	121,864	120,850
Income (loss) before income taxes	10,470	(5,240)
Deferred income tax expense (recovery)	2,224	(1,610)
Net income (loss) and comprehensive income (loss)	\$ 8,246	\$ (3,630)
Income (loss) per share (note 9)		
Basic	\$ 0.08	\$ (0.04)
Diluted	\$ 0.08	\$ (0.04)

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

Condensed Interim Statements of Changes in Shareholders' Equity

Stated in thousands of Canadian dollars, except share amounts

(Unaudited)

	Number of common shares	Share capital	Equity component of convertible debentures	Contributed surplus	Deficit	Total equity
Balance at December 31, 2023	100,314,111	\$ 1,790,559	\$ 6,375	\$ 67,546	\$ (1,020,503)	\$ 843,977
Net loss	—	—	—	—	(3,630)	(3,630)
Transfer on exercise of RSAs and PSAs ⁽¹⁾ (note 9)	266,914	2,258	—	(2,258)	—	—
Stock-based compensation, net of tax recovery of \$0.4 million (note 9)	—	—	—	2,958	—	2,958
Dividends (note 9)	—	—	—	—	(12,069)	(12,069)
Balance at March 31, 2024	100,581,025	\$ 1,792,817	\$ 6,375	\$ 68,246	\$ (1,036,202)	\$ 831,236
Balance at December 31, 2024	100,381,957	\$ 1,767,739	\$ 6,375	\$ 88,970	\$ (1,124,576)	\$ 738,508
Net income	—	—	—	—	8,246	8,246
Repurchase of common shares for cancellation, including tax (note 9)	(858,800)	(15,399)	—	10,316	—	(5,083)
Stock-based compensation, net of tax recovery of \$0.1 million (note 9)	—	—	—	2,999	—	2,999
Dividends (note 9)	—	—	—	—	(12,962)	(12,962)
Balance at March 31, 2025	99,523,157	\$ 1,752,340	\$ 6,375	\$ 102,285	\$ (1,129,292)	\$ 731,708

(1) RSA and PSA defined as restricted share and performance share awards.

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

Condensed Interim Statements of Cash Flows

Stated in thousands of Canadian dollars

(Unaudited)

	Three Months Ended March 31,	
	2025	2024
Cash provided by (used in)		
Operating		
Net income (loss)	\$ 8,246	\$ (3,630)
Gain on disposals	(217)	—
Unrealized loss on financial contracts (note 5)	3,520	15,054
Finance expense	13,750	11,866
Interest expense	(5,695)	(8,451)
Depletion and depreciation (note 4)	56,013	46,837
Decommissioning expenditures (note 8)	(4,525)	(3,928)
Transaction and other costs	403	48
Stock-based compensation (note 9)	2,033	1,646
Deferred income tax expense (recovery)	2,224	(1,610)
Change in non-cash working capital	7,718	8,953
Cash flow from operating activities	83,470	66,785
Financing		
Bank debt (note 6)	—	9,704
Term debt (note 6)	(715)	(8,546)
Dividends paid (note 9)	(12,998)	(12,059)
Purchase of common shares for cancellation (note 9)	(5,083)	—
Payments on lease obligations	(1,191)	(1,322)
Cash flow used in financing activities	(19,987)	(12,223)
Investing		
Expenditures on property, plant and equipment (note 4)	(54,399)	(49,400)
Proceeds from dispositions	56	8
Expenditures on acquisitions	(100)	—
Change in non-cash working capital	(4,898)	(5,170)
Cash flow used in investing activities	(59,341)	(54,562)
Change in cash	4,142	—
Cash, beginning of the period	7,594	—
Cash, end of the period	\$ 11,736	\$ —

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

NOTES TO FINANCIAL STATEMENTS

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

1. REPORTING ENTITY

Surge Energy Inc. (the "Corporation" or "Surge") is a corporation existing under the laws of Alberta. Surge's business consists of the exploration, development and production of oil and gas from properties in western Canada. Surge's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol SGY. The address of Surge's registered office is 1200, 520-3rd Avenue SW, Calgary, Alberta, Canada, T2P 0R3.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standard Board ("IASB") and using the accounting policies outlined by the Corporation in its annual financial statements for the year ended December 31, 2024. These condensed interim financial statements do not include all of the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2024.

The condensed interim financial statements were authorized for issuance by the board of directors (the "Board") on May 7, 2025.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the annual financial statements for the year ended December 31, 2024.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and for any future periods affected.

3. MATERIAL ACCOUNTING POLICIES

These condensed interim financial statements at March 31, 2025 have been prepared following the same accounting policies as the annual financial statements as at December 31, 2024.

4. PROPERTY, PLANT AND EQUIPMENT

	Total
Cost	
Balance at December 31, 2023	\$ 3,337,325
Acquisitions	3,560
Dispositions	(945,814)
Additions	195,103
Right-of-use assets	(668)
Change in decommissioning obligations (note 8)	61,378
Capitalized stock-based compensation (note 9)	4,098
Balance at December 31, 2024	\$ 2,654,982
Acquisitions	100
Dispositions	(56)
Additions	54,399
Right-of-use assets and other	8,006
Change in decommissioning obligations (note 8)	13,316
Capitalized stock-based compensation (note 9)	965
Balance at March 31, 2025	\$ 2,731,712
Accumulated depletion, depreciation and impairment	
Balance at December 31, 2023	\$ (1,987,067)
Depletion and depreciation expense	(184,998)
Impairment	(96,495)
Dispositions	823,339
Change in decommissioning obligations	(3,482)
Balance at December 31, 2024	\$ (1,448,703)
Depletion and depreciation expense	(53,473)
Change in decommissioning obligations	(2,540)
Balance at March 31, 2025	\$ (1,504,716)
Carrying amounts	
At December 31, 2024	\$ 1,206,279
At March 31, 2025	\$ 1,226,996

The calculation of depletion and depreciation expense as at March 31, 2025 included an estimated \$689.1 million (December 31, 2024 - \$724.6 million) for future development costs associated with proved plus probable reserves.

As at March 31, 2025, the Corporation determined that there were no indicators of impairment or historical impairment reversals on any of its cash-generating units ("CGU" or "CGUs") and, therefore, impairment tests were not performed.

5. RISK MANAGEMENT

At March 31, 2025, the following risk management contracts were outstanding with an asset fair market value of \$4.3 million and a liability fair market value of \$6.1 million (December 31, 2024 – asset of \$6.5 million and liability of \$4.1 million):

West Texas Intermediate Crude Oil Derivative Contracts (WTI)

Period	Swaps		Collars			Bought Put		Sold Put	
	Volumes (bbls/d)	Average Price (CAD/bbl)	Volumes (bbls/d)	Average Bought Put (CAD/bbl)	Average Sold Call (CAD/bbl)	Volumes (bbls/d)	Average Price (CAD/bbl)	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 2 2025	5,500	\$106.13	3,500	\$95.58	\$134.12	1,500	\$107.91	1,500	\$87.77
Qtr. 3 2025	4,000	\$104.81	4,500	\$100.72	\$115.11	—	—	—	—
Qtr. 4 2025	1,000	\$103.28	—	—	—	—	—	—	—
Qtr. 1 2026	500	\$103.28	—	—	—	—	—	—	—

Western Canadian Select Differential Derivative Contracts (WCS)

Period	Swaps	
	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 2 2025	5,000	\$(19.55)
Qtr. 3 2025	5,000	\$(19.55)
Qtr. 4 2025	5,000	\$(19.55)
Qtr. 1 2026	1,500	\$(18.78)
Qtr. 2 2026	1,500	\$(18.78)
Qtr. 3 2026	1,500	\$(18.78)

Mixed Sweet Blend Differential Derivative Contracts (MSW)

Period	Swaps	
	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 2 2025	3,000	\$(5.25)
Qtr. 3 2025	3,000	\$(5.25)
Qtr. 4 2025	2,000	\$(5.65)

Natural Gas Derivative Contracts

Period	AECO Swaps		NYMEX Collars			NYMEX - AECO Basis Swaps	
	Volumes (GJ/d)	Average Price (CAD/GJ)	Volumes (MMBtu/d)	Average Bought Put (CAD/MMBtu)	Average Sold Call (CAD/MMBtu)	Volumes (MMBtu/d)	Average Price (CAD/MMBtu)
Qtr. 2 2025	1,700	\$4.65	3,300	\$4.32	\$5.04	5,000	\$(1.50)
Qtr. 3 2025	1,700	\$4.65	3,300	\$4.32	\$5.04	5,000	\$(1.50)
Qtr. 4 2025	3,888	\$3.40	1,112	\$4.32	\$5.04	1,685	\$(1.50)
Qtr. 1 2026	5,000	\$3.18	—	—	—	—	—

Foreign Currency Exchange Derivative Contracts

Type	Term	Notional Amount (USD)	Floor	Ceiling	Forward Rate
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
Average Rate Collar	Jan 2025 - Jun 2026	\$5,000,000	1.3850	1.4610	—
Average Rate Collar	Jul 2025 - Dec 2025	\$5,000,000	1.3900	1.4650	—
Average Rate Collar	Jan 2026 - Dec 2026	\$5,000,000	1.3800	1.4450	—

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

Net income (loss) impact for the three months ended March 31, 2025	Increase	Decrease
Crude Oil - Change of +/- \$1.00	\$ (3,338)	\$ 3,338
Natural Gas - Change of +/- \$0.10	\$ (139)	\$ 139
Foreign Exchange - Change of +/- \$0.01	\$ 190	\$ (190)

A reconciliation of the financial contracts gain (loss) reflected within these condensed interim financial statements is provided below:

	March 31, 2025	March 31, 2024
Financial contracts gain (loss)		
Unrealized loss on financial contracts	\$ (3,520)	\$ (15,054)
Realized gain on financial contracts	1,427	137
Total financial contracts loss	\$ (2,093)	\$ (14,917)

As at March 31, 2025, the Corporation's net fair value of financial contracts is as follows:

	Financial contracts	Foreign exchange contracts	Total
Net financial contracts asset, December 31, 2024	\$ 6,025	\$ (3,656)	\$ 2,369
Unrealized change in fair value	(5,125)	900	(4,225)
Net financial contracts liability, March 31, 2025	\$ 900	\$ (2,756)	\$ (1,856)

6. DEBT

Bank Debt

As at March 31, 2025, the Corporation had a total commitment of \$250 million, being the aggregate of a committed revolving first-lien term facility of \$200 million and an operating loan facility of \$50 million (the "Facilities"), with a syndicate of banks. A review and redetermination of the borrowing base is scheduled to occur semi-annually on or before May 31 and November 30 of each year. The Facilities are available on a revolving basis until May 29, 2025. On May 29, 2025, at the Corporation's discretion, the Facilities are available on a non-revolving basis for a one-year period, at the end of which time the Facilities would be due and payable. Alternatively, the Facilities may be extended for a further 364-day period at the request of the Corporation and subject to the approval of the syndicate.

As at March 31, 2025, the Corporation had \$2.6 million of outstanding letters of credit (December 31, 2024 - \$2.6 million), which are included within the \$50 million operating loan facility and reduces the lending capacity available.

Senior Unsecured Notes

As at March 31, 2025, the Corporation had \$175.0 million of senior unsecured notes (the "Notes") outstanding. The Notes bear interest at a fixed rate of 8.500% per annum, payable semi-annually, with a due date of September 5, 2029, and rank equally with all other present unsecured and subordinated debt of the Corporation. The Notes were priced at 100% of par to yield 8.500% per annum.

The Notes are non-callable by the Corporation prior to September 5, 2026. On or after September 5, 2026, the Corporation may redeem all or part of the Notes at the redemption prices set forth below, plus any accrued and unpaid interest, for the twelve month period beginning on:

- i. September 5, 2026: 104.250%
- ii. September 5, 2027: 102.125%
- iii. September 5, 2028 and thereafter: 100.000%

Emissions Reduction Fund

As at March 31, 2025, the Corporation had a \$5.6 million (December 31, 2024 - \$6.2 million) loan repayable relating to the Government of Canada Emissions Reduction Fund ("ERF"), which is included as term debt within these condensed interim financial statements. As at March 31, 2025, the Corporation had received \$10.9 million (December 31, 2024 - \$10.9 million) of funds from the ERF for the Corporation's planned gas emissions reduction program, of which a total of \$2.4 million (December 31, 2024 - \$1.7 million) has been repaid.

The next repayment of 33.3 percent of the repayable portion is due on March 31, 2026. As a result, \$2.4 million (December 31, 2024 - \$0.7 million) of the loan repayable has been reflected as current term debt.

A summary of outstanding debt is as follows:

	Bank debt	Senior unsecured notes	Term debt	Total
Balance at December 31, 2023	\$ 42,797	\$ —	\$ 178,731	\$ 221,528
Proceeds	—	175,000	—	175,000
Issue costs	—	(4,405)	—	(4,405)
Repayment	(42,797)	—	(175,921)	(218,718)
Accretion	—	277	3,972	4,249
Other (non-repayable portion)	—	—	(558)	(558)
Balance at December 31, 2024	\$ —	\$ 170,872	\$ 6,224	\$ 177,096
Repayment	—	—	(715)	(715)
Accretion	—	218	128	346
Balance at March 31, 2025	\$ —	\$ 171,090	\$ 5,637	\$ 176,727
Current liabilities	\$ —	\$ —	\$ 2,381	\$ 2,381
Non-current liabilities	\$ —	\$ 171,090	\$ 3,256	\$ 174,346

7. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability Component	Equity Component
Balance at December 31, 2023	48,300	\$ 37,848	\$ 6,375
Accretion of discount	—	1,553	—
Balance at December 31, 2024	48,300	\$ 39,401	\$ 6,375
Accretion of discount	—	418	—
Balance at March 31, 2025	48,300	\$ 39,819	\$ 6,375

The fair value of the convertible debentures at March 31, 2025 was \$50.1 million using quoted market prices on the TSX (level 1 fair value).

8. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total uninflated and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$426.4 million (December 31, 2024 - \$425.8 million). These payments are expected to be made between 2025 and 2080. A risk free rate of 3.23 percent (December 31, 2024 - 3.33 percent) and an inflation rate of 1.83 percent (December 31, 2024 - 1.82 percent) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	March 31, 2025	December 31, 2024
Balance, beginning of year	\$ 291,624	\$ 262,944
Liabilities related to acquisitions	—	25
Liabilities related to dispositions	—	(25,959)
Change in estimate ⁽¹⁾	12,680	52,784
Liabilities incurred	636	8,593
Accretion expense	2,446	8,412
Decommissioning expenditures	(4,525)	(15,175)
Balance, end of period	\$ 302,861	\$ 291,624
Expected to be incurred within one year	10,000	10,000
Expected to be incurred beyond one year	\$ 292,861	\$ 281,624

(1) The change in estimate was primarily the result of the change in abandonment cost estimates, timing, discount rates and inflation rates.

9. SHARE CAPITAL

(a) Restricted and Performance Share Award Incentive Plan

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

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

	Number of restricted share awards	Number of performance share awards
Balance at December 31, 2024	1,487,375	2,001,340
Granted	13,250	3,250
Reinvested	34,036	45,869
Forfeited	(11,839)	—
Balance at March 31, 2025	1,522,822	2,050,459

The weighted average fair value of awards granted for the three months ended March 31, 2025 is \$6.03 (March 31, 2024 - \$6.61) for PSAs and \$5.90 (March 31, 2024 - \$6.40) per RSA. In the case of PSAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Corporation relative to pre-defined corporate performance measures for a particular period. On the vesting dates, the Corporation has the option of settling the award value in cash or common shares of the Corporation. For purposes of stock-based compensation a payout multiple of 1.0 was assumed for the PSAs granted during the period.

(b) Normal Course Issuer Bid ("NCIB") Share Repurchases

On June 14, 2024, the Toronto Stock Exchange ("TSX") approved the renewal of the Corporation's NCIB. Pursuant to the NCIB, the Corporation will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 9,781,079 common shares of the Corporation. The NCIB became effective on June 19, 2024, and will terminate on June 18, 2025 or such earlier time as the NCIB is completed or terminated at the option of the Corporation.

For the three months ended March 31, 2025, the Corporation repurchased for cancellation 858,800 common shares under its NCIB at a weighted average price of \$5.80 per share and a total cost of \$5.0 million. For the three months ended March 31, 2025, share capital was further reduced by \$10.3 million, reflecting the average carrying value of \$17.81 per share. Contributed surplus was increased by the same amount for the repurchase price of shares below the carrying value.

Effective January 1, 2024, the Government of Canada introduced a 2% federal tax on equity repurchases. During the three months ended March 31, 2025, the Corporation recorded a \$0.1 million liability, charged to share capital, related to the federal tax on equity repurchases.

(c) Stock-based compensation

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

	Three Months Ended March 31,	
	2025	2024
Stock-based compensation on PSAs and RSAs	\$ 2,998	\$ 2,593
Capitalized stock-based compensation (note 4)	(965)	(947)
Total stock-based compensation expense	\$ 2,033	\$ 1,646

(d) Per share amounts

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

	Three Months Ended March 31,	
	2025	2024
Weighted average number of shares - basic	99,979,139	100,529,046
Effect of dilutive instruments	1,263,426	—
Weighted average number of shares - basic and diluted	101,242,565	100,529,046

In computing diluted per share amounts for the three months ended March 31, 2025, nil RSAs and 3,301 PSAs (March 31, 2024 - all RSAs and PSAs) were excluded from the calculation as their effect was anti-dilutive. The common shares potentially issuable on the conversion of the convertible debentures were also excluded as they were determined to be anti-dilutive.

(e) Dividend

The Board of Directors declared a dividend of \$0.043333 per share for the months of January through March 2025 (January - March 2024 - \$0.04 per share). Dividends of \$0.043333 per share were declared and outstanding at March 31, 2025 and were paid in April 2025. Dividends for the month of April 2025 have been declared at \$0.043333 per share.

10. REVENUE

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

	Three Months Ended March 31,	
	2025	2024
Oil	\$ 157,206	\$ 150,716
Natural gas liquids	1,129	3,935
Natural gas	2,387	3,516
Total petroleum and natural gas revenue	\$ 160,722	\$ 158,167
Processing	2,162	2,504
Total petroleum, natural gas and processing revenue	\$ 162,884	\$ 160,671

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