

Condensed Interim Statements of Financial Position

Stated in thousands of Canadian dollars

(Unaudited)

As at	March 31, 2026	December 31, 2025
Assets		
Current assets		
Cash	\$ 22,096	\$ 18,654
Accounts receivable	76,130	45,813
Fair value of financial contracts (note 5)	462	7,399
Prepaid expenses and deposits	2,266	3,176
	100,954	75,042
Non-current assets		
Fair value of financial contracts (note 5)	427	70
Property, plant and equipment (note 4)	1,187,831	1,178,533
Deferred income taxes	80,669	70,863
	1,268,927	1,249,466
	\$ 1,369,881	\$ 1,324,508
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 92,183	\$ 65,018
Dividends payable (note 9)	4,283	4,286
Fair value of financial contracts (note 5)	45,447	—
Current portion of term debt (note 6)	3,736	2,381
Current portion of lease and other obligations	13,935	14,847
Current portion of decommissioning obligations (note 8)	13,312	10,000
	172,896	96,532
Non-current liabilities		
Senior unsecured notes (note 6)	171,965	171,745
Term debt (note 6)	—	3,612
Convertible debentures (note 7)	41,654	41,170
Decommissioning obligations (note 8)	280,054	276,341
Lease and other obligations	9,729	10,132
	503,402	503,000
Shareholders' equity		
Share capital	1,740,391	1,741,038
Equity component of convertible debentures (note 7)	6,375	6,375
Contributed surplus	120,251	113,467
Deficit	(1,173,434)	(1,135,904)
	693,583	724,976
	\$ 1,369,881	\$ 1,324,508

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,	
	2026	2025
Revenue		
Petroleum and natural gas revenue (note 10)	\$ 158,011	\$ 160,722
Processing income (note 10)	2,020	2,162
Royalties	(27,223)	(28,457)
Unrealized loss on financial contracts (note 5)	(52,027)	(3,520)
Realized gain (loss) on financial contracts (note 5)	(5,784)	1,427
	74,997	132,334
Expenses		
Operating	42,226	41,996
Transportation	2,410	2,458
General and administrative	5,742	5,598
Stock-based compensation (note 9)	3,427	2,033
Depletion and depreciation (note 4)	44,909	56,013
Finance expense	9,429	13,750
Gain on disposals	(139)	(217)
Transaction and other costs	36	233
	108,040	121,864
Income (loss) before income taxes	(33,043)	10,470
Deferred income tax expense (recovery)	(8,363)	2,224
Net income (loss) and comprehensive income (loss)	\$ (24,680)	\$ 8,246
Income (loss) per share (note 9)		
Basic	\$ (0.25)	\$ 0.08
Diluted	\$ (0.25)	\$ 0.08

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, 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, including 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
Balance at December 31, 2025	98,877,257	\$ 1,741,038	\$ 6,375	\$ 113,467	\$ (1,135,904)	\$ 724,976
Net loss	—	—	—	—	(24,680)	(24,680)
Repurchase of common shares for cancellation, including tax (note 9)	(36,300)	(647)	—	392	—	(255)
Stock-based compensation, including tax recovery of \$1.442 million (note 9)	—	—	—	6,392	—	6,392
Dividends (note 9)	—	—	—	—	(12,850)	(12,850)
Balance at March 31, 2026	98,840,957	\$ 1,740,391	\$ 6,375	\$ 120,251	\$ (1,173,434)	\$ 693,583

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

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,	
	2026	2025
Cash provided by (used in)		
Operating		
Net income (loss)	\$ (24,680)	\$ 8,246
Gain on disposals	(139)	(217)
Unrealized loss on financial contracts (note 5)	52,027	3,520
Finance expense	9,429	13,750
Interest expense	(5,721)	(5,695)
Depletion and depreciation (note 4)	44,909	56,013
Decommissioning expenditures (note 8)	(3,743)	(4,525)
Transaction and other costs (income)	(6)	403
Stock-based compensation (note 9)	3,427	2,033
Deferred income tax expense (recovery)	(8,363)	2,224
Change in non-cash working capital (note 11)	(7,168)	7,718
Cash flow from operating activities	59,972	83,470
Financing		
Term debt (note 6)	(2,381)	(715)
Dividends paid (note 9)	(12,851)	(12,998)
Purchase of common shares for cancellation (note 9)	(255)	(5,083)
Payments on lease and other obligations	(1,138)	(1,191)
Cash flow used in financing activities	(16,625)	(19,987)
Investing		
Expenditures on property, plant and equipment (note 4)	(44,618)	(54,399)
Proceeds from dispositions	—	56
Expenditures on acquisitions	(180)	(100)
Change in non-cash working capital (note 11)	4,893	(4,898)
Cash flow used in investing activities	(39,905)	(59,341)
Change in cash	3,442	4,142
Cash, beginning of the period	18,654	7,594
Cash, end of the period	\$ 22,096	\$ 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, 2025. 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, 2025.

The condensed interim financial statements were authorized for issuance by the board of directors (the "Board") on May 6, 2026.

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, 2025.

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, 2026 have been prepared following the same accounting policies as the annual financial statements as at December 31, 2025.

New Accounting Pronouncements

On January 1, 2026, the Corporation adopted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. These amendments to IFRS 9 and IFRS 7 did not have a material impact on the Corporation's financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Total
Property, plant and equipment	
Balance at December 31, 2024	\$ 2,654,982
Acquisitions	14,677
Dispositions	(116)
Additions	159,706
Right-of-use assets and other	8,406
Change in decommissioning obligations (note 8)	(10,487)
Capitalized stock-based compensation (note 9)	4,241
Balance at December 31, 2025	\$ 2,831,409
Acquisitions	180
Additions	44,618
Change in decommissioning obligations (note 8)	7,886
Capitalized stock-based compensation (note 9)	1,523
Balance at March 31, 2026	\$ 2,885,616
Accumulated depletion, depreciation and impairment	
Balance at December 31, 2024	\$ (1,448,703)
Depletion and depreciation expense	(188,762)
Impairment	(18,419)
Change in decommissioning obligations	3,008
Balance at December 31, 2025	\$ (1,652,876)
Depletion and depreciation expense	(42,727)
Change in decommissioning obligations	(2,182)
Balance at March 31, 2026	\$ (1,697,785)
Carrying amounts	
At December 31, 2025	\$ 1,178,533
At March 31, 2026	\$ 1,187,831

The calculation of depletion and depreciation expense as at March 31, 2026 included an estimated \$721.9 million (December 31, 2025 - \$754.7 million) for future development costs associated with proved and probable oil and gas reserves.

As at March 31, 2026, the Corporation determined that there were no indicators of impairment or historical impairment reversals on any of its cash-generating units and, therefore, impairment tests were not performed.

5. RISK MANAGEMENT

At March 31, 2026, the following risk management contracts were outstanding with an asset fair market value of \$0.9 million and a liability fair market value of \$45.4 million (December 31, 2025 – asset of \$7.5 million):

West Texas Intermediate (WTI) Crude Oil Derivative Contracts

Period	Swaps		Three-way collars			
	Volumes (bbls/d)	Average Price (CAD/bbl) ⁽¹⁾	Volumes (bbls/d)	Average Sold Put (CAD/bbl) ⁽¹⁾	Average Bought Put (CAD/bbl) ⁽¹⁾	Average Sold Call (CAD/bbl) ⁽¹⁾
Qtr. 2 2026	8,500	\$91.37	1,000	\$87.22	\$104.67	\$142.01
Qtr. 3 2026	7,000	\$92.31	1,000	\$82.34	\$99.78	\$131.14
Qtr. 4 2026	6,000	\$93.33	2,000	\$82.69	\$99.78	\$126.65
Qtr. 1 2027	4,000	\$96.57	500	\$80.94	\$97.69	\$125.63
Qtr. 2 2027	2,500	\$99.37	—	—	—	—
Qtr. 3 2027	1,000	\$99.50	—	—	—	—
Qtr. 4 2027	1,000	\$99.50	—	—	—	—

(1) The implied CAD Average Price per bbl was calculated using the March 31, 2026 exchange rate of USD \$1.00 = CAD \$1.39555.

Western Canadian Select (WCS) Differential Derivative Contracts

Period	Swaps	
	Volumes (bbls/d)	Average Price (CAD/bbl) ⁽¹⁾
Qtr. 2 2026	5,000	\$(18.50)
Qtr. 3 2026	5,000	\$(18.50)
Qtr. 4 2026	3,000	\$(18.93)

(1) The implied CAD Average Price per bbl was calculated using the March 31, 2026 exchange rate of USD \$1.00 = CAD \$1.39555.

Mixed Sweet Blend (MSW) Differential Derivative Contracts

Period	Swaps	
	Volumes (bbls/d)	Average Price (CAD/bbl) ⁽¹⁾
Qtr. 2 2026	1,341	\$(3.94)
Qtr. 3 2026	2,000	\$(3.94)
Qtr. 4 2026	2,000	\$(3.94)

(1) The implied CAD Average Price per bbl was calculated using the March 31, 2026 exchange rate of USD \$1.00 = CAD \$1.39555.

Natural Gas Derivative Contracts

Period	AECO Swaps	
	Volumes (GJ/d)	Average Price (CAD/GJ) ⁽¹⁾
Qtr. 2 2026	6,000	\$3.01
Qtr. 3 2026	6,000	\$3.01
Qtr. 4 2026	4,011	\$3.00

(1) The implied CAD Average Price per GJ was calculated using the March 31, 2026 exchange rate of USD \$1.00 = CAD \$1.39555.

Foreign Currency Exchange Derivative Contracts

Type	Term	Notional Amount (USD)	Floor	Ceiling	Forward Rate
Average Rate Collar	Apr 2026 - Jun 2026	\$5,000,000	1.3850	1.4610	—
Average Rate Collar	Apr 2026 - Dec 2026	\$5,000,000	1.3800	1.4450	—
Average Rate Swap	Apr 2026 - Dec 2026	\$3,000,000	—	—	1.3775

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, 2026	Increase	Decrease
Crude Oil - Change of +/- \$1.00 per bbl	\$ (3,674)	\$ 3,674
Natural Gas - Change of +/- \$0.10 per GJ	\$ (111)	\$ 111
Foreign Exchange - Change of +/- \$0.01	\$ 99	\$ (99)

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

	March 31, 2026	March 31, 2025
Financial contracts gain (loss)		
Unrealized loss on financial contracts	\$ (52,027)	\$ (3,520)
Realized gain (loss) on financial contracts	(5,784)	1,427
Total financial contracts loss	\$ (57,811)	\$ (2,093)

As at March 31, 2026, the Corporation's net fair value of financial contracts is as follows:

	Financial contracts	Foreign exchange contracts	Total
Net financial contracts asset, December 31, 2025	\$ 4,758	\$ 2,711	\$ 7,469
Unrealized change in fair value	(49,778)	(2,249)	(52,027)
Net financial contracts liability, March 31, 2026	\$ (45,020)	\$ 462	\$ (44,558)

6. DEBT
Bank Debt

As at March 31, 2026, 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 31, 2026. On May 31, 2026, 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, 2026, the Corporation had \$3.4 million of outstanding letters of credit (December 31, 2025 - \$3.4 million), which are included within the \$50 million operating loan facility and reduces the lending capacity available. As at March 31, 2026, the Company had nil drawn on its \$250 million Facilities.

Senior Unsecured Notes

As at March 31, 2026, 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, 2026, the Corporation had a \$3.7 million (December 31, 2025 - \$6.0 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, 2026, the Corporation had received \$10.9 million (December 31, 2025 - \$10.9 million) of funds from the ERF for the Corporation's planned gas emissions reduction program, of which a total of \$4.8 million (December 31, 2025 - \$2.4 million) has been repaid.

The final repayment of \$4.1 million is due on March 31, 2027. As a result, the \$3.7 million (December 31, 2025 - \$2.4 million) loan repayable, net of remaining accretion, has been reflected as current term debt.

A summary of outstanding debt is as follows:

	Senior unsecured notes	Term debt	Total
Balance at December 31, 2024	\$ 170,872	\$ 6,224	\$ 177,096
Repayment	—	(715)	(715)
Accretion	873	484	1,357
Balance at December 31, 2025	\$ 171,745	\$ 5,993	\$ 177,738
Repayment	—	(2,381)	(2,381)
Accretion	220	124	344
Balance at March 31, 2026	\$ 171,965	\$ 3,736	\$ 175,701
Current liabilities	\$ —	\$ 3,736	\$ 3,736
Non-current liabilities	\$ 171,965	\$ —	\$ 171,965

7. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability component	Equity component
Balance at December 31, 2024	48,300	\$ 39,401	\$ 6,375
Accretion of discount	—	1,769	—
Balance at December 31, 2025	48,300	\$ 41,170	\$ 6,375
Accretion of discount	—	484	—
Balance at March 31, 2026	48,300	\$ 41,654	\$ 6,375

The fair value of the convertible debentures at March 31, 2026 was \$50.7 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 \$468.4 million (December 31, 2025 - \$469.9 million). These payments are expected to be made between 2026 and 2082. A risk-free rate of 3.88 percent (December 31, 2025 - 3.85 percent) and an inflation rate of 2.01 percent (December 31, 2025 - 1.94 percent) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	March 31, 2026	December 31, 2025
Balance, beginning of period	\$ 286,341	\$ 291,624
Liabilities related to acquisitions	—	8,900
Change in estimate ⁽¹⁾	7,347	(12,384)
Liabilities incurred	539	1,897
Accretion expense	2,882	10,403
Decommissioning expenditures	(3,743)	(14,099)
Balance, end of period	\$ 293,366	\$ 286,341
Expected to be incurred within one year	13,312	10,000
Expected to be incurred beyond one year	\$ 280,054	\$ 276,341

(1) As at March 31, 2026, the change in estimate was the result of the change in abandonment cost estimates, timing, discount and inflation rates. As at December 31, 2025, the change in estimate was the result of the change in abandonment cost estimates, timing, discount and inflation rates and revaluation of the acquired decommissioning obligations using a risk-free rate. At the date of acquisition, acquired decommissioning obligations are measured at fair value using a credit-adjusted risk-free rate.

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	1,209,536	1,330,737
Reinvested	153,552	207,713
Exercised	(739,053)	(748,869)
Forfeited	(43,098)	—
Balance at December 31, 2025	2,068,312	2,790,921
Granted	4,100	247,872
Reinvested	38,617	48,204
Forfeited	(35,202)	(15,494)
Balance at March 31, 2026	2,075,827	3,071,503

The weighted average fair value of awards granted for the three months ended March 31, 2026 is \$8.36 (March 31, 2025 - \$6.03) per PSA and \$7.37 (March 31, 2025 - \$5.90) 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. 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 16, 2025, 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 9,597,280 common shares of the Corporation. The NCIB became effective on June 19, 2025, and will terminate on June 18, 2026 or such earlier time as the NCIB is completed or terminated at the option of the Corporation.

For the three months ended March 31, 2026, the Corporation repurchased for cancellation 36,300 common shares under its NCIB at a weighted average price of \$6.86 per share and a total cost of \$0.3 million. For the three months ended March 31, 2026, share capital was further reduced by \$0.4 million, reflecting the average carrying value of \$17.62 per share. Contributed surplus was increased by the same amount for the repurchase price of shares below the carrying value.

(c) Stock-based compensation

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

	Three Months Ended March 31,	
	2026	2025
Stock-based compensation on PSAs and RSAs	\$ 4,950	\$ 2,998
Capitalized stock-based compensation (note 4)	(1,523)	(965)
Total stock-based compensation expense	\$ 3,427	\$ 2,033

(d) Per Share Amounts

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

	Three Months Ended March 31,	
	2026	2025
Weighted average number of shares - basic	98,853,057	99,979,139
Effect of dilutive instruments	—	1,263,426
Weighted average number of shares - basic and diluted	98,853,057	101,242,565

In computing diluted per share amounts for the three months ended March 31, 2026, all PSAs and RSAs (March 31, 2025 - 3,301 PSAs and nil RSAs) 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 2026, a total of \$0.13 per share for a total of \$12.9 million (January - March 2025 - \$0.043333 per share, a total of \$0.13 per share for a total of \$13.0 million). Dividends of \$0.043333 per share were declared and outstanding at March 31, 2026 and were paid in April 2026. These amounts are included as dividends payable as at March 31, 2026. Dividends for the month of April 2026 have been declared at \$0.043333 per share for a total of \$4.3 million.

10. REVENUE

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

	Three Months Ended March 31,	
	2026	2025
Oil	\$ 153,186	\$ 157,206
Natural gas liquids	2,705	1,129
Natural gas	2,120	2,387
Total petroleum and natural gas revenue	\$ 158,011	\$ 160,722
Processing	2,020	2,162
Total petroleum, natural gas and processing revenue	\$ 160,031	\$ 162,884

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

11. SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ended March 31,	
	2026	2025
Accounts receivable	\$ (30,320)	\$ 2,418
Prepaid expenses and deposits	910	870
Accounts payable and accrued liabilities	27,165	(683)
Working capital on disposition and other	(30)	215
Change in non-cash working capital	\$ (2,275)	\$ 2,820
These changes relate to the following activities		
Operating	\$ (7,168)	\$ 7,718
Investing	4,893	(4,898)
	\$ (2,275)	\$ 2,820