

Surge Energy Inc. Announces \$15 Million "Bought Deal" Public Offering of Flow-Through Common Shares

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CALGARY, April 28, 2021 - [Surge Energy Inc.](#) ("Surge" or the "Company") (TSX: SGY) is pleased to announce that it has entered into an agreement with a syndicate of underwriters, led by Cormark Securities Inc. and National Bank Financial Inc. (collectively, the "Underwriters"), pursuant to which the Underwriters have agreed to purchase, on a "bought deal" basis, 25,425,000 common shares (the "Flow-Through Shares") of Surge to be issued as "flow-through shares" with respect to "Canadian development expenses" within the meaning of the Income Tax Act (Canada) and the regulations thereunder in force as of the date hereof (the "Tax Act") at a price (the "Offering Price") of \$0.59 per Flow-Through Share, for gross proceeds to the Company of approximately \$15 million (the "Offering").

Surge has granted to the Underwriters an option to purchase additional Flow-Through Shares, equal to 15% of the number of Flow-Through Shares sold pursuant to the Offering at the Offering Price, for market stabilization purposes and to cover over-allotments for a period expiring 30 days after the date of closing.

Surge will use proceeds from the Offering to incur eligible "Canadian development expenditures" within the meaning of the Tax Act in an aggregate amount of not less than the gross proceeds raised from the Offering and will renounce qualifying expenditures to purchasers of the Flow-Through Shares on or before December 31, 2021. The proceeds from the Offering will fund an expanded 2H/21 capital program, focused in the Company's Sparky core area.

The Flow-Through Shares will be offered by way of short form prospectus in each of the provinces of Canada, other than for Québec, pursuant to National Instrument 44-101 - Short Form Prospectus Distributions and some may be resold in the United States pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and in such other jurisdictions outside of Canada and the United States as agreed to by the Company, in each case in accordance with all applicable laws and provided that no prospectus, registration statement or similar document is required to be filed in such jurisdiction.

Closing is expected on or about May 7, 2021 and is subject to Toronto Stock Exchange and other necessary regulatory approvals. The Company intends to release its 2H/21 and preliminary 2022 guidance following closing of the Offering. Surge anticipates releasing its Q1/21 financial statements on or before May 14th, 2021. The Company anticipates production of approximately 16,500 boepd for Q1/21, and cashflow from operating activities are expected to be \$15.6 million for Q1/21 (after estimated realized hedging losses of \$16.8 million on the quarter) with WTI oil prices averaging US\$57.84 per barrel.

The Flow-Through Shares have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

FORWARD LOOKING STATEMENTS:

This press release 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. More particularly, this press release contains statements with respect to closing of the Offering, the use of proceeds of the Offering, the tax treatment of the Flow- Through Shares and the timing of the renunciation of the development expenses; anticipated production for Q1/21 and anticipated cash flow from operating activities and hedging losses for Q1/21.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions the performance of existing wells and success obtained in drilling new wells; anticipated expenses, cash flow and capital expenditures; the application of regulatory and royalty regimes; prevailing commodity prices and 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; exchange rates; 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 (including the impact of COVID-19) and other geopolitical risks; 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; 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; and failure to obtain the continued support of the lenders under Surge's bank line. Certain of these risks are set out in more detail in Surge's AIF dated March 9, 2021 and in Surge's MD&A for the period ended December 31, 2020, both of which have been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release 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 so required by applicable securities laws.

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