Condensed Interim Statements of Financial Position

Stated in thousands of Canadian dollars
(Unaudited)

As at	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash	$ 11,500	$ —
Accounts receivable	53,193	53,354
Fair value of financial contracts (note 6)	8,779	4,704
Prepaid expenses and deposits	4,215	5,355
	77,687	63,413
Non-current assets		
Fair value of financial contracts (note 6)	117	83
Property, plant and equipment (note 4)	1,173,789	1,350,258
Deferred income taxes	81,345	67,009
	1,255,251	1,417,350
	$ 1,332,938	$ 1,480,763
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 93,094	$ 85,390
Dividends payable (note 10)	4,395	4,013
Fair value of financial contracts (note 6)	113	2,257
Current portion of term debt (note 7)	1,852	13,699
Current portion of lease and other obligations	7,585	6,693
Current portion of decommissioning obligations (note 9)	10,000	10,000
	117,039	122,052
Non-current liabilities		
Fair value of financial contracts (note 6)	85	—
Bank debt (note 7)	—	42,797
Senior unsecured notes (note 7)	170,642	—
Term debt (note 7)	7,242	165,032
Convertible debentures (note 8)	38,997	37,848
Decommissioning obligations (note 9)	230,547	252,944
Lease and other obligations	11,845	16,113
	459,358	514,734
Shareholders' equity		
Share capital	1,786,787	1,790,559
Equity component of convertible debentures (note 8)	6,375	6,375
Contributed surplus	72,194	67,546
Deficit	(1,108,815)	(1,020,503)
	756,541	843,977
	$ 1,332,938	$ 1,480,763

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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Revenue				
Petroleum and natural gas revenue (note 11)	**$ 162,191**	$ 184,475	**$ 493,531**	$ 501,922
Processing income (note 11)	**2,054**	1,812	**6,812**	6,046
Royalties	**(32,581)**	(33,384)	**(90,226)**	(88,278)
Unrealized gain (loss) on financial contracts	**12,339**	(8,445)	**6,872**	(5,685)
Realized loss on financial contracts	**(217)**	(1,535)	**(3,229)**	(5,515)
	143,786	142,923	**413,760**	408,490
Expenses				
Operating	**43,242**	47,988	**141,075**	148,654
Transportation	**3,035**	2,902	**8,328**	10,344
General and administrative	**5,154**	4,716	**15,437**	14,117
Stock-based compensation (note 10)	**2,758**	2,302	**6,344**	6,857
Depletion and depreciation (note 4)	**46,786**	50,658	**138,454**	139,755
Impairment (note 5)	**—**	—	**96,495**	—
Finance expense	**11,862**	12,247	**35,562**	35,519
(Gain) loss on disposals (note 4)	**—**	—	**29,764**	(3,883)
Transaction and other costs	**5,655**	310	**7,132**	986
	118,492	121,123	**478,591**	352,349
Income (loss) before income taxes	**25,294**	21,800	**(64,831)**	56,141
Deferred income tax expense (recovery)	**8,031**	5,217	**(13,771)**	10,714
Net income (loss) and comprehensive income (loss) for the period	**$ 17,263**	$ 16,583	**$ (51,060)**	$ 45,427
Income (loss) per share (note 10)				
Basic	**$ 0.17**	$ 0.17	**$ (0.51)**	$ 0.46
Diluted	**$ 0.17**	$ 0.16	**$ (0.51)**	$ 0.45

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	Convertible debentures - equity portion	Contributed surplus	Deficit	Total equity
Balance at December 31, 2022	96,477,366	$ 1,765,442	$ 2,715	$ 58,960	$ (988,795)	$ 838,322
Net income for the period	—	—	—	—	45,427	45,427
Share issue costs, net of tax recovery of $0.1 million	—	(210)	—	—	—	(210)
Flow-through shares issued	1,850,000	19,629	—	—	—	19,629
Premium on flow-through shares	—	(2,980)	—	—	—	(2,980)
Transfer on exercise of RSAs and PSAs [(1)] (note 10)	1,986,745	8,817	—	(8,817)	—	—
Stock-based compensation, net of tax recovery of $0.7 million (note 10)	—	—	—	11,836	—	11,836
Dividends (note 10)	—	—	—	—	(35,421)	(35,421)
Balance at September 30, 2023	100,314,111	$ 1,790,698	$ 2,715	$ 61,979	$ (978,789)	$ 876,603
Balance at December 31, 2023	100,314,111	$ 1,790,559	$ 6,375	$ 67,546	$ (1,020,503)	$ 843,977
Net loss for the period	—	—	—	—	(51,060)	(51,060)
Repurchase of common shares for cancellation (note 10)	(764,800)	(13,607)	—	8,619	—	(4,988)
Transfer on exercise of RSAs and PSAs [(1)] (note 10)	1,876,267	9,835	—	(13,675)	—	(3,840)
Stock-based compensation, net of tax recovery of $0.6 million (note 10)	—	—	—	9,704	—	9,704
Dividends (note 10)	—	—	—	—	(37,252)	(37,252)
Balance at September 30, 2024	**101,425,578**	**$ 1,786,787**	**$ 6,375**	**$ 72,194**	**$ (1,108,815)**	**$ 756,541**

[(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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Cash provided by (used in)				
Operating				
Net income (loss)	**$ 17,263**	$ 16,583	**$ (51,060)**	$ 45,427
(Gain) loss on disposals (note 4)	**—**	—	**29,764**	(3,883)
Unrealized (gain) loss on financial contracts	**(12,339)**	8,445	**(6,872)**	5,685
Finance expense	**11,862**	12,247	**35,562**	35,519
Interest expense	**(7,306)**	(8,888)	**(24,046)**	(26,215)
Depletion and depreciation (note 4)	**46,786**	50,658	**138,454**	139,755
Impairment (note 5)	**—**	—	**96,495**	—
Decommissioning expenditures (note 9)	**(4,016)**	(2,695)	**(9,640)**	(7,305)
Transaction and other costs	**24**	90	**85**	486
Stock-based compensation (note 10)	**2,758**	2,302	**6,344**	6,857
Deferred income tax expense (recovery)	**8,031**	5,217	**(13,771)**	10,714
Change in non-cash working capital	**10,357**	(12,644)	**12,494**	(20,611)
Cash flow from operating activities	**73,420**	71,315	**213,809**	186,429
Financing				
Bank debt (note 7)	**(33,010)**	(3,775)	**(42,797)**	(18,697)
Senior unsecured notes (note 7)	**170,595**	—	**170,595**	—
Term debt (note 7)	**(124,187)**	(9,612)	**(173,222)**	(26,968)
Dividends paid (note 10)	**(12,741)**	(11,889)	**(36,870)**	(34,785)
Purchase of common shares for cancellation (note 10)	**(3,990)**	—	**(4,988)**	—
Issuance of flow-through shares	**—**	—	**—**	19,629
Payments on lease obligations	**(679)**	(1,292)	**(3,352)**	(3,937)
Share issue costs	**—**	(47)	**—**	(261)
Cash-settled stock-based compensation (note 10)	**(3,840)**	—	**(3,840)**	—
Cash flow used in financing activities	**(7,852)**	(26,615)	**(94,474)**	(65,019)
Investing				
Expenditures on property, plant and equipment (note 4)	**(51,361)**	(43,945)	**(136,826)**	(120,267)
Proceeds from dispositions (note 4)	**20**	15	**37,056**	2,389
Expenditures on acquisitions	**—**	(246)	**(3,535)**	(246)
Change in non-cash working capital	**(2,727)**	(524)	**(4,530)**	(3,286)
Cash flow used in investing activities	**(54,068)**	(44,700)	**(107,835)**	(121,410)
Change in cash	**11,500**	—	**11,500**	—
Cash, beginning of the period	**—**	—	**—**	—
Cash, end of the period	**$ 11,500**	$ —	**$ 11,500**	$ —

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, 2023. 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, 2023.

The condensed interim financial statements were authorized for issuance by the board of directors (the "Board") on November 6, 2024.

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, 2023.

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 September 30, 2024 have been prepared following the same accounting policies as the annual financial statements as at December 31, 2023, except as noted below.

On January 1, 2024, the Corporation adopted amendments to IAS 1 *Presentation of financial statements* regarding classification of liabilities as current or non-current. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. These amendments to IAS 1 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, 2022	$	3,138,328
Acquisitions		4,941
Dispositions		(1,164)
Additions		181,572
Right-of-use assets		(746)
Change in decommissioning obligations		8,905
Capitalized stock-based compensation (note 10)		5,489
Balance at December 31, 2023	$	3,337,325
Acquisitions		3,560
Dispositions		(473,912)
Additions		136,826
Right-of-use assets		(24)
Change in decommissioning obligations		(858)
Capitalized stock-based compensation (note 10)		2,796
Balance at September 30, 2024	**$**	**3,005,713**

		Total
Accumulated depletion, depreciation and impairment		
Balance at December 31, 2022	$	(1,730,443)
Depletion and depreciation expense		(187,850)
Impairment		(59,150)
Change in decommissioning obligations		(9,624)
Balance at December 31, 2023	$	(1,987,067)
Depletion and depreciation expense		(138,497)
Impairment (note 5)		(96,495)
Dispositions		390,092
Change in decommissioning obligations		43
Balance at September 30, 2024	**$**	**(1,831,924)**

		Total
Carrying amounts		
At December 31, 2023	$	1,350,258
At September 30, 2024	**$**	**1,173,789**

The calculation of depletion and depreciation expense as at September 30, 2024 included an estimated $856.2 million (December 31, 2023 - $1,039.4 million) for future development costs associated with proved plus probable reserves.

2024 Dispositions

Effective May 29, 2024, the Corporation disposed of certain assets in Central Alberta and Southwest Saskatchewan for cash proceeds of $37.0 million. The assets disposed of had a carrying value of $83.8 million and an associated decommissioning liability of $18.0 million, resulting in a loss on disposal of $28.8 million.

5. IMPAIRMENT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Impairment of property, plant and equipment	**$ —**	—	**$ 96,495**	—

The Corporation identified five cash generating units as of September 30, 2024 based on the lowest level at which properties generate cash inflows while applying judgment to consider factors such as shared infrastructure, geographic proximity, petroleum type and similar exposures to market risk and materiality. The Corporation's CGUs at September 30, 2024 were geographically labeled Northwest Alberta, North Central Alberta, Central Alberta, Southeast Alberta and Southeast Saskatchewan.

As at September 30, 2024, the Corporation determined there were no indicators of impairment in any of the five cash generating units and no indications that impairment losses recognized in prior periods no longer exist or have decreased.

For the period ended June 30, 2024, there were observable indications of impairment for the Corporation's non-core properties. As a result, an impairment test was performed. The recoverable value was estimated at fair value less costs to sell based on before tax discounted cash flows from proved and probable oil and gas reserves.

It was determined that the carrying value exceeded the recoverable amount and a $96.5 million impairment was recognized. The before tax discount rate applied in the calculation as at June 30, 2024 was 17 - 40 percent.

The results of the Corporation's impairment tests are sensitive to changes in any of the key significant assumptions including forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, royalty costs and future development costs which impact the estimate of cash flows from proved and probable oil and gas reserves, in addition to the discount rate, of which changes could decrease or increase the estimated recoverable amounts of CGUs and result in additional impairment charges or in the recovery of previously recorded impairment charges.

The following table outlines forecasted oil and gas commodity prices and exchange rates used in the impairment test at June 30, 2024. The forecasted oil and gas commodity prices are consistent with those used by the Corporation's external reserve evaluators and are a significant assumption in assessing the recoverable amount. The 2023 reserve report was updated internally to June 30, 2024 and includes significant financial assumptions regarding forecasted production, royalty rates, operating costs, and future development costs that can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities.

	Medium and Light Crude Oil		Natural Gas	NGL				
Year	**Canadian Light Sweet Crude 40° API ($/bbl)**	**Western Canadian Select 20.5° API ($/bbl)**	**AECO Gas Price ($/MMBtu)**	**Edmonton Condensate ($/bbl)**	**Edmonton Butane ($/bbl)**	**Edmonton Propane ($/bbl)**	**Inflation rates (%/Yr)**	**Exchange rate ($US/$Cdn)**
2024	105.48	92.47	1.71	106.85	49.32	32.19	—	0.73
2025	98.65	85.81	3.48	100.00	51.35	33.51	2.0	0.74
2026	97.33	84.67	3.95	98.67	50.67	33.07	2.0	0.75
2027	99.28	86.36	4.03	100.64	51.68	33.73	2.0	0.75
2028	101.27	88.09	4.11	102.65	52.71	34.40	2.0	0.75
2029	103.29	89.85	4.19	104.71	53.77	35.09	2.0	0.75
2030	105.36	91.65	4.27	106.80	54.84	35.79	2.0	0.75
2031	107.46	93.48	4.36	108.94	55.94	36.51	2.0	0.75
2032	109.61	95.35	4.44	111.11	57.06	37.24	2.0	0.75
2033	111.81	97.26	4.53	113.34	58.20	37.98	2.0	0.75
2034	114.04	99.20	4.62	115.60	59.36	38.74	2.0	0.75

The independent third party reserve evaluators also assess many other financial assumptions regarding forecasted royalty rates, operating costs and future development costs along with several other non-financial assumptions that affect reserve volumes. Management considered these assumptions for the impairment test at June 30, 2024, however, it should be noted that all estimates are subject to uncertainty.

6. RISK MANAGEMENT

At September 30, 2024, the following risk management contracts were outstanding with an asset fair market value of $8.9 million and a liability fair market value of $0.2 million (December 31, 2023 – asset of $4.8 million and liability of $2.3 million):

West Texas Intermediate Crude Oil Derivative Contracts (WTI)

	Swaps		Collars			Bought Put		Sold Put	
Period	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. 4 2024	3,000	$107.47	2,750	$87.96	$135.33	2,500	$87.96	—	—
Qtr. 1 2025	1,500	$106.38	947	$87.96	$111.95	4,204	$87.96	—	—
Qtr. 2 2025	—	—	3,500	$89.89	$126.14	1,500	$101.49	1,500	$82.55
Qtr. 3 2025	—	—	4,500	$94.73	$108.26	—	—	—	—

Western Canadian Select Differential Derivative Contracts (WCS)

	Swaps		Collars		
Period	Volumes (bbls/d)	Average Price (CAD/bbl)	Volumes (bbls/d)	Average Bought Put (CAD/bbl)	Average Sold Call (CAD/bbl)
Qtr. 4 2024	2,000	$(18.34)	1,000	$(14.89)	$(24.09)
Qtr. 1 2025	2,500	$(19.18)	—	—	—
Qtr. 2 2025	2,500	$(19.18)	—	—	—
Qtr. 3 2025	2,500	$(19.18)	—	—	—
Qtr. 4 2025	2,500	$(19.18)	—	—	—

Mixed Sweet Blend Differential Derivative Contracts (MSW)

	Swaps	
Period	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 4 2024	4,000	$(4.06)
Qtr. 1 2025	2,000	$(5.31)
Qtr. 2 2025	2,000	$(5.31)
Qtr. 3 2025	2,000	$(5.31)
Qtr. 4 2025	2,000	$(5.31)

Natural Gas Derivative Contracts

	AECO Swaps		NYMEX Collars			NYMEX - AECO Basis Swaps	
Period	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. 4 2024	1,326	$5.62	3,674	$4.43	$7.21	5,000	$(1.57)
Qtr. 1 2025	2,000	$5.62	3,000	$4.74	$7.58	5,000	$(1.58)
Qtr. 2 2025	1,700	$4.38	3,300	$4.06	$4.74	5,000	$(1.41)
Qtr. 3 2025	1,700	$4.38	3,300	$4.06	$4.74	5,000	$(1.41)
Qtr. 4 2025	2,230	$3.56	1,112	$4.06	$4.74	1,685	$(1.41)
Qtr. 1 2026	2,500	$3.28	—	—	—	—	—

Foreign Currency Exchange Derivative Contracts

Type	Term	Notional Amount (USD)	Floor	Ceiling
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

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 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 net income (loss):

Net income (loss) impact for the period ended September 30, 2024	Increase	Decrease
Crude Oil - Change of +/- $1.00	$ (3,430)	$ 3,430
Natural Gas - Change of +/- $0.10	$ (330)	$ 330
Foreign Exchange - Change of +/- $0.01	$ 152	$ (152)

7. DEBT

Bank Debt

During the period, the Corporation expanded its revolving first-lien credit facility by $40 million, from $210 million to $250 million. The total commitment of $250 million is the aggregate of a committed revolving term facility of $200 million and an operating loan facility of $50 million, 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 facility is available on a revolving basis until May 29, 2025. On May 29, 2025, at the Corporation's discretion, the facility is available on a non-revolving basis for a one-year period, at the end of which time the facility 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 September 30, 2024, the Corporation had $2.6 million of outstanding letters of credit (December 31, 2023 - $0.9 million), all of which are under the $50 million operating loan facility.

A summary of outstanding bank debt is as follows:

		As at September 30, 2024		As at December 31, 2023
Credit facilities				
Total commitment	$	250,000	$	150,000
Amount drawn		—		42,797

Senior Unsecured Notes

On September 5, 2024, the Corporation issued $175.0 million of senior unsecured notes (the "Notes"). 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%

A summary of outstanding senior unsecured notes is as follows:

		As at September 30, 2024
Senior unsecured notes		
Total principal	$	175,000
Unamortized issue costs		(4,358)
Total, net of unamortized issue costs		170,642

Term Debt

During the period ended September 30, 2024, the Corporation repaid in full all amounts owing under the non-revolving second-lien term loan (Term Facility A). Prior to the maturity date of December 9, 2026, the Corporation repaid the remaining $122.5 million in principal outstanding, inclusive of $2.1 million of unamortized issue costs which were accelerated during the period, on its non-revolving second-lien term loan commitment of $160.0 million. In addition, the Corporation incurred $3.2 million related to accrued and unpaid interest, $0.8 million related to restructuring costs and $4.5 million related to early repayment fees, which have been allocated between finance expenses and transaction and other costs.

During the period ended June 30, 2024, the Corporation elected to exercise a one-time option for early repayment of a portion of its non-revolving second-lien term loan (Term Facility B). The Corporation repaid the remaining $36.0 million in principal outstanding, along with all accrued and unpaid interest, of its non-revolving second-lien term loan commitment of $40.0 million, prior to the maturity date of April 30, 2025.

Emissions Reduction Fund

As at September 30, 2024, the Corporation had a $8.1 million (December 31, 2023 - $7.6 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 September 30, 2024, the Corporation had received $10.9 million (December 31, 2023 – $10.4 million) of funds from the ERF for the Corporation's planned gas emissions reduction program.

Loan repayments will begin on March 31, 2025, when 10 percent of the repayable portion will be repaid. As a result, $0.9 million (December 31, 2023 - nil) of the loan repayable has been reflected as current term debt within these condensed interim financial statements.

A summary of outstanding term debt is as follows:

	As at September 30, 2024	As at December 31, 2023
Term facilities		
Total commitment	$ —	$ 200,000
Amount drawn	—	173,222
Amount drawn, net of unamortized issue costs	—	167,691
Emissions reduction fund and other	9,094	11,040
Total term debt, net of unamortized issue costs	9,094	178,731
Less: current portion	(1,852)	(13,699)
Long term portion	7,242	165,032

8. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability Component	Equity Component
Balance at December 31, 2022	34,500	$ 32,491	$ 2,715
Issuance of convertible debentures	48,300	39,484	8,816
Issue costs	—	(1,920)	(428)
Deferred income tax liability	—	—	(2,013)
Accretion of discount	—	1,423	—
Other finance expenses	—	870	—
Redeemed	(34,500)	(34,500)	(2,715)
Balance at December 31, 2023	48,300	37,848	6,375
Accretion of discount	—	1,149	—
Balance at September 30, 2024	**48,300**	**$ 38,997**	**$ 6,375**

The fair value of the convertible debentures at September 30, 2024 was $49.3 million using quoted market prices on the TSX (level 1 fair value).

9. 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 $328.4 million (December 31, 2023 – $355.4 million). These payments are expected to be made between 2024 and 2058. A risk free rate of 3.13 percent (December 31, 2023 – 3.02 percent) and an implied inflation rate of 1.64 percent (December 31, 2023 – 1.62 percent) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	September 30, 2024	December 31, 2023
Balance, beginning of year	**$ 262,944**	$ 263,642
Liabilities related to acquisitions	**25**	272
Liabilities related to dispositions (note 4)	**(17,952)**	(2,417)
Change in estimate [1]	**(3,196)**	6,249
Liabilities incurred	**2,338**	2,878
Accretion expense	**6,028**	7,880
Decommissioning expenditures	**(9,640)**	(15,560)
Balance, end of period	**$ 240,547**	$ 262,944
Expected to be incurred within one year	**10,000**	10,000
Expected to be incurred beyond one year	**$ 230,547**	$ 252,944

[1]The change in estimate was primarily the result of the change in discount and inflation rates.

10. SHARE CAPITAL

(a) Restricted and Performance Share Award Incentive Plan

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

The number of RSAs and PSAs outstanding are as follows:

	Number of restricted share awards	Number of performance share awards
Balance at December 31, 2023	1,707,543	2,222,763
Granted	856,383	1,081,826
Reinvested	79,813	118,316
Exercised	(1,052,710)	(1,399,251)
Forfeited	(74,720)	(39,342)
Balance at September 30, 2024	**1,516,309**	**1,984,312**

The weighted average fair value of awards granted for the nine months ended September 30, 2024 is $6.78 (2023 - $8.36) per PSA and $6.77 (2023 - $8.62) 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.

During the period ended September 30, 2024 the Corporation settled the tax withholdings on certain exercised awards amounting to 342,723 PSAs and 232,971 RSAs (2023 - nil) for $3.8 million in cash.

(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 September 30, 2024, the Corporation repurchased for cancellation 621,700 common shares under its NCIB at a weighted average price of $6.41 per share for a total cost of $4.0 million. For the nine months ended September 30, 2024, the Corporation repurchased for cancellation 764,800 common shares under its NCIB at a weighted average price of $6.52 per share for a total cost of $5.0 million. For the nine months ended September 30, 2024, share capital was further reduced by $8.6 million, reflecting the average carrying value of $17.82 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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Stock-based compensation on PSAs and RSAs	**$ 3,909**	$ 3,722	**$ 9,140**	$ 11,106
Capitalized stock-based compensation (note 4)	**(1,151)**	(1,420)	**(2,796)**	(4,249)
Total stock-based compensation expense	**$ 2,758**	$ 2,302	**$ 6,344**	$ 6,857

(d) Per share amounts

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Weighted average number of shares - basic	**101,066,498**	99,384,440	**100,727,609**	98,276,893
Effect of dilutive instruments	**1,471,234**	1,588,786	**—**	2,458,779
Weighted average number of shares - basic and diluted	**102,537,732**	100,973,226	**100,727,609**	100,735,672

In computing diluted per share amounts for the three months ended September 30, 2024, nil RSAs and 785,319 PSAs (2023 - 275,191 RSAs and nil PSAs) were excluded from the calculation as their effect was anti-dilutive. In computing diluted per share amounts for the nine months ended September 30, 2024, all RSAs and PSAs (2023 - nil 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 declared a dividend of $0.04 per share for the months of January through June 2024, $0.043 per share for the month of July 2024, and $0.043333 per share for the months of August and September 2024 (January through September 2023 - $0.04 per share). Dividends of $0.043333 per share were declared and outstanding at September 30, 2024 and were paid in October 2024. Dividends for the month of October 2024 have been declared at $0.043333 per share.

11. REVENUE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Oil	**$ 158,463**	$ 177,440	**$ 477,213**	$ 479,634
Natural gas liquids	**3,333**	3,173	**10,840**	9,433
Natural gas	**395**	3,862	**5,478**	12,855
Total petroleum and natural gas revenue	**$ 162,191**	$ 184,475	**$ 493,531**	$ 501,922
Processing	**2,054**	1,812	**6,812**	6,046
Total petroleum, natural gas and processing revenue	**$ 164,245**	$ 186,287	**$ 500,343**	$ 507,968

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.