FINANCIAL AND OPERATING SUMMARY

($000s except per share amounts)

	Three Months Ended			Years Ended December 31,		
	Dec 31, 2024	Sep 30, 2024	% Change	**2024**	2023	% Change
Financial highlights						
Oil sales	**158,405**	158,463	— %	**635,618**	640,389	(1)%
NGL sales	**3,378**	3,333	1 %	**14,218**	13,052	9 %
Natural gas sales	**1,389**	395	252 %	**6,867**	16,934	(59)%
Total petroleum and natural gas revenue	**163,172**	162,191	1 %	**656,703**	670,375	(2)%
Cash flow from operating activities	**64,838**	73,420	(12)%	**278,647**	266,141	5 %
Per share - basic ($)	**0.64**	0.73	(12)%	**2.76**	2.69	3 %
Per share - diluted ($)	**0.64**	0.72	(11)%	**2.72**	2.63	3 %
Adjusted funds flow[1]	**76,121**	72,710	5 %	**294,123**	291,846	1 %
Per share - basic ($)[1]	**0.75**	0.72	4 %	**2.92**	2.95	(1)%
Per share - diluted ($)[1]	**0.75**	0.71	6 %	**2.87**	2.89	(1)%
Net income (loss)	**(2,656)**	17,263	nm[2]	**(53,716)**	15,751	nm
Per share - basic ($)	**(0.03)**	0.17	nm	**(0.53)**	0.16	nm
Per share - diluted ($)[3]	**(0.03)**	0.17	nm	**(0.53)**	0.16	nm
Expenditures on property, plant and equipment	**58,277**	51,361	13 %	**195,103**	181,572	7 %
Net acquisitions and dispositions	**(8,868)**	(20)	nm	**(42,389)**	1,670	nm
Net capital expenditures	**49,409**	51,341	(4)%	**152,714**	183,242	(17)%
Net debt[1], end of period	**247,126**	247,314	— %	**247,126**	290,070	(15)%
Operating highlights						
Production:						
Oil (bbls per day)	**20,675**	19,988	3 %	**20,228**	20,434	(1)%
NGLs (bbls per day)	**777**	779	— %	**818**	704	16 %
Natural gas (mcf per day)	**17,199**	18,168	(5)%	**18,672**	19,801	(6)%
Total (boe per day) (6:1)	**24,319**	23,795	2 %	**24,158**	24,438	(1)%
Average realized price (excluding hedges):						
Oil ($ per bbl)	**83.28**	86.17	(3)%	**85.85**	85.86	— %
NGL ($ per bbl)	**47.26**	46.50	2 %	**47.49**	50.78	(6)%
Natural gas ($ per mcf)	**0.88**	0.24	267 %	**1.00**	2.34	(57)%
Netback ($ per boe)						
Petroleum and natural gas revenue	**72.93**	74.09	(2)%	**74.27**	75.15	(1)%
Realized loss on commodity and FX contracts	**(0.12)**	(0.10)	20 %	**(0.40)**	(0.35)	14 %
Royalties	**(13.27)**	(14.88)	(11)%	**(13.56)**	(13.40)	1 %
Net operating expenses[1]	**(19.12)**	(18.81)	2 %	**(20.02)**	(21.13)	(5)%
Transportation expenses	**(1.39)**	(1.39)	— %	**(1.29)**	(1.54)	(16)%
Operating netback[1]	**39.03**	38.91	— %	**39.00**	38.73	1 %
G&A expense	**(2.33)**	(2.35)	(1)%	**(2.34)**	(2.15)	9 %
Interest expense	**(2.68)**	(3.34)	(20)%	**(3.40)**	(3.86)	(12)%
Adjusted funds flow[1]	**34.02**	33.22	2 %	**33.26**	32.72	2 %
Common shares outstanding, end of period	**100,382**	101,426	(1)%	**100,382**	100,314	— %
Weighted average basic shares outstanding	**101,142**	101,066	— %	**100,832**	98,790	2 %
Stock-based compensation dilution[3]	**745**	1,471	(49)%	**1,568**	2,227	(30)%
Weighted average diluted shares outstanding	**101,887**	102,537	(1)%	**102,400**	101,017	1 %

1 This is a non-GAAP and other financial measure which is defined in the Non-GAAP and Other Financial Measures section of this document.
2 The Company views this change calculation as not meaningful, or "nm".
3 Dilution is not reflected in the calculation of net loss for the three months and year ended December 31, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Surge Energy Inc. ("Surge" or the "Company"), is for the three months and years ended December 31, 2024 and 2023. For a full understanding of the financial position and results of operations of the Company, the MD&A should be read in conjunction with the documents filed on SEDAR+, including historical financial statements, MD&A and the Annual Information Form dated March 5, 2025 for the year ended December 31, 2024 ("AIF"). These documents are available at www.sedarplus.ca.

Surge's management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and financial statements. In the preparation of the financial statements, estimates are necessary to make a determination of future values for certain assets and liabilities. Management believes these estimates have been based on careful judgments and have been properly presented. The financial statements have been prepared using policies and procedures established by management and fairly reflect Surge's financial position and results of operations. The Company's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

Surge's board of directors (the "Board") and Audit Committee have reviewed and approved the financial statements and MD&A. This MD&A is dated March 5, 2025.

Evolving Demand for Energy

(a) Changing Regulation

Emissions, carbon and other regulations impacting climate and climate related matters are dynamic and constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board ("ISSB") has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators ("CSA") has indicated it will consider the ISSB sustainability standards and developments in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 - *Disclosure of Climate-related Matters,* which is currently under review and has not yet been adopted. The cost to comply with these standards should they be implemented, and others that may be developed or evolve over time, has not yet been quantified by the Company.

(b) Impairment and Impairment Reversal

The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment of impairment and impairment reversal on its property, plant and equipment ("PP&E"), both as a possible indication of impairment and as part of the estimates and judgments involved in testing for impairment and impairment reversal. The estimated recoverable amount of the Company's PP&E was based on proved and probable reserves, the life of which is generally less than 20 years. The ultimate period in which global energy markets can transition from carbon based sources to alternative energy is highly uncertain, however, the majority of the cash flows associated with proved and probable reserves per the 2024 reserve report should be realized prior to the elimination of carbon based energy.

A specific adjustment to the recoverable amount of the fair value of PP&E acquired in a business combination to account for the risk of the evolving demand for energy was not considered necessary, however, the recoverable amount/fair value is based on an estimated period of cash flows that indirectly reflects changing energy demands and the discount rate applied in the impairment test incorporates the current cost of capital in the energy industry which indirectly reflects current market trends and uncertainty around the evolving demand for energy and climate change.

The carrying amount of the net assets of the Company was compared to the Company's market capitalization. As such, climate risk, to the extent it has been factored into the trading price of the Company's common shares by the market, was also considered in the impairment assessment of the recoverable amount. The ultimate period in which global energy markets can transition from carbon based sources to alternative energy is highly uncertain.

(c) Reserves

The Company engages a third party external reserve engineer to prepare the reserve report. The reserve report includes anticipated impacts from emissions related taxes and carbon pricing. Most notably, the reserve report includes the estimated carbon charge related to the Company's operations based on current legislated rates.

DESCRIPTION OF BUSINESS

Surge is a company existing under the laws of Alberta and is based in Calgary. The Company is engaged in the exploration, development and production of oil and gas from properties in western Canada. The Company's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol SGY.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

	Three Months Ended			**Years Ended Dec 31,**	
($000s except per share and per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Cash flow from operating activities	**64,838**	73,420	79,712	**278,647**	266,141
Per share - basic ($)	**0.64**	0.73	0.79	**2.76**	2.69
Per share - diluted ($)	**0.64**	0.72	0.78	**2.72**	2.63
$ per boe	**28.98**	33.54	34.59	**31.51**	29.84
Adjusted funds flow	**76,121**	72,710	77,001	**294,123**	291,846
Per share - basic ($)	**0.75**	0.72	0.77	**2.92**	2.95
Per share - diluted ($)	**0.75**	0.71	0.75	**2.87**	2.89
$ per boe	**34.02**	33.22	33.41	**33.26**	32.72

Cash flow from operating activities for the fourth quarter of 2024 decreased 12 percent when compared to the immediately preceding quarter and decreased 19 percent when compared to the same period of the prior year. This is primarily due to the timing of collection, payment or incurrence of cash flows related to accounts receivable and accounts payable between the periods.

Cash flow from operating activities for the year ended December 31, 2024 increased 5 percent when compared to the same period of the prior year, primarily due to a decrease in operating and transportation expenses following the disposal of certain non-core assets in Central Alberta, Southwest Saskatchewan and Northwest Alberta during 2024 which had higher than Company average operating and transportation expenses.

Adjusted funds flow for the fourth quarter of 2024 increased 5 percent when compared to the immediately preceding quarter, primarily due to an increase in production and decreases in royalties and interest expenses incurred during the period more than offsetting lower petroleum and natural gas revenue.

Adjusted funds flow for the three months and year ended December 31, 2024 was comparable to the same periods of the prior year.

See the following Operations section for additional information regarding the cash flow and operating results of the Company for the three months and year ended December 31, 2024 and see the Non-GAAP and Other Financial Measures section of this MD&A for further information regarding adjusted funds flow.

OPERATIONS

Drilling

	Drilling		Working interest (%)
	Gross	Net	
Q1 2024	24.0	21.4	89 %
Q2 2024	9.0	9.0	100 %
Q3 2024	27.0	24.2	90 %
Q4 2024	23.0	18.5	80 %
Total	**83.0**	**73.1**	**88 %**

During the fourth quarter of 2024, the Company drilled 13 gross (13.0 net) wells in Southeast Alberta ("Sparky") and 10.0 gross (5.5 net) wells in Southeast Saskatchewan.

Production

	Three Months Ended			Years Ended Dec 31,	
	Dec 31, 2024	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Oil (bbls per day)	**20,675**	19,988	20,741	**20,228**	20,434
NGL (bbls per day)	**777**	779	808	**818**	704
Oil and NGL (bbls per day)	**21,452**	20,767	21,549	**21,046**	21,138
Natural gas (mcf per day)	**17,199**	18,168	21,005	**18,672**	19,801
Total (boe per day) (6:1)	**24,319**	23,795	25,050	**24,158**	24,438
% Oil and NGL	**88 %**	87 %	86 %	**87 %**	86 %

Surge averaged production of 24,319 boe per day in the fourth quarter of 2024 (88 percent oil and natural gas liquids ("NGLs")), increased compared to the average production rate in the third quarter of 2024 mainly due to a strong drilling program and decreased compared to the average production rate in the same period of the prior year due to the disposed assets during 2024. During the year ended December 31, 2024, Surge achieved production of 24,158 boe per day (87 percent oil and NGLs), comparable to the same period of the prior year.

The fourth quarter of 2024 represents the second full quarter following the disposal of certain non-core assets in Central Alberta and Southwest Saskatchewan. Additionally, certain non-core assets in Northwest Alberta were disposed of during the fourth quarter. These disposals accounted for 183 boe per day in the third quarter of 2024, 1,286 boe per day in the fourth quarter of the prior year, and 1,213 boe per day for the year ended December 31, 2024.

Additionally, production from the successful fourth quarter 2024 drilling program more than offset production associated with the disposed assets during the year and natural declines during the period. Of the wells drilled during the fourth quarter, 16 gross (12.7 net) of the 23 gross (18.5 net) were on stream as at December 31, 2024. All of the remaining, 7 gross (5.8 net) wells from the fourth quarter drilling program are expected to be on stream in the first quarter of 2025.

Petroleum and Natural Gas Revenue, Realized Prices and Benchmark Pricing

	Three Months Ended			Years Ended Dec 31,	
($000s except per amount)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Petroleum and Natural Gas Revenue					
Oil	**158,405**	158,463	160,755	**635,618**	640,389
NGL	**3,378**	3,333	3,619	**14,218**	13,052
Oil and NGL	**161,783**	161,796	164,374	**649,836**	653,441
Natural gas	**1,389**	395	4,079	**6,867**	16,934
Total petroleum and natural gas revenue	**163,172**	162,191	168,453	**656,703**	670,375
Realized Prices					
Oil ($ per bbl)	**83.28**	86.17	84.24	**85.85**	85.86
NGL ($ per bbl)	**47.26**	46.50	48.68	**47.49**	50.78
Oil and NGL ($ per bbl)	**81.97**	84.69	82.91	**84.36**	84.69
Natural gas ($ per mcf)	**0.88**	0.24	2.11	**1.00**	2.34
Total petroleum and natural gas revenue before realized commodity and FX contracts ($ per boe)	**72.93**	74.09	73.09	**74.27**	75.15
Benchmark Prices					
WTI (US$ per bbl)	**70.27**	75.10	78.32	**75.72**	77.62
CAD/USD exchange rate	**1.40**	1.36	1.36	**1.37**	1.34
WTI (C$ per bbl)	**98.38**	102.13	106.51	**103.74**	104.79
Edmonton Light Sweet (C$ per bbl)	**94.88**	97.90	99.71	**97.58**	100.52
WCS (C$ per bbl)	**81.03**	84.03	76.98	**83.63**	79.59
AECO Daily Index (C$ per mcf)	**1.48**	0.69	2.30	**1.46**	2.64

Total petroleum and natural gas revenue for the fourth quarter of 2024 was comparable to the immediately preceding quarter, primarily due to the decrease in WTI (C$ per bbl) being offset by the tightening of Edmonton light sweet differentials during the period.

Total petroleum and natural gas revenue for the fourth quarter of 2024 decreased 3 percent when compared to the same period of the prior year. The decrease correlates to an 8 percent decrease in WTI (C$ per bbl) during the period, partially offset by the tightening of WCS and Edmonton light sweet differentials throughout the period.

Total petroleum and natural gas revenue for the year ended December 31, 2024 was comparable to the same period of the prior year, primarily due to the decrease in WTI (C$ per bbl) being offset by the tightening of WCS differentials during the period.

ROYALTIES

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Royalties	**29,693**	32,581	31,235	**119,919**	119,513
% of petroleum and natural gas revenue	**18 %**	20 %	19 %	**18 %**	18 %
$ per boe	**13.27**	14.88	13.55	**13.56**	13.40

As royalties are sensitive to both commodity prices and production levels, the corporate royalty rates will fluctuate with commodity prices, well production rates, production decline of existing wells, and performance and geographic location of new wells drilled.

Royalties as a percentage of revenue for the fourth quarter of 2024 decreased 10 percent (from 20 percent to 18 percent) when compared to the immediately preceding quarter, primarily due to a lower crude oil pricing environment and the disposal of certain non-core assets in Northwest Alberta during the period that had higher than Company average royalty rates associated with its production. Royalties as a percentage of revenue for the fourth quarter of 2024 decreased 5 percent (from 19 percent to 18 percent) when compared to the same period of the prior year, primarily as a result of a lower crude oil pricing environment and lower production due to the disposal of certain non-core assets in Central Alberta, Southwest Saskatchewan and Northwest Alberta during 2024. This decrease was slightly offset by certain newly drilled wells coming off of royalty holiday during the period.

Royalties as a percentage of revenue for the year ended December 31, 2024 was comparable to the same period of the prior year mainly due to a lower crude oil pricing environment and lower production as a result of disposals in 2024, offset by certain newly drilled wells coming off of royalty holiday during the year.

NET OPERATING EXPENSES

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Operating expenses	**44,563**	43,242	47,602	**185,638**	196,256
Less processing income	**(1,780)**	(2,054)	(1,734)	**(8,592)**	(7,780)
Net operating expenses	**42,783**	41,188	45,868	**177,046**	188,476
$ per boe	**19.12**	18.81	19.90	**20.02**	21.13

Total net operating expenses for the fourth quarter of 2024 increased 4 percent when compared to the immediately preceding quarter, primarily due to higher winter weather related operating costs such as propane, power, and road and lease maintenance costs.

Total net operating expenses for the three months and year ended December 31, 2024 decreased 7 percent and 6 percent compared to the same periods of the prior year, primarily due to the disposal of certain non-core assets in Central Alberta, Southwest Saskatchewan and Northwest Alberta during 2024, in addition to lower power costs throughout the year, a primary cost driver in the Company's operating areas.

TRANSPORTATION EXPENSES

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Transportation expenses	**3,101**	3,035	3,411	**11,429**	13,755
$ per boe	**1.39**	1.39	1.48	**1.29**	1.54

Transportation expenses for the fourth quarter of 2024 were comparable to the third quarter of 2024.

Transportation expenses for the three months and year ended December 31, 2024 decreased 9 percent and 17 percent as compared to the same periods of the prior year. This is primarily due to the Company's focus on tying in wells drilled during the 2024 winter drilling program, the disposal of certain non-core assets in Central Alberta and Southwest Saskatchewan during the second quarter of 2024 and the disposal of certain non-core assets in Northwest Alberta during the fourth quarter of 2024 which were more reliant on trucking oil production than the Company's core operating areas. This was slightly offset by higher trucking costs during the latter half of 2024, for new drills that are not yet pipeline connected.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

	Three Months Ended			**Years Ended Dec 31,**	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
G&A expenses	**7,051**	6,857	6,889	**27,975**	25,855
Recoveries and capitalized amounts	**(1,835)**	(1,703)	(1,848)	**(7,322)**	(6,697)
Net G&A expenses	**5,216**	5,154	5,041	**20,653**	19,158
$ per boe	**2.33**	2.35	2.19	**2.34**	2.15

Total net G&A expenses for the fourth quarter of 2024 were comparable to both the immediately preceding quarter and the fourth quarter of 2023.

Total net G&A expenses increased 8 percent as compared to the year ended December 31, 2023. The increase is primarily as a result of additional labour requirements to meet the Company's objectives, in addition to the continued impact of inflationary pressures.

TRANSACTION AND OTHER COSTS

	Three Months Ended			**Years Ended Dec 31,**	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Transaction and other costs	**630**	5,655	437	**7,762**	1,423
$ per boe	**0.28**	2.58	0.19	**0.88**	0.16

Total transaction and other costs for the fourth quarter of 2024 decreased 89 percent when compared to the immediately preceding quarter, primarily attributable to debt settlement costs associated with the repayment of the Company's non-revolving second-lien term facility in the third quarter of 2024. Total transaction and other costs for the fourth quarter of 2024 increased 44 percent when compared to the same period of the prior year, primarily attributable to costs associated with the disposal of certain non-core assets in Northwest Alberta in the fourth quarter of 2024.

During the year ended December 31, 2024, the Company incurred transaction and other costs primarily attributable to debt settlement costs and the disposal of certain non-core assets in Central Alberta, Southwest Saskatchewan and Northwest Alberta.

FINANCE EXPENSES

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Interest on bank debt and term debt	**764**	4,786	7,004	**20,133**	31,041
Interest on senior unsecured notes	**3,751**	1,027	—	**4,778**	—
Interest on convertible debentures	**1,026**	1,026	1,142	**4,084**	2,889
Interest on lease and other obligations	**453**	467	553	**1,929**	2,373
Realized gain on interest contracts	**—**	—	(451)	**(884)**	(1,840)
Total interest expense	**5,994**	7,306	8,248	**30,040**	34,463
$ per boe	**2.68**	3.34	3.58	**3.40**	3.86
Accretion expense	**2,698**	4,556	2,980	**14,214**	11,397
Unrealized loss on interest contracts	**—**	—	535	**—**	1,422
Other finance expenses	**—**	—	870	**—**	870
Total finance expense	**8,692**	11,862	12,633	**44,254**	48,152
$ per boe	**3.88**	5.42	5.48	**5.01**	5.40
Average principal amount					
Bank debt	**—**	16,505	27,348	**21,378**	24,429
Senior unsecured notes	**175,000**	87,500	—	**87,500**	—
Term debt	**8,498**	71,941	184,789	**81,252**	189,809
Convertible debentures	**48,300**	48,300	41,400	**48,300**	37,950
Average total principal amount of debt outstanding	**231,798**	224,246	253,537	**238,430**	252,188

Total interest expense for the fourth quarter of 2024 decreased 18 percent when compared to the immediately preceding quarter, primarily due to lower average bank debt and term debt during the period.

Total interest expense for the fourth quarter and year ended December 31, 2024 decreased 27 percent and 13 percent when compared to the same periods of 2023 due to lower average bank debt and term debt balances during the period, partially offset by higher average balances of convertible subordinated unsecured debentures ("Debentures") and senior unsecured notes ("Notes") during the period.

Total finance expense includes accretion, representing the change in the time value of the decommissioning obligations, term debt, convertible debentures and senior unsecured notes as well as unrealized gains and losses on financial interest contracts. Accretion expense for the three months ended December 31, 2024 decreased 41 percent when compared to the immediately preceding quarter primarily due to the early repayment of the non-revolving second-lien term facility in the third quarter of 2024. Accretion expense for the three months ended December 31, 2024 decreased 9 percent compared to the same period of the prior year, primarily due to the full repayment of the non-revolving second-lien term facility in the third quarter of 2024, slightly offset by the additional accretion recorded on the Notes issued in the third quarter of 2024.

Accretion expense for the year ended December 31, 2024 increased 25 percent compared to the same period of the prior year primarily due to additional accretion recorded related to the early repayment of the non-revolving second-lien term facility and on the Notes that were issued during the year. Additionally, the Company had a nil unrealized loss on financial interest contracts during the year ended December 31, 2024 as compared to a $1.4 million unrealized loss on financial interest contracts during the same period of 2023, primarily due to interest contracts expiring during the year.

NETBACKS

	Three Months Ended			Years Ended Dec 31,	
($ per boe, except production)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Average production (boe per day)	**24,319**	23,795	25,050	**24,158**	24,438
Petroleum and natural gas revenue	**72.93**	74.09	73.09	**74.27**	75.15
Realized gain (loss) on commodity and FX contracts	**(0.12)**	(0.10)	1.02	**(0.40)**	(0.35)
Royalties	**(13.27)**	(14.88)	(13.55)	**(13.56)**	(13.40)
Net operating expenses	**(19.12)**	(18.81)	(19.90)	**(20.02)**	(21.13)
Transportation expenses	**(1.39)**	(1.39)	(1.48)	**(1.29)**	(1.54)
Operating netback	**39.03**	38.91	39.18	**39.00**	38.73
G&A expense	**(2.33)**	(2.35)	(2.19)	**(2.34)**	(2.15)
Interest expense	**(2.68)**	(3.34)	(3.58)	**(3.40)**	(3.86)
Adjusted funds flow	**34.02**	33.22	33.41	**33.26**	32.72

The Company's operating netback for the three months ended December 31, 2024 was comparable to the immediately preceding quarter and the same period of the prior year.

Operating netback for the year ended December 31, 2024 was comparable to the same period of the prior year.

Please refer to the respective sections of the MD&A for a detailed explanation of the changes to the netback as compared to prior periods.

STOCK-BASED COMPENSATION

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Stock-based compensation	**3,964**	3,909	3,156	**13,104**	14,262
Capitalized stock-based compensation	**(1,302)**	(1,151)	(1,240)	**(4,098)**	(5,489)
Net stock-based compensation	**2,662**	2,758	1,916	**9,006**	8,773
$ per boe	**1.19**	1.26	0.83	**1.02**	0.98

Net stock-based compensation expense for the fourth quarter of 2024 was comparable to the immediately preceding quarter and increased 39 percent when compared to the same period of the prior year. The increase in net stock-based compensation as compared to the same period of the prior year is primarily the result of expensing awards during the period that were issued at a higher initial grant price.

Net stock-based compensation expense for the year ended December 31, 2024 was comparable to the prior year.

DEPLETION AND DEPRECIATION

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Depletion and depreciation expense	**50,026**	46,786	57,719	**188,480**	197,474
$ per boe	**22.36**	21.37	25.05	**21.32**	22.14

Depletion and depreciation are calculated based on total capital expenditures (including acquisitions and dispositions), production rates and proved and probable oil and gas reserves. Deducted from the Company's fourth quarter of 2024 depletion and depreciation calculation are costs associated with salvage values of $53.3 million. Future development costs for proved and probable oil and gas reserves of $724.6 million have been included in the depletion calculation.

Depletion and depreciation expense for the three months ended December 31, 2024 increased 7 percent when compared to the immediately preceding quarter primarily due to higher production and capital additions, in addition to the Company recording $3.5 million to depletion expense related to changes in the discounted carrying value of estimated decommissioning obligations in respect of properties that had a nil carrying value ascribed.

Depletion and depreciation expense for the three months ended December 31, 2024 decreased 13 percent when compared to the same period of the prior year primarily due to a lower depletable base, as a result of the disposal of certain non-core assets in Northwest Alberta. Depletion and depreciation expense for the year ended December 31, 2024 decreased 5 percent when compared to the same period of the prior year. This is due to a lower depletable base, as a result of the disposal of certain non-core assets in Central Alberta, Southwest Saskatchewan and Northwest Alberta, in addition to the impairment recognized on the Company's non-core properties in the second quarter of 2024.

IMPAIRMENT

	Three Months Ended			Years Ended Dec 31,	
($000s except per boe)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Impairment of property, plant and equipment [1]	**—**	—	59,150	**96,495**	59,150
$ per boe	**—**	—	25.67	**10.91**	6.63

[1] The year ended December 31, 2024 amount includes an impairment charge of $43.8 million on the Company's Northwest Alberta CGU which was disposed of in Q4 2024 (please refer to the Capital Expenditures section of this MD&A).

The Company identified four CGUs as of December 31, 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 Company's CGUs at December 31, 2024 were geographically labeled North Central Alberta, Central Alberta, Southeast Alberta and Southeast Saskatchewan.

At December 31, 2024, indicators of impairment for the Company's North Central Alberta CGU were identified. As a result, an impairment test was performed. The recoverable value was estimated at fair value less costs of disposal based on before tax discounted cash flows from proved and probable oil and gas reserves discounted at 20-35 percent, based on the underlying composition of reserve categories (level 3 inputs).

At December 31, 2024, it was determined that no further impairment charge was required to be recognized above the $52.7 million impairment charge previously recognized during the year.

The results of the Company's impairment tests are sensitive to changes in any of the key significant assumptions including forecasted oil and gas commodity prices, forecasted production volumes, 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.

NET INCOME (LOSS)

	Three Months Ended			Years Ended Dec 31,	
($000s except per share)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Net income (loss)	**(2,656)**	17,263	(29,676)	**(53,716)**	15,751
Per share - basic ($)	**(0.03)**	0.17	(0.30)	**(0.53)**	0.16
Per share - diluted ($)	**(0.03)**	0.17	(0.30)	**(0.53)**	0.16

Please refer to the financial statements and other applicable sections of this MD&A for further information regarding the changes in net income (loss) over the period.

INCOME TAXES

The estimated tax pools in place at December 31, 2024 are as follows:

($000s)	**Total**
Canadian oil and gas property expenses	286,870
Canadian development expenses	191,470
Canadian exploration expenses	51,815
Undepreciated capital cost	151,038
Non-capital losses	562,301
Other	12,143
	1,255,637

CAPITAL EXPENDITURES

Capital Expenditure Summary

($000s)	Q1 2024	Q2 2024	Q3 2024	**Q4 2024**	**2024 YTD**	2023 YTD	% Change
Land	310	3,420	769	**2,911**	**7,410**	5,597	32 %
Seismic	62	784	625	**3,074**	**4,545**	3,975	14 %
Drilling and completions	36,352	20,693	36,859	**32,347**	**126,251**	109,126	16 %
Facilities, equipment and pipelines	10,436	8,790	11,271	**17,299**	**47,796**	54,230	(12)%
Other	2,240	2,378	1,837	**2,646**	**9,101**	8,644	5 %
Expenditures on property, plant and equipment	49,400	36,065	51,361	**58,277**	**195,103**	181,572	7 %
Expenditures on acquisitions	—	3,535	—	**—**	**3,535**	4,240	(17)%
Cash from dispositions	(8)	(37,028)	(20)	**(8,868)**	**(45,924)**	(2,570)	nm[1]
Net acquisitions & dispositions	(8)	(33,493)	(20)	**(8,868)**	**(42,389)**	1,670	nm
Net capital expenditures	49,392	2,572	51,341	**49,409**	**152,714**	183,242	(17)%

1 The Company views this change calculation as not meaningful, or "nm".

During the three months and year ended December 31, 2024, Surge invested a total of $58.3 million and $195.1 million on capital projects, excluding acquisitions and dispositions.

During the fourth quarter of 2024, Surge invested $32.4 million to drill and complete 13 gross (13.0 net) wells in Southeast Alberta ("Sparky") and 10 gross (5.5 net) wells in Southeast Saskatchewan. Of this amount, $21.7 million was spent on drilling; $8.9 million on completions; and $1.8 million on workovers. Production from 7 gross (5.8 net) wells from the fourth quarter drilling program are expected to be brought on stream in the first quarter of 2025. The Company invested $17.3 million to equip and tie-in wells drilled in the fourth quarter and complete scheduled facility turnarounds on operated facilities. Of this amount, $11.3 million was spent on facilities and $6.0 million was spent on equipping and tying in wells and pipeline connections. An additional $8.6 million was spent on land, seismic and other capital items during the quarter.

During the year ended December 31, 2024, Surge invested $126.3 million to drill and complete 40 gross (40.0 net) wells in Southeast Alberta ("Sparky") and 43 gross (33.1 net) wells in Southeast Saskatchewan. Of this amount, $88.7 million was spent on drilling; $25.6 million on completions; and $12.0 million on workovers. The Company invested $47.8 million to equip and tie-in wells drilled in the year and complete scheduled facility turnarounds on operated facilities. Of this amount, $29.6 million was spent on facilities and $18.2 million was spent on equipment and pipelines. An additional $21.0 million was spent on land, seismic and other capital items during the year.

During the second quarter of 2024, the Company acquired certain oil infrastructure for cash consideration of $3.5 million. The Company also disposed of certain assets in its Central Alberta CGU and all remaining assets in its Southwest Saskatchewan CGU during the second quarter of 2024 for total consideration of $37.0 million. During the fourth quarter of 2024, the Company disposed of all remaining assets in its Northwest Alberta CGU for total consideration of $9.5 million. More details on the disposals can be found in note 5 of the financial statements.

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

Share Capital and Option Activity

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Weighted common shares	**101,141,510**	101,066,498	100,581,954	100,529,046
Dilutive instruments (treasury method)	**744,949**	1,471,234	—	—
Weighted average diluted shares outstanding	**101,886,459**	102,537,732	100,581,954	100,529,046

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Weighted common shares	100,314,111	99,384,440	98,334,459	97,086,527
Dilutive instruments (treasury method)	1,808,477	1,588,786	2,853,449	2,296,200
Weighted average diluted shares outstanding	102,122,588	100,973,226	101,187,908	99,382,727

On March 5, 2025, Surge had 99,702,757 common shares, 2,034,217 PSAs, and 1,519,201 RSAs outstanding.

Quarterly Financial Information

($000s except per share and per boe)	**Q4 2024**	Q3 2024	Q2 2024	Q1 2024
Petroleum and natural gas revenue	**163,172**	162,191	173,173	158,167
Net income (loss)	**(2,656)**	17,263	(64,693)	(3,630)
Net income (loss) per share ($):				
Basic	**(0.03)**	0.17	(0.64)	(0.04)
Diluted	**(0.03)**	0.17	(0.64)	(0.04)
Cash flow from operating activities	**64,838**	73,420	73,604	66,785
Cash flow from operating activities per share ($):				
Basic	**0.64**	0.73	0.73	0.66
Diluted	**0.64**	0.72	0.73	0.66
Adjusted funds flow	**76,121**	72,710	82,805	62,487
Adjusted funds flow per share ($):				
Basic	**0.75**	0.72	0.82	0.62
Diluted	**0.75**	0.71	0.82	0.62
Average daily sales				
Oil (bbls/d)	**20,675**	19,988	19,628	20,620
NGL (bbls/d)	**777**	779	856	860
Natural gas (mcf/d)	**17,199**	18,168	18,805	20,539
Barrels of oil equivalent (boe per day) (6:1)	**24,319**	23,795	23,618	24,903
Average sales price				
Natural gas ($/mcf)	**0.88**	0.24	0.92	1.88
Oil ($/bbl)	**83.28**	86.17	94.07	80.32
NGL ($/bbl)	**47.26**	46.50	45.85	50.25
Barrels of oil equivalent ($/boe)	**72.93**	74.09	80.57	69.79

Quarterly Financial Information

($000s except per share and per boe)	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Petroleum and natural gas revenue	168,453	184,475	155,477	161,970
Net income (loss)	(29,676)	16,583	14,055	14,789
Net income (loss) per share ($):				
Basic	(0.30)	0.17	0.14	0.15
Diluted	(0.30)	0.16	0.14	0.15
Cash flow from operating activities	79,712	71,315	60,608	54,506
Cash flow from operating activities per share ($):				
Basic	0.79	0.72	0.62	0.56
Diluted	0.78	0.71	0.60	0.55
Adjusted funds flow	77,001	86,874	64,640	63,331
Adjusted funds flow per share ($):				
Basic	0.77	0.87	0.66	0.65
Diluted	0.75	0.86	0.64	0.64
Average daily sales				
Oil (bbls/d)	20,741	20,188	19,758	21,055
NGL (bbls/d)	808	659	629	721
Natural gas (mcf/d)	21,005	19,564	18,458	20,172
Barrels of oil equivalent (boe per day) (6:1)	25,050	24,108	23,463	25,138
Average sales price				
Natural gas ($/mcf)	2.11	2.15	1.97	3.13
Oil ($/bbl)	84.24	95.53	83.17	80.57
NGL ($/bbl)	48.68	52.34	46.16	55.78
Barrels of oil equivalent ($/boe)	73.09	83.17	72.82	71.59

Annual Financial Information

	Years Ended December 31,		
($000s except per share)	**2024**	2023	2022
Total petroleum and natural gas revenue	**656,703**	670,375	727,228
Net income (loss)	**(53,716)**	15,751	231,718
Net income (loss) per share ($):			
Basic	**(0.53)**	0.16	2.74
Diluted	**(0.53)**	0.16	2.66
Total assets	**1,366,149**	1,480,763	1,550,077
Total long-term financial liabilities[1]	**227,316**	261,790	316,658
Dividends declared	**50,357**	47,459	21,274
Dividends declared per share ($)	**0.50**	0.48	0.25

1 Total of non-current liabilities excluding decommissioning obligations.

The fluctuations in Surge's revenue and net income (loss) from quarter to quarter are primarily caused by changes in production volumes, changes in realized commodity prices and the related impact on royalties, realized and unrealized gains or losses on derivative instruments, and changes in impairment charges and non-cash items.

Surge has experienced organic production growth over the past two years as a result of its capital expenditure programs. This growth has been slightly offset due to the disposal of certain non-core assets in Central Alberta and Southwest Saskatchewan during the second quarter of 2024, which removed approximately 1,100 boe per day from production and the disposal of certain non-core assets in Northwest Alberta in the fourth quarter of 2024, which removed approximately 1,300 boe per day from production. As a result, the Company's production slightly declined from 25,138 boe per day in the first quarter of 2023 to 24,319 boe per day in the fourth quarter of 2024. These fluctuations in production volumes and in realized commodity prices have impacted the Company's petroleum and natural gas revenues, cash flow from operating activities and adjusted funds flow. Net income (loss) has fluctuated due to impairments and changes in adjusted funds flow and unrealized risk management gains and losses which fluctuate with the changes in forward benchmark commodity prices and exchange rates.

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2024, Surge had nil drawn on its credit facilities, $175.0 million principal amount of Notes, excluding unamortized issue costs of $4.1 million, $48.3 million principal amount of Debentures, and total net debt of $247.1 million. Total net debt was consistent to the immediately preceding quarter and decreased 15 percent as compared to the same period of 2023. As at December 31, 2024, Surge had approximately $247.4 million of borrowing capacity in relation to the $250 million credit facilities and had $2.6 million of outstanding letters of credit (December 31, 2023 - $0.9 million), all of which is under the $50 million operating loan facility. The following tables sets forth the capitalization of Surge:

Capitalization

($000s except share amounts)	Outstanding as at December 31, 2024
Common shares outstanding	100,381,957
Shareholder Equity	
Share capital	1,767,739
Debentures - equity	6,375
Debt	
Bank debt	
Total commitment	250,000
Amount drawn	—
Senior unsecured notes	
Total principal	175,000
Unamortized issue costs	(4,128)
Total, net of unamortized issue costs	170,872
Term debt	6,224
Debentures - liability	39,401

Shareholder Returns

For the year ended December 31, 2024, the Company returned a total of $61.0 million to shareholders through the Company's normal course issuer bid ("NCIB") program and dividends.

The NCIB program allows for the purchase for cancellation of up to a maximum of 9,781,079 common shares of the Company. For the year ended December 31, 2024, the Company repurchased for cancellation 1,822,200 common shares under its NCIB at a weighted average price of $6.02 per share for a total cost of $11.0 million. This represents 2 percent of the Company's common shares outstanding as of December 31, 2024.

In addition, the Company paid $50.0 million in dividends during the year ($0.50 per share for the year).

Convertible Debentures

	Number of convertible debentures	Liability Component ($000s)	Equity Component ($000s)
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	—	1,553	—
Balance at December 31, 2024	**48,300**	**39,401**	**6,375**

Surge monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives. Currently, Surge anticipates that the future capital requirements will be funded through a combination of internal cash flow, divestitures, and debt and/or equity financing. There can be no guarantees that the credit facilities will be extended or that alternative forms of debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements.

Net Debt

($000s)	As at December 31, 2024
Cash	7,594
Accounts receivable	58,327
Prepaid expenses and deposits	3,233
Accounts payable and accrued liabilities	(95,433)
Dividends payable	(4,350)
Senior unsecured notes	(170,872)
Term debt	(6,224)
Convertible debentures	(39,401)
Total	**(247,126)**

Bank Debt

As at December 31, 2024, the Company 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 Company'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 Company and subject to the approval of the syndicate. As the available lending limits of the Facilities are based on the syndicate's interpretation of the Company's reserves, commodity prices and decommissioning obligations, there can be no assurance that the amount of the available Facilities will not decrease at the next scheduled review. In the current pricing environment, there is an increased risk that the lenders may decrease the amount available under the Facilities and the decreases could be material. Interest rates vary depending on the ratio of Senior Debt to EBITDA (as defined in the lending agreement). As at December 31, 2024, the Company had an effective interest rate of prime plus 1.75 percent on the Facilities (December 31, 2023 - prime plus 1.75 percent).

The Facilities are secured by a general assignment of book debts, Debentures of $0.8 billion with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the major producing petroleum and natural gas properties at the request of the bank.

Senior Unsecured Notes

On September 5, 2024, the Company issued $175.0 million of 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 Company. The Notes were priced at 100% of par to yield 8.500% per annum.

The Notes are non-callable by the Company prior to September 5, 2026. On or after September 5, 2026, the Company 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%

Term Debt

During the period ended September 30, 2024, the Company 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 Company 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 Company 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 Company 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 Company 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

During the period ended December 31, 2021, the Company assumed two five-year, interest free term loans with the Federal Government of Canada via the Emissions Reduction Fund ("ERF") administered by the Department of Natural Resources.

As at December 31, 2024, the ERF has provided Surge with $10.9 million (December 31, 2023 - $10.4 million) for the Company's planned gas emission reduction program which will see the Company build infrastructure to eliminate greenhouse gas emissions in specific operating areas. A portion of the financial assistance received is non-repayable while the repayable portion of the loan repayments will begin on March 31, 2025, when 10.0 percent of the repayable portion will be repaid, followed by 33.3 percent on March 31, 2026 and the remaining 56.7 percent on March 31, 2027. The Company accounts for the non-repayable portion and benefit of the interest-free period of the financial assistance as a government grant. The Company recognized $0.6 million as an offset to PP&E for the year ended December 31, 2024 (December 31, 2023 - nil).

As at December 31, 2024, the Company had a $6.2 million (December 31, 2023 - $7.6 million) loan repayable relating to the ERF, which is included as term debt within the financial statements. As a result of 10.0 percent of the repayable portion falling due on March 31, 2025, $0.7 million (December 31, 2023 - nil) of the loan repayable has been reflected as current term debt.

During the period ended December 31, 2024, the Company repaid $1.7 million (December 31, 2023 - nil) of the funds received following the disposition of one of the Company's non-core assets in Southwest Saskatchewan.

A summary of outstanding debt is as follows:

($000s)	Bank debt	Senior unsecured notes	Term debt	Total
Balance at December 31, 2022	30,597	—	256,033	286,630
Proceeds	12,200	—	—	12,200
Repayment	—	—	(79,396)	(79,396)
Accretion	—	—	2,094	2,094
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	—	—	(558)	(558)
Balance at December 31, 2024	**—**	**170,872**	**6,224**	**177,096**
Current liabilities	**—**	**—**	**715**	**715**
Non-current liabilities	**—**	**170,872**	**5,509**	**176,381**

At December 31, 2024, the Company's contractual payments mature as follows:

($000s)	
2025	715
2026	2,381
2027	4,053
Thereafter[1]	223,300
	230,449

1 Inclusive of convertible debentures disclosed in note 9 of the financial statements.

RELATED-PARTY AND OFF-BALANCE-SHEET TRANSACTIONS

Surge was not involved in any off-balance-sheet transactions or related party transactions during the year ended December 31, 2024.

CONTRACTUAL OBLIGATIONS

The Company is contractually obligated under its debt agreements as outlined under liquidity and capital resources.

As at December 31, 2024, Surge had future minimum payments relating to variable office rent payments and firm transport commitments, except lease payments included in "Leases", totaling $18.4 million, as summarized below:

($000s)	
Less than 1 year	5,070
1 - 3 years	6,298
3 - 5 years	2,743
5+ years	4,250
Total commitments	**18,361**

LEASES

The Company has recognized the following lease and other obligations:

($000s)	Total
Lease and other obligations at December 31, 2022	28,799
Dispositions	(786)
Additions	40
Interest expense	2,373
Principal payments	(7,620)
Lease and other obligations at December 31, 2023	22,806
Dispositions	(3,578)
Additions	1,246
Interest expense	1,929
Principal payments	(6,777)
Lease and other obligations at December 31, 2024[1]	**15,626**
Current portion	**4,092**
Long term portion	**11,534**

[1] Inclusive of an other obligation of $4.0 million (December 31, 2023 - $6.0 million).

The Company has recognized the following right-of-use assets, included in note 5 of the financial statements:

($000s)	Total
Right-of-use assets at December 31, 2022	19,545
Dispositions	(786)
Additions	40
Depreciation	(3,560)
Right-of-use assets at December 31, 2023	15,239
Dispositions	(1,914)
Additions	1,246
Impairment allocation	(2,867)
Depreciation	(3,434)
Right-of-use assets at December 31, 2024	**8,270**

Future minimum payments relating to lease and other obligations at December 31, 2024 are as follows:

($000s)	
Less than 1 year	5,360
1 - 3 years	5,715
3+ years	7,263
Lease and other obligation payments	**18,338**

FINANCIAL INSTRUMENTS

As a means of managing commodity price, interest rate, and foreign exchange volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining amounts and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. Surge's financial derivative contracts are classified as level two.

The following table summarizes the Company's financial derivatives as at March 5, 2025 by period and by product.

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. 1 2025	5,622	$108.87	947	$93.45	$118.93	4,204	$93.45	—	—
Qtr. 2 2025	5,500	$106.04	3,500	$95.50	$134.01	1,500	$107.82	1,500	$87.70
Qtr. 3 2025	4,000	$104.73	4,500	$100.64	$115.01	—	—	—	—
Qtr. 4 2025	1,000	$103.19	—	—	—	—	—	—	—
Qtr. 1 2026	500	$103.19	—	—	—	—	—	—	—

Western Canadian Select Differential Derivative Contracts (WCS)

	Swaps	
Period	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 1 2025	4,500	$(20.26)
Qtr. 2 2025	3,500	$(19.87)
Qtr. 3 2025	3,500	$(19.87)
Qtr. 4 2025	3,500	$(19.87)

Mixed Sweet Blend Differential Derivative Contracts (MSW)

	Swaps	
Period	Volumes (bbls/d)	Average Price (CAD/bbl)
Qtr. 1 2025	3,000	$(5.25)
Qtr. 2 2025	3,000	$(5.25)
Qtr. 3 2025	3,000	$(5.25)
Qtr. 4 2025	2,000	$(5.64)

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. 1 2025	2,000	$5.97	3,000	$5.03	$8.05	5,000	$(1.68)
Qtr. 2 2025	1,700	$4.65	3,300	$4.31	$5.03	5,000	$(1.50)
Qtr. 3 2025	1,700	$4.65	3,300	$4.31	$5.03	5,000	$(1.50)
Qtr. 4 2025	3,888	$3.40	1,112	$4.31	$5.03	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	—

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As of the year ended December 31, 2024, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under NI 52-109, was performed by the Company's management with the oversight of the President & Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's President & Chief Executive Officer and Chief Financial Officer have concluded that the Company's DC&P are effective as of December 31, 2024.

Further, there were no changes in the Company’s DC&P during the fourth quarter and year ended December 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company's DC&P.

Internal Controls over Financial Reporting

Internal control over financial reporting (“ICFR”), as defined in NI 52-109, includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;

2. are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Surge; and

3. are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

The President & Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's President & Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's President & Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 framework provides the basis for management’s design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud.

Management, with the oversight of the President & Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s internal control over financial reporting, as defined under NI 52-109 as at December 31, 2024. In making its evaluation, management used the COSO framework. Based on this evaluation, the Company’s President & Chief Executive Officer and Chief Financial Officer have concluded that the Company’s ICFR was effective as of December 31, 2024.

Further, there were no changes in the Company’s ICFR during the fourth quarter and year ended December 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates. Due to the timing of when activities occur compared to the reporting of those activities, management must estimate and accrue operating results and capital spending. Changes in these judgments and estimates could have a material impact on our financial results and financial condition.

Reserves

Estimation of recoverable quantities of proved and probable reserves include estimates and assumptions regarding forecasted oil and gas commodity prices, exchange rates, discount rates, forecasted production volumes, forecasted operating costs, royalty costs and future development costs for future cash flows as well as the interpretation of complex geological and geophysical models and data.

Changes in reported reserves can affect the impairment of assets, the decommissioning obligations and the amounts reported for depletion, depreciation and amortization of PP&E. These reserve estimates are undertaken by independent third party reserve evaluators, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

Forecasted Oil and Gas Commodity Prices

Management's estimates of forecasted oil and gas commodity prices are critical as these prices are used to determine the carrying amount of PP&E, assess for indicators of impairment and determine the change in fair value of financial contracts. Management's estimates of prices are based on the price forecast from our independent third party reserve evaluator and the current forward market.

Business Combinations

Management makes various assumptions in determining the fair values of any acquired company's assets and liabilities in a business combination. The most significant assumptions and judgments made relate to the estimation of the fair value of the oil and gas properties. To determine the fair value of these properties, we estimate (a) proved and probable oil and gas reserves in accordance with NI 51-101 and (b) forecasted oil and gas commodity prices.

Decommissioning Obligations

Management calculates the decommissioning obligation based on estimated costs to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods. The fair value estimate is capitalized to PP&E as part of the cost of the related asset and amortized over its useful life. There are uncertainties related to decommissioning obligations and the impact on the financial statements could be material as the eventual timing and costs for the obligations could differ from our estimates. Factors that could cause our estimates to differ include any changes to laws or regulations, reserve estimates, costs and technology.

Derivative Financial Instruments

Surge utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Fair values of derivative contracts fluctuate depending on the underlying estimate of future commodity prices, foreign currency exchange rates, interest rates and counterparty credit risk.

Stock-based Compensation

Management makes various assumptions in determining the value of stock based compensation. This includes estimating the forfeiture rate, the expected volatility of the underlying security, interest rates and expected life.

Deferred Income Taxes

Management makes various assumptions in determining the deferred income tax provision, including (but not limited to) future tax rates, accessibility of tax pools and future cash flows.

RISK FACTORS

Additional risk factors can be found under "Risk Factors" in the Company's AIF for the year ended December 31, 2024, which can be found on www.sedarplus.ca. Many risks are discussed below and in the AIF, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from forecast results.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Surge depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Surge may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Surge's reserves will depend not only on the Company's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by Surge.

Surge's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund its capital program. The Company's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. Surge anticipates that future capital requirements will be funded through a combination of internal adjusted funds flow, debt and/or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company's business plan are missing, the Company may not be able to execute its entire business plan.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material to the Company. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil, or water may give rise to liabilities to governments and third parties and may require Surge's operating entities to incur costs to remedy such discharge. Although Surge believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environment laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Surge's financial condition, results of operations or prospects.

Surge's involvement in the exploration for and development of oil and natural gas properties may result in Surge becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although, prior to drilling, Surge will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liability. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Surge may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Surge. The occurrence of a significant event that was not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Surge's financial position, results of operations or prospects and will reduce income otherwise used to fund operations.

The Company's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Company's operations and financial condition and the value and amount of its reserves. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Company including, but not limited to, the world economy and the Organization of the Petroleum Exporting Countries' ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

Decreases in oil and natural gas prices typically result in a reduction of the Company's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of the Company's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company will in part be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt be repaid.

Effective March 4, 2025, the United States imposed, a 10% tariff on “energy and energy resources” from Canada, along with a 25% tariff on other goods originating in Canada and imported into the United States. The implementation of such tariffs, including the retaliatory tariffs imposed by Canada in response, and any further potential tariff response strategy by either country may create uncertainty, which has permeated the economic and investment outlook, impacting current economic conditions, including such issues as the inflation rate and the global supply chain. Aside from its impact on the global economy, the new tariff conflict may have an adverse effect on the Company’s business, financial condition, results of operations and prospects, which adverse effect could prove to be material over time. This tariff conflict may put into perspective many of the top and emerging risks to which the Company is exposed, including credit risk, commodity pricing and market risk, liquidity and funding risk, operational risk, strategic risk and third-party risk. The extent to which the Company’s business, financial condition, results of operations and prospects will be affected depends largely on the nature and duration of uncertain and unpredictable events, such as the duration or escalation of the tariffs, the evolution of retaliatory measures, possible fiscal or monetary policy responses, and reactions to ongoing changes by global financial markets.

The Company utilizes financial derivatives contracts to manage market risk. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board.

BOE PRESENTATION

All amounts are expressed in Canadian dollars unless otherwise noted. Oil, natural gas and natural gas liquids reserves and volumes are converted to a common unit of measure, referred to as a barrel of oil equivalent (boe), on the basis of 6,000 cubic feet of natural gas being equal to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method, primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. It should be noted that the use of boe might be misleading, particularly if used in isolation.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. The use of any of the words “anticipate”, “continue”, “could”, “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 MD&A contains statements concerning: changes with respect to emissions, carbon and other regulations impacting climate and climate related matters; expectations with respect to royalty rates and the conditions which may impact them; timing and payment of RSAs and PSAs; anticipated results of the Company’s impairment tests; future availability and borrowing capacity under the Company’s Facilities and any renewal thereof; ability of the Company to continue to meet its obligations under its Facilities; ability of the Company to continue to make repurchases under its NCIB; ability of the Company to meet its objectives; the Company’s ability to fund future capital requirements and the nature and source of such funding; the Company’s ability to redeem the Notes; expectation that certain wells will be brought on stream in the first quarter of 2025 and anticipated timing therof; fair value of forward contracts, swaps, options and costless collars entered into by the Company; estimations in respect of reserves and decommissioning obligations; the estimated recoverable amount of the Company’s PP&E; and the ongoing assessment of management and the Board of market conditions.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including: expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells; anticipated expenses; cash flow and capital expenditures; compliance with and application of regulatory and royalty regimes; prevailing commodity prices and economic conditions; the Company’s expectations regarding well production rates, production decline of existing wells and performance and geographic location of new wells drilled; recoverable and carrying value of certain assets; the impact of any new pandemic or epidemic and other international or geopolitical events, including government responses related thereto and their impact on global energy pricing, oil and gas industry exploration and development activity levels and production volumes; the financial assumptions used by Surge’s reserve evaluators in assessing potential impairment of Surge assets; Surge's belief that the majority of cash flow's associated with its proved and probable reserves will be realized prior to the elimination of carbon based energy; the Company's belief in the uncertainty regarding the ultimate period in which global energy markets can transition from carbon based sources to alternative energy; management's expectations as to the cause of fluctuation in corporate royalty rates; management's beliefs regarding the estimates of the future values for certain assets and liabilities of the Company; underlying causes of the fluctuations in Surge's revenue and net income (loss) from quarter to quarter; the Company's estimates with respect to incremental borrowing rates and lease terms; development and completion activities and the costs relating thereto; 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 and any acquired assets; the successful application of drilling, completion and seismic technology; the determination of decommissioning obligations; the ability to obtain approval from the syndicate to increase or maintain its Facilities; the ability to continue borrowing under the Company's Facilities and the syndicate's interpretation of the Company's obligations thereunder; anticipated timing with respect to the Company's obligations in respect of the Debentures and the Notes; prevailing weather conditions; exchange rates; licensing requirements; the impact of completed facilities on operating costs; that prevailing regulatory, tax and environmental laws and regulations apply or are introduced as expected, and the timing of such introduction; and the availability, 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; changes with respect to foreign and domestic trade policy; the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential effect on the demand and/or market price for Surge's products and/or otherwise may adversely affect Surge; 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; changes in laws and regulations that affect the Company; risks related to decommissioning obligations 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 Facilities; potential decrease in the available lending limits under Surge's 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 Facilities. Certain risks are set out in more detail in this MD&A under the heading 'Risk Factors' herein and in Surge's AIF dated March 5, 2025 which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

The forward-looking statements contained in this MD&A 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.

NON-GAAP AND OTHER FINANCIAL MEASURES

Certain secondary financial measures in this document - namely, "adjusted funds flow", "adjusted funds flow per share", "net debt", "net operating expenses", "net operating expenses per boe", "operating netback", "operating netback per boe", and "adjusted funds flow per boe" are not prescribed by GAAP. 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. 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 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.

Adjusted Funds Flow & 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 cashed 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 (loss) per share.

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

	Three Months Ended			**Years Ended Dec 31,**	
($000s except per share)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Cash flow from operating activities	**64,838**	73,420	79,712	**278,647**	266,141
Change in non-cash working capital	**5,303**	(10,357)	(11,261)	**(7,191)**	9,350
Decommissioning expenditures	**5,535**	4,016	8,255	**15,175**	15,560
Cash settled transaction and other costs	**445**	5,631	295	**7,492**	795
Adjusted funds flow	**76,121**	72,710	77,001	**294,123**	291,846
Per share - basic ($)	**0.75**	0.72	0.77	**2.92**	2.95

Net Debt

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 timing of settlement of these balances.

		As at	
($000s)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023
Cash	**7,594**	11,500	—
Accounts receivable	**58,327**	53,193	53,354
Prepaid expenses and deposits	**3,233**	4,215	5,355
Accounts payable and accrued liabilities	**(95,433)**	(93,094)	(85,390)
Dividends payable	**(4,350)**	(4,395)	(4,013)
Bank debt	**—**	—	(42,797)
Senior unsecured notes	**(170,872)**	(170,642)	—
Term debt	**(6,224)**	(9,094)	(178,731)
Convertible debentures	**(39,401)**	(38,997)	(37,848)
Total	**(247,126)**	(247,314)	(290,070)

Operating Netback & 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. This metric is used by management to evaluate the Company's ability to generate cash margin on a unit of production basis.

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

	Three Months Ended			**Years Ended Dec 31,**	
($000s)	**Dec 31, 2024**	Sep 30, 2024	Dec 31, 2023	**2024**	2023
Petroleum and natural gas revenue	**163,172**	162,191	168,453	**656,703**	670,375
Processing income	**1,780**	2,054	1,734	**8,592**	7,780
Royalties	**(29,693)**	(32,581)	(31,235)	**(119,919)**	(119,513)
Realized gain (loss) on commodity and FX contracts	**(264)**	(217)	2,351	**(3,493)**	(3,164)
Operating expenses	**(44,563)**	(43,242)	(47,602)	**(185,638)**	(196,256)
Transportation expenses	**(3,101)**	(3,035)	(3,411)	**(11,429)**	(13,755)
Operating netback	**87,331**	85,170	90,290	**344,816**	345,467
G&A expense	**(5,216)**	(5,154)	(5,041)	**(20,653)**	(19,158)
Interest expense	**(5,994)**	(7,306)	(8,248)	**(30,040)**	(34,463)
Adjusted funds flow	**76,121**	72,710	77,001	**294,123**	291,846
Barrels of oil equivalent (boe)	**2,237,273**	2,189,137	2,304,615	**8,841,938**	8,920,018
Operating netback ($ per boe)	**39.03**	38.91	39.18	**39.00**	38.73
Adjusted funds flow ($ per boe)	**34.02**	33.22	33.41	**33.26**	32.72

Net Operating Expenses

Net operating expenses is a non-GAAP financial measure, determined by deducting processing income primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. It is common in the industry to earn third party processing revenue on facilities where the entity has a working interest in the infrastructure asset. Under IFRS this source of funds is required to be reported as revenue. However, the Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at one of its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility. As such, third party processing revenue is netted against operating costs in the MD&A.