



Notice and Management Information Circular – Proxy Statement

For the Annual General and Special Meeting of Shareholders
to be held May 16, 2017 at 3:00 p.m. (Calgary time)

The McMurray Room, Calgary Petroleum Club
319 – 5th Avenue S.W. Calgary

March 31, 2017

These materials are important and require your immediate attention. If you are in doubt as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to the information set out herein, please contact Shorecrest Group Ltd. by telephone at 1 (888) 637-5789 (toll free in North America) or (647) 931-7454 (collect call outside North America) or by email at contact@shorecrestgroup.com.

SURGE ENERGY INC.

Notice of Annual General and Special Meeting of Shareholders to be held on May 16, 2017

The Annual General and Special Meeting of the holders (the “**Shareholders**”) of common shares (“**Shares**”) of Surge Energy Inc. (the “**Corporation**”) will be held in the McMurray Room at the Calgary Petroleum Club at 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Tuesday, May 16, 2017 (including any adjournment or adjournments thereof, the “**Meeting**”) for the following purposes:

1. to receive and consider the financial statements of the Corporation as at and for the year ended December 31, 2016, together with the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at eight (8);
3. to elect directors to hold office for the ensuing year;
5. to consider and, if thought fit, approve an ordinary resolution to approve Shares issuable pursuant to unallocated awards under our Stock Incentive Plan;
6. to consider and, if thought fit, approve a special resolution to approve a reduction in the stated capital of our Shares;
7. to appoint independent auditors for the ensuing year and to authorize the directors to fix the remuneration of the auditors; and
8. to transact such other business as may properly come before the Meeting.

The specific details of the matters proposed to be brought before the Meeting are set forth in the management information circular and proxy statement accompanying this notice.

Only registered Shareholders as at the close of business on March 31, 2017 (the “**Record Date**”) are entitled to notice of, and to attend and vote at, the Meeting unless, after the Record Date, a registered Shareholder transfers his or her Shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he or she owns such shares, requests at least 10 days before the Meeting that the transferee’s name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the Meeting.

Registered Shareholders may vote in person at the Meeting, or they may appoint another person, who need not be a Shareholder, as their proxy to attend and vote in their place. Registered Shareholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to the Corporation’s agent, Computershare Trust Company of Canada, 8th Floor, 100 University Avenue Toronto, Ontario, M5J 2Y1, before 5:00 p.m. (Toronto time) on Friday, May 12, 2017 or, if the Meeting is adjourned or postponed, at least 48 hours prior to the time of the adjourned or postponed Meeting. Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

If you have any questions or need any additional information, you should contact your professional advisors or you can contact Shorecrest Group, the Corporation’s proxy solicitation agent, toll-free at 1 (888) 637-5789, locally at (647) 931-7454 or by email at contact@shorecrestgroup.com.

Calgary, Alberta
March 31, 2017

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “Paul Colborne”

Paul Colborne
President and Chief Executive Officer

SURGE ENERGY INC.

Management Information Circular and Proxy Statement dated March 31, 2017

For the Annual General and Special Meeting of Shareholders to be held on May 16, 2017

SOLICITATION OF PROXIES

This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Surge Energy Inc. (“Surge” or the “Corporation”) for use at the Annual General and Special Meeting of the holders (the “Shareholders”) of common shares (the “Shares”) of the Corporation to be held in the McMurray Room at the Calgary Petroleum Club at 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Tuesday, May 16, 2017 (including any adjournment or postponement thereof, the “Meeting”) for the purposes set forth in the accompanying notice of meeting.

The information contained in this Circular is given as at March 31, 2017, unless otherwise stated.

Management of the Corporation is soliciting proxies from Shareholders for the Meeting. In addition to solicitation by mail, proxies may be solicited by personal interview, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefore. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone. The cost of solicitation will be borne by the Corporation.

Surge has also retained Shorecrest Group (“**Shorecrest**”) to assist it in connection with the Corporation’s communications with Shareholders. In connection with these services, Shorecrest is expected to receive a fee of \$25,000, plus out-of-pocket expenses. In addition, the Corporation may, upon request, pay to certain brokerage firms, fiduciaries or other persons holding Shares in their names for others, the charges entailed in sending out the meeting materials to the persons for whom they hold Shares.

RECORD DATE

The record date (the “**Record Date**”) for the Meeting is March 31, 2017. Only registered Shareholders at the close of business on the Record Date are entitled to notice of the Meeting and to vote thereat unless, after the Record Date, a registered Shareholder transfers its Shares and the transferee, upon producing properly endorsed certificates evidencing such Shares or otherwise establishing that it owns such Shares, requests not later than 10 days before the Meeting that the transferee’s name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Shares at the Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

Registered Shareholders may vote in person at the Meeting or they may appoint another person, who does not have to be a Shareholder, as their proxy to attend and vote in their place. The persons named in the enclosed form of proxy are the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

A Shareholder submitting a proxy has the right to appoint a person or company to represent him or her at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. To exercise this right, the Shareholder should insert the name of the desired representative in the blank space provided in the form of proxy and strike out the other names or submit another appropriate proxy.

In order to be effective, the proxy must be mailed so as to be deposited at the office of the Corporation's transfer agent, Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, before 5:00 p.m. (Toronto time) on Friday, May 12, 2017 or, if the Meeting is adjourned or postponed, at least 48 hours prior to the time of the adjourned or postponed Meeting. Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his attorney, or, if such Shareholder is a corporation, under its corporate seal, and executed by a director, officer or attorney thereof duly authorized.

A registered Shareholder who has submitted a proxy may revoke it prior to its use by instrument in writing executed by the Shareholder or his attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either at the office of the Corporation's transfer agent, Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 on the last business day preceding the day of the Meeting or with the chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

Registered Shareholders may also use the toll-free telephone line at 1 (866) 732-8683 or by internet at www.investervote.com to vote their Shares at the Meeting. The website may also be used to appoint a proxy holder to attend and vote at the Meeting on the registered Shareholder's behalf and convey voting instructions.

Non-registered Shareholders (holders that shares are held on their behalf by a bank, broker or other financial intermediaries) should follow the instructions provided by their financial intermediary.

EXERCISE OF DISCRETION BY PROXY HOLDERS

All Shares represented at the Meeting by properly executed proxies will be voted. Where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy the Shares represented by the proxy will be voted or withheld from being voted in accordance with such specification. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES WILL BE VOTED "FOR" ALL OF THE MATTERS SET FORTH IN THE CIRCULAR.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of the Circular, management of the Corporation knows of no such amendment, variation or other matter.

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of the Shareholders of the Corporation do not hold Shares in their own name.

Shareholders who do not hold their Shares in their own name (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are held in an account with an intermediary, such as a broker or financial institution, then in almost all cases those Shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the name of the intermediary or its agent. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Such Shares can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions the intermediary and its agents and nominees are prohibited from voting such Shares. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the applicable meeting. The form of proxy supplied to a Beneficial Shareholder by its broker or other intermediary or agent is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or other intermediary or agent) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically asks Beneficial Shareholders to vote via the internet at www.proxyvote.com or by phone using the number listed on the voting instruction form or by returning the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the applicable meeting. **Surge may utilize the Broadridge QuickVote™ service to assist eligible beneficial holders with voting their Shares. A Beneficial Shareholder receiving a Broadridge proxy cannot use that proxy to vote Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted.**

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Corporation is authorized to issue an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. As at March 31, 2017, there were 225,766,393 Shares and no preferred shares issued and outstanding. Holders of Shares are entitled to one vote for each Share held at the Meeting. To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

The following are the matters to be acted upon at the Meeting:

Item 1 – Fixing the Number of Directors

The Shareholders will be asked to consider a resolution fixing the number of directors to be elected at the Meeting. Management proposes that the number of directors to be elected at the Meeting be set at eight (8). There are presently eight (8) directors of the Corporation. The terms of each of the current directors expire at the Meeting. **Unless otherwise directed, the management designees, if named as proxy, intend to vote FOR setting the number of directors to be elected at the Meeting at eight (8).**

Item 2 - Election of Directors

The Shareholders will be asked to consider a resolution electing the directors of Surge. Each director so elected will hold office until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office be earlier vacated in accordance with Surge's articles or by-laws.

The following table provides the names and cities of residence of all persons proposed to be nominated by management for election as directors, the position each currently holds with the Corporation, the principal occupations of such persons for the prior five years, the date on which each became a director of the Corporation and the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each as at March 31, 2017.

Name, Province and Country of Residence	Date of Initial Appointment or Election	Principal Occupation During Previous Five Years	Shares Beneficially Owned, Controlled or Directed
Paul Colborne Calgary, Alberta, Canada	April 13, 2010	President and CEO of the Corporation. He is also the President of StarValley Oil and Gas Ltd., a private, Calgary-based oil and gas company founded in November 2005. Mr. Colborne currently serves on the Board of Directors of Rising Star Resources Ltd. and Red River Oil Inc., two private oil and gas companies. In 1993, after nine years practicing securities, banking and oil and gas law, Mr. Colborne directed his focus to the oil and gas industry and founded an oil and gas company called, Startech Energy Ltd., a publicly traded company, which grew to a 15,000 boe/d. Eight years later in 2001, Startech was acquired by ARC Energy Trust for more than C\$500 million. From September 2003 to January 2005, Mr. Colborne was the President and CEO of StarPoint Energy Trust, a 36,000 boe/d publicly traded energy trust. From 1996 to May of 2013, Mr. Colborne was on the Board of Crescent Point Energy, a 165,000 boe/d, publicly traded, dividend paying oil and gas company. Until its sale in July of 2009, Mr. Colborne served as Chairman of TriStar Oil & Gas Ltd. He was also a Director for Westfire Energy Ltd., Twin Butte Energy Ltd., Cequence Energy, and Chairman of Seaview Energy Ltd. until its sale in December of 2009, he also served as a Director of Breaker Energy. Mr. Colborne was also Chairman and a Director of Mission Oil and Gas Inc. until its sale in February 2007. In May of 2014, Paul stepped down from the Board of Legacy Oil + Gas. In June of 2014, Paul completed his term as Chairman of a private company called New Star Energy, and stepped down as a Director.	4,018,357
P. Daniel O'Neil ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	April 13, 2010	Independent businessperson since his retirement on May 8, 2013. Prior thereto, President and Chief Executive Officer of the Corporation since April 13, 2010. Prior thereto, President and Chief Executive Officer of Breaker Energy Ltd., a publicly traded oil and natural gas company, from its formation in September 2004 until its acquisition by NAL Oil & Gas Trust in December 2009. Mr. O'Neil was also a director of Cathedral Energy Services Ltd. Prior to its sale, Mr. O'Neil was also a director of Hyperion Exploration Corp.	297,277
Robert Leach ⁽¹⁾⁽²⁾⁽⁶⁾	April 13,	Chief Executive Officer of Custom Truck Sales	1,399,376

Name, Province and Country of Residence	Date of Initial Appointment or Election	Principal Occupation During Previous Five Years	Shares Beneficially Owned, Controlled or Directed
Calgary, Alberta, Canada	2010	Ltd., a private company operating Kenworth truck dealerships in Saskatchewan and Manitoba, and Vice President of ReNue Properties Arizona Inc. Mr. Leach was formerly the Chairman of the Board of Breaker Energy Inc.	
James Pasioka ⁽⁵⁾ Calgary, Alberta, Canada	April 13, 2010	Partner of the national law firm McCarthy Tétrault LLP since September 2013. Prior thereto, partner of the national law firm Heenan Blaikie LLP since 2001. Mr. Pasioka has served as an officer and director of a number of public energy companies, including in the role of chairman for numerous boards of directors.	377,329
Keith Macdonald ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	April 13, 2010	President of Bamako Investment Management Ltd., a private holding and financial consulting company. Mr. Macdonald is also a director of Bellatrix Exploration Ltd., a company listed on the TSX. As well, he is a director of Madalena Energy Inc., which is listed on the TSX Venture Exchange, and other public and private oil and gas companies. Mr. Macdonald has served as an officer and director of a number of public and private energy companies.	145,846
Murray Smith ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada	June 25, 2010	President of Murray Smith and Associates. Mr. Smith also serves on the board of two private companies and Williams Companies Inc., (WMB.nyse) a Tulsa based midstream company. Prior thereto, Mr. Smith was an Official Representative of the Province of Alberta to the United States of America until 2007. Prior thereto, he was a member of the Legislative Assembly in the Province of Alberta serving in four different Cabinet portfolios – Energy, Gaming, Labour, and Economic Development from 1993 to 2005.	106,729
Colin Davies ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	July 9, 2010	President & CEO of Corinthian Oil Corp. since November 2014. Prior thereto, President & CEO of Corinthian Exploration Corp., a private oil and gas company with assets located in the USA and Canada. Prior thereto, President & CEO of Corinthian Energy Corp., a private oil and gas company that was founded in 2004 and amalgamated with Surge in July 2010. Mr. Davies is a professional engineer with over twenty five years of diverse experience in the oil and gas industry.	223,800

Name, Province and Country of Residence	Date of Initial Appointment or Election	Principal Occupation During Previous Five Years	Shares Beneficially Owned, Controlled or Directed
Daryl Gilbert ⁽²⁾⁽³⁾ Calgary, Alberta, Canada	June 5, 2014	Managing Director and Investment Committee member of JOG Capital Inc. since May 2008. Mr. Gilbert has also been an independent businessman and investor, and serves as a director for a number of public and private entities. Mr. Gilbert has been active in the western Canadian oil and natural gas sector for over 40 years, working in reserves evaluation with Gilbert Laustsen Jung Associates Ltd. (now GLJ Petroleum Consultants Ltd.) (“GLJ”), an engineering consulting firm, from 1979 to 2005. Mr. Gilbert served as President and Chief Executive Officer of GLJ from 1994 to 2005.	30,798

Notes:

- (1) Member of the Audit Committee. Mr. Macdonald serves as Chair.
- (2) Member of the Compensation, Nominating and Corporate Governance Committee. Mr. Smith serves as Chair.
- (3) Member of the Reserves Committee. Mr. Davies serves as Chair.
- (4) Member of the Environment, Health and Safety Committee. Mr. O’Neil serves as Chair.
- (5) Chair of the Board of Directors of the Corporation (the “**Board**”).
- (6) Lead Independent Director of the Board.

Unless authority to vote on the election of one or more of the eight director nominees is withheld, it is the intention of the management designees, if named as proxy, to vote FOR the election of each of the above mentioned persons to the board of directors of the Corporation.

Management does not contemplate that any of the proposed nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless the Shareholder has specified in his proxy that his Shares are to be withheld from voting on the election of directors. The Board has adopted a majority voting policy (the “**Majority Voting Policy**”), which is described herein under the heading “*Corporate Governance Practices – Majority Voting Policy*”.

Item 3 – Approval of Unallocated Awards under Stock Incentive Plan

Reasons for the Approval of Unallocated Awards

The maximum number of Shares reserved for issuance from time to time pursuant to restricted share awards (“**RSAs**”) and performance share awards (“**PSAs**” and, together with RSAs, “**Incentives**”) under our stock incentive plan (the “**Stock Incentive Plan**”) may not exceed 5.0% of the aggregate number of issued and outstanding Shares, less the number of Shares reserved for issuance for under any other security based compensation arrangement of the Corporation. The Board has approved an amendment to the Stock Incentive Plan to reduce this amount to 4.5%, subject to receipt of Shareholder approval of the Shares which may be issuable pursuant to unallocated Incentives under the Stock Incentive Plan. The amendment does not require Shareholder approval.

Pursuant to the rules of the Toronto Stock Exchange (“**TSX**”), all unallocated rights, options or other entitlements under a “security based compensation arrangement” which does not have a fixed maximum

number of securities issuable thereunder must be approved by an issuer's directors and equity securityholders every three years. As the Stock Incentive Plan was last approved in May of 2014, Shareholders are being asked at the Meeting to consider an ordinary resolution to approve Shares issuable pursuant to unallocated Incentives under the Stock Incentive Plan for a further three year term. If the ordinary resolution is passed at the Meeting, we will be required to seek similar approval from Shareholders on the next renewal date being no later than May 16, 2020.

The Stock Incentive Plan is an integral component of the Corporation's long term compensation program. The attraction and retention of qualified directors, officers, employees and other service providers has been identified as one of the key risks to the Corporation's long term strategic growth plan. In order to attract and retain qualified directors, officers, employees and other service providers in a competitive marketplace, it is imperative that we have a long-term incentive plan, such as the Stock Incentive Plan, which can be used to retain and attract qualified personnel, promote a proprietary interest in the Corporation by such persons while at the same time serving as an important performance based incentive for key officers, employees and other service providers to focus on our operating and financial performance and long term total shareholder return and profitability.

The Stock Incentive Plan aligns the interests of our directors, officers, employees and other service providers with Shareholders as it provides an incentive to maximize total shareholder return. The portion of PSAs received relative to RSAs increases with greater levels of responsibility. As a result, a significant portion of the Incentives granted to our executive officers are in the form of PSAs, emphasizing our philosophy to pay for performance. PSAs, through the payout percentage (the "**Payout Percentage**"), provide a direct link between corporate performance and the level of payout received. Payout Percentage is a percentage between zero and 200 calculated at the time of vesting of a PSA based on performance criteria established by the Board at the time of the grant of the PSA, which criteria may include, but need not be limited to, the total shareholder return of the Shares compared to an index, subindex or identified group of peers and the Corporation's performance compared to identified operational or financial targets. The Corporation's Compensation, Nominating and Corporate Governance Committee and Board believe that the pay for performance orientation of the PSAs is intrinsically aligned with the interests of Shareholders.

If the proposed Shareholder approval is not obtained at the Meeting, we will no longer be able to issue Shares from treasury to settle the award value of any unallocated Incentives, being those which have not been granted as of May 16, 2017. Incentives granted prior to this date will continue to be unaffected by the approval or disapproval of the subject resolution. In the absence of approval by the Shareholders at the Meeting, we will be forced to settle Incentives granted in the future under the Stock Incentive Plan either in cash or by purchasing Shares in the market. In either event, if we were required to settle such Incentives in this fashion, the Corporation's cash flow would be negatively impacted and unavailable for value-creating activities such as funding the Corporation's ongoing capital expenditure program.

The Board has also approved certain other amendments to the Stock Incentive Plan which do not require Shareholder approval. These amendments include clarifying the Board's rights respecting the establishment or acceleration of vesting dates for Incentives, clarifying the entitlements of a Participant upon his or her retirement from the Corporation to better align with the Corporation's internal policies and other housekeeping and clerical amendments of a minor nature.

As of March 31, 2017, there were an aggregate of 3,528,087 RSAs, 4,631,595 PSAs and 67,000 stock options outstanding, representing 3.6% of our issued and outstanding Shares on that date, leaving approximately 3.1 million Shares (representing 1.4% of our issued and outstanding Shares on that date) reserved and available for issuance pursuant to the settlement of Incentives that may be granted in the future (assumes a Payout Percentage of 100% for the PSAs and without giving effect to any adjustments for dividends).

Form of Resolution and Approval Requirement

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass an ordinary resolution in the form set forth below in connection with the Stock Incentive Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS OF SURGE ENERGY INC. (THE “CORPORATION”) THAT:

1. All common shares of the Corporation which may be issuable pursuant to unallocated restricted share awards and performance share awards under the Corporation’s Stock Incentive Plan are hereby approved and authorized until May 16, 2020; and
2. any director or officer of the Corporation is authorized and directed to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the foregoing resolution.”

In order to be passed, the above ordinary resolution must be approved by a majority of the aggregate votes cast by Shareholders at the Meeting. **Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote FOR the approval of Shares issuable pursuant to unallocated awards under the Stock Incentive Plan until May 16, 2020.**

For a complete description of the Stock Incentive Plan, see “*Compensation Discussion and Analysis – Long Term Incentive Program*” in Schedule “A” hereto. A copy of the Stock Incentive Plan, as proposed to be amended, will be filed on the Corporation’s profile on the SEDAR website at www.sedar.com on or about April 12, 2017 under the category “Other Securityholder Documents”.

Item 4 - Reduction in Stated Capital

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve by way of special resolution, a reduction of \$750 million to the stated capital account of the Shares, without any payment thereof to the Shareholders. If approved, the stated capital reduction will be effective as of May 16, 2017.

Reasons for the Reduction in Stated Capital

Under the *Business Corporations Act* (Alberta) (“**ABCA**”), a corporation is prohibited from taking certain actions, including declaring or paying a dividend, if, among other things, there are reasonable grounds for believing that the realizable value of its assets would as a result of the declaration or payment of the dividend be less than the aggregate of its liabilities and stated capital of all classes of its shares.

The purpose of reducing the stated capital of the Shares is to reduce the aggregate of Surge’s liabilities and stated capital so as to increase the difference between such amount and the realizable value of Surge’s assets, thereby providing Surge with additional flexibility to pay dividends if, as and when declared by the Board. The proposed reduction in stated capital will have no impact on Surge’s day-to-day operations and will not alter Surge’s financial condition.

The ABCA provides that a corporation shall not reduce its stated capital if there are reasonable grounds for believing that (i) the corporation is, or would after the reduction be, unable to pay its liabilities as they become due, or (ii) the realizable value of the corporation’s assets would thereby be less than the aggregate of its liabilities. Surge does not have reasonable grounds to believe that (i) it is, or would after the proposed stated capital reduction be, unable to pay its liabilities as they become due, or (ii) the realizable value of Surge’s assets would, as a result of the proposed stated capital reduction, be less than the aggregate of Surge’s liabilities.

The proposed stated capital reduction will have no immediate income tax consequences to Shareholders. It may have an effect in the future, in certain circumstances, if Surge was wound up or makes a distribution to the Shareholders, or if Surge redeems, cancels or acquires its Shares. As a general rule, upon such transactions, a holder of common shares will be deemed to have received a dividend to the extent that the amount paid or distributed exceeds the stated capital of the common shares.

Form of Resolution and Approval Requirement

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution in the form set forth below in connection with the stated capital reduction:

“BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS OF SURGE ENERGY INC. (THE "CORPORATION") THAT:

1. The stated capital account of the common shares of the Corporation be reduced by \$750 million, all as more particularly described in the Corporation's management information circular-proxy statement dated March 31, 2017; and
2. any director or officer of the Corporation is authorized and directed to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the foregoing resolution.”

In order to be passed, the above special resolution must be approved not less than two-thirds of the aggregate votes cast by Shareholders at the Meeting. **Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote FOR the special resolution to approve the reduction in the stated capital of the Shares.**

Item 5 - Appointment of Auditors

Shareholders will be asked to consider a resolution appointing auditors of the Corporation to act until the next annual meeting of Shareholders. Management proposes the firm KPMG LLP, Chartered Accountants, of Calgary, Alberta be re-appointed as auditors of the Corporation. **Unless otherwise directed, the management designees, if named as proxy, intend to vote FOR the appointment of KPMG LLP, Chartered Accountants, as the auditors of the Corporation to hold office until the next annual meeting of the Shareholders at remuneration to be fixed by the Board.**

KPMG LLP, Chartered Accountants, have been the auditors of the Corporation since May 5, 2010.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for the governance of the Corporation. The Board and senior management consider good governance to be central to the effective and efficient operation of the Corporation.

Board Mandate and Corporate Governance

The Board operates under a written mandate (the “**Board Mandate**”), a copy of which is attached as Schedule “B” to this Circular. Pursuant to the Board Mandate, the Board retains overall responsibility for the implementation and enforcement of an appropriate system of corporate governance.

The Board Mandate provides that the Corporation’s professional advisors keep it apprised of developing corporate governance issues and shall, each year after the annual shareholder meeting of the Corporation, review the sufficiency of the Corporation’s corporate governance policies and procedures.

The Board has a Compensation, Nominating and Corporate Governance Committee that is responsible for, among other things, assisting the Board in the discharge of its duties and responsibilities respecting

corporate governance as set out in the Board Mandate, including developing and recommending to the Board for approval, as appropriate, such corporate governance policies and procedures as are necessary to ensure that the Corporation is fully compliant with applicable securities laws and prevailing governance standards and that the Board functions independently of management.

As it relates to corporate governance, Surge and the Board have, during the last year:

- been further educated and updated on diversity and governance trends by a guest speaker;
- undertaken a full review and approval of the key policy provisions for share trading, disclosure, ethical conduct and whistleblower;
- reviewed and updated the Majority Voting Policy; and
- explored tools for board member recruiting.

Board Independence

A director is considered to be independent of an issuer under applicable Canadian securities laws if the director is free of any relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of the director's independent judgment. Certain directors, such as current or former employees or officers of the issuer, are deemed not to be independent of the issuer.

The Board has eight members, six of whom are considered to be independent. The Board considers Robert Leach, Keith Macdonald, Murray Smith, Colin Davies, P. Dan O'Neil and Daryl Gilbert to be independent as at the date of this Circular. P. Dan O'Neil was not independent until May 2016, as he had held the position of President and Chief Executive Officer of the Corporation within three years up until that time. P. Daniel O'Neil is independent as of May 2016. Paul Colborne is not independent as he is the President and Chief Executive Officer of the Corporation. James Pasioka is not independent as he is a partner of a law firm that provides legal services to the Corporation.

Mr. Pasioka is the Chair of the Board and accordingly, the Board does not have an independent Chair. The role of the Chair is to act as the leader of the Board, to manage and co-ordinate the activities of the Board and to oversee the execution by the Board of the Board Mandate.

Because the Chair of the Board is not independent, the Board determined to appoint a lead independent director. The lead independent director is responsible for, among other things: (i) in conjunction with the Chair, providing leadership to ensure that the Board functions independently of management of the Corporation; (ii) chairing meetings of independent directors or non-management directors; (iii) in the absence of the Chair, acting as chair of meetings of the Board; (iv) recommending, where necessary, the holding of special meetings of the Board; (v) promoting best practices and high standards of corporate governance; and (vi) performing such other duties and responsibilities as may be delegated to the lead independent director by the Board from time to time. Mr. Leach is the Board's lead independent director.

The Board Mandate does not require that the Board hold regularly scheduled meetings of its independent members and no such meetings were held in the year ended December 31, 2016. The Board ensures open and candid discussion among its independent directors by continuously monitoring situations where a conflict of interest or perceived conflict of interest with respect to a director may exist. In cases where such a conflict of interest or perceived conflict of interest is identified, it is addressed in accordance with the ABCA, the Code of Conduct (as defined and described in more detail under the heading "*Ethical Business Conduct*") and the Board Mandate. The Board may determine that it is appropriate to hold *in camera* sessions excluding directors with a conflict of interest or perceived conflict of interest or such director may consider that it is appropriate to recuse himself or herself from considering and voting with respect to the matter under consideration.

Majority Voting Policy

The Corporation has a Majority Voting Policy which requires that any nominee for director who receives a greater number of votes "withheld" than "for" his or her election shall tender his or her resignation to the Chair promptly following the meeting at which he or she is elected. The Compensation, Nominating and Corporate Governance Committee will consider the resignation offer and will make a recommendation to the Board whether to accept it. The Board shall meet within 90 days of the relevant shareholders' meeting to determine whether or not it wishes to accept such resignation and shall promptly issue a news release following the Board's decision, including the reason for not accepting any resignation and shall provide a copy of that release to the TSX. The Board will generally accept such resignation, absent exceptional circumstances. The resignation will be effective when accepted by the Board. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Compensation, Nominating and Corporate Governance Committee or the Board at which the resignation is considered. Shareholders should note that, as a result of the majority voting policy, a "withhold" vote is effectively a vote against a director nominee in an uncontested election. This policy applies only to uncontested elections, meaning elections where the number of nominees for directors is equal to the number of directors to be elected upon such election as determined by the Board.

Board and Committee Meetings and Meeting Attendance

The following is a summary of attendance of the directors at meetings of the Board and its committees from January 1, 2016 to December 31, 2016.

<u>Director</u>	<u>Board</u>	<u>Audit</u>	<u>Reserves</u>	<u>Compensation, Nominating and Corporate Governance</u>	<u>EH&S</u>	<u>Total and Percentage</u>
Paul Colborne	5 of 5	N/A	N/A	N/A	N/A	5 of 5 (100%)
Robert Leach	5 of 5	4 of 4	N/A	3 of 3	N/A	12 of 12 (100%)
Keith Macdonald	5 of 5	4 of 4	2 of 2	N/A	4 of 4	15 of 15 (100%)
Murray Smith	5 of 5	4 of 4	N/A	3 of 3	N/A	12 of 12 (100%)
Colin Davies	5 of 5	N/A	2 of 2	N/A	4 of 4	11 of 11 (100%)
P. Daniel O'Neil	5 of 5	N/A	2 of 2	N/A	4 of 4	11 of 11 (100%)
James Pasieka	5 of 5	N/A	N/A	N/A	N/A	5 of 5 (100%)
Daryl Gilbert	5 of 5	N/A	2 of 2	3 of 3	N/A	10 of 10 (100%)

Directors that are Directors of Other Reporting Issuers

The following directors of the Corporation are also currently directors of other reporting issuers or their equivalent in a domestic or foreign jurisdiction:

<u>Director</u>	<u>Reporting Issuer</u>
Paul Colborne	Priviti Oil & Gas Opportunities Limited Partnership 2013
Keith Macdonald	Bellatrix Exploration Ltd.

Director	Reporting Issuer
Daryl Gilbert	Madalena Energy Inc. Whitecap Resources Inc. Cequence Energy Ltd. AltaGas Ltd. Falcon Oil & Gas Ltd. Leucrotta Exploration Inc. Connacher Oil and Gas Limited

In the past year, Mr. Gilbert has voluntarily reduced the number of boards of which he was a member by two. Given that four of the boards on which Mr. Gilbert currently sits are smaller companies that have had limited activity in the last few years (the companies' combined activity is less than that of Surge); that Mr. Gilbert entirely fulfills his commitments for meeting attendance on all of the boards, not only the Surge Board; and that Mr. Gilbert's expertise and industry knowledge and network bring a critical set of skills to the Surge Board, Surge believes that Mr. Gilbert is more than adequately fulfilling all of his obligations to the Corporation's Shareholders. Further Mr. Gilbert has assured the Board that he has the necessary time to fulfill his duties to Shareholders and can commit to additional time if required by the Board. Mr. Gilbert and Surge will continue to monitor and consult with Shareholders as necessary.

Position Descriptions

The Board has not developed written position descriptions for the Chair of the Board and the chairs of the committees of the Board. The Board Mandate outlines the role and specific responsibilities of the Chair of the Board. The committees of the Board consist of the Audit Committee, Compensation, Nominating and Corporate Governance Committee, Reserves Committee and Environment, Health and Safety Committee. Each committee operates under a written mandate. The mandate of each committee delineates specific roles and responsibilities for the chair of that committee.

The Board has not developed a written position description for the President and Chief Executive Officer. The Board Mandate states that management is responsible for the maintenance and creation of an overall corporate strategic planning process. The Board Mandate specifies that the Board will review and approve management's strategic and operational plans to ensure that they are consistent with the corporate vision for the Corporation and monitor the Corporation's performance against short and long term strategic plans. The Board reviews and, if it sees fit, endorses the corporate strategy presented by management. The Board expects and ensures that such corporate strategy addresses the key executive personnel and their roles and responsibilities. The Board delineates the role and responsibilities of the President and Chief Executive Officer through its direct and ongoing oversight and assessment of management's development and execution of corporate strategy. In addition, the Board Mandate provides for the annual review of the Chief Executive Officer by the Compensation Nominating and Corporate Governance Committee.

Orientation and Continuing Education

The Board Mandate provides that any newly appointed or elected directors will be provided with an orientation which will include written information about the duties and obligations of directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors.

All members of the Board are provided with copies of the Board Mandate, the charters of each committee of the Board and the Code of Conduct, Trading Policy, Whistleblower Policy and corporate disclosure and confidentiality policy. The Board relies on its legal counsel and other outside advisers to advise it as necessary of corporate governance developments. The Board also relies on management to keep it apprised of developments within the oil and natural gas industry that may affect the governance and management of the Corporation. In addition, the Board Mandate provides that any director who feels that he or she requires the services of an outside advisor to assist with discharging his or her responsibilities as a director may engage one at the expense of the Corporation with the authorization of the Chair.

Ethical Business Conduct

The Corporation has adopted a code of business conduct and ethics ("**Code of Conduct**"). The Code of Conduct has been filed on the Corporation's website and can be viewed at www.surgeenergy.ca. All staff and directors of the Corporation are made personally accountable for learning, endorsing and promoting the code and applying it to their own conduct and field of work. All staff and directors are asked to review the code and confirm, through written or electronic declaration, that they understand their individual responsibilities and will conform to the requirements of the code. Any breach of the code may be reported directly to the responsible officer or may be reported to the Chair of the Audit Committee in accordance with the whistleblower policy ("**Whistleblower Policy**") of the Corporation. The application of the Whistleblower Policy is the primary means by which the Board monitors compliance with the code.

The Corporation has adopted the Whistleblower Policy. The Whistleblower Policy establishes procedures that allow employees of the Corporation to confidentially and anonymously submit any concerns regarding activity that may be considered ethically, morally or legally questionable to the Chair of the Audit Committee without fear of retaliation.

The Corporation has adopted a share trading policy ("**Trading Policy**"). The purpose of the Trading Policy is to promote investor confidence in the securities of the Corporation by ensuring that persons who have access to material, undisclosed information concerning the Corporation or its affiliates will not make use of it by trading in securities of the Corporation or tipping others before the information has been fully disclosed to the public.

Conflicts of Interest

The directors and officers of the Corporation may participate in activities and investments in the oil and natural gas industry outside the scope of their engagement or employment as directors or officers of the Corporation. As a result, the directors and officers may become subject to conflicts of interest. In accordance with the ABCA, directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA, the Board Mandate and the Corporation's corporate governance policies.

Term Limits

The Corporation does not impose term limits on its directors as it views term limits as an arbitrary mechanism for removing directors that could result in valuable, experienced directors being forced to leave the Board solely because of length of service. Instead, the Corporation believes that directors should be assessed based on their ability to continue to make a meaningful contribution. The annual elections by the Shareholders are a more meaningful way to evaluate the performance of directors and to make determinations about whether a director should be removed due to under-performance.

Board and Executive Diversity

In February 2017, the Compensation, Nominating and Corporate Governance Committee retained Corporate Diversity Consultants Limited ("**CDC**"), an independent diversity consultant, to provide gender diversity advisory services. CDC presented to the Board on the global trends in gender diverse leadership and provided a gender diversity best practices report for the Board's review and consideration. CDC also provided input on the Corporation's governance materials relating to diversity.

Policy Regarding the Representation of Women on the Board

The Board has developed and approved a written diversity policy (the “**Diversity Policy**”) that broadly promotes diversity on the Board and expressly addresses the disclosure requirements of *National Instrument 58-101 – Disclosure of Corporate Governance Practices*. The Diversity Policy does not include a target number or percentage of women on the Board, as the Board is of the view that it is in the Corporation’s best interests to select candidates based on merit. The Board is, however, committed to a nomination process that will identify qualified female candidates.

The Corporation is committed to a merit-based system for board composition, which commitment requires a diverse and inclusive culture. As such, the Diversity Policy provides that the Corporation will consider candidates on merit using objective criteria with due regard to the benefits of diversity and the needs of the Board when identifying suitable candidates for appointment to the Board. The Diversity Policy also provides that the Corporation may engage an outside executive search firm to assist the Compensation, Nominating and Corporate Governance Committee in identifying candidates for appointment to the Board. In accordance with the requirements of the Diversity Policy, any search, whether executed by an outside executive search firm or through an internal process, will be directed to include a diverse set of candidates, including female candidates and female candidates are to be included in the Board’s list of potential board nominees. The Compensation, Nominating and Corporate Governance Committee is responsible for reviewing and assessing the effectiveness of the Diversity Policy in promoting diversity to the Board on an annual basis.

Progress and Effectiveness of the Policy Regarding the Representation of Women on the Board

The Compensation, Nominating and Corporate Governance Committee is responsible for monitoring compliance with the Diversity Policy. The committee will measure the representation of women on the Board and in executive officer positions on an annual basis and report to the Board with respect to the Corporation’s annual and cumulative progress in achieving the key objectives of the Diversity Policy. To measure the effectiveness of this policy, the committee will review:

- the number of women considered or brought forward for both Board and executive officer positions; and
- the skills, knowledge, experience and character of any such women candidates to ensure that women candidates are being fairly considered relative to other candidates.

Considering the Representation of Women in the Director Identification and Selection Process

In an effort to promote the specific objective of increasing the representation of women on the Board, the Diversity Policy requires that the selection process for suitable candidates must involve the following steps:

- a list of potential candidates for the nomination must be compiled and must include at least one female candidate; and
- if a female candidate is not selected by the end of the selection process, the Board must be satisfied that there are objective reasons to support its determination.

Considering the Representation of Women in Executive Officer Positions

The Corporation is committed to equality of opportunity and has emphasized the importance of developing its internal pipeline of female talent at both the management and executive level. Currently, the Corporation’s overall workforce is 55% female and the Corporation has developed an internal pipeline of female managers that account for 53% of the Corporation’s managerial and supervisor positions. The Corporation plans to strengthen and support this pipeline to increase the number of women in executive officer positions over time.

Progress towards Board and Executive Officer Targets

In adopting the Diversity Policy the Board has made increasing the representation of women on the Board a priority for future Board member appointments. In filling the next vacancy that may arise on the Board, preference will be given to female candidates who possess the skills and other characteristics the Board considers necessary for directors. Currently, 17% (one of six) of the Corporation's executive officers are women and 42% of the senior managers in the pipeline for executive officer positions are women. Rather than instituting a target or quota for executive officers, the Corporation has emphasized the importance of developing its internal pipeline of female talent at both the management and executive level over time.

Nomination of Directors

The identification of new candidates for Board nomination where a vacancy exists on the Board or the Board has determined that it is in the best interests of the Corporation for additional members to be added to the Board is the responsibility of the Compensation, Nominating and Corporate Governance Committee. The written mandate of the Compensation, Nominating and Corporate Governance Committee provides that, when so directed by the Board as a whole, it will identify and recommend suitable candidates for nomination for election as directors. In doing so, it will: (i) consider the competencies and skills and the diversity the Board should possess as a whole; (ii) formulate criteria for candidates after considering the competencies and skills of each existing director; (iii) consider the competencies and skills of each new nominee and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member; (iv) establish the procedure for approaching prospective candidates; (v) canvas current Board members for suggestions as to candidates; and (vi) make a formal recommendation to the Board of proposed nominees for election.

The members of the Compensation, Nominating and Corporate Governance Committee are Murray Smith (Chair), Robert Leach and Daryl Gilbert. The Compensation, Nominating and Corporate Governance Committee is composed solely of independent directors. The Board will encourage an objective nomination process by reviewing the criteria employed by the Compensation, Nominating and Corporate Governance Committee in conducting the nomination process and confirming the absence of any factors that might compromise the integrity of the process.

Compensation

The Board is responsible for determining the compensation of the Corporation's directors and officers. The Board has delegated certain responsibilities respecting compensation to the Compensation, Nominating and Corporate Governance Committee. Under its written mandate, a function of the Compensation, Nominating and Corporate Governance Committee is to assist the Board in carrying out its responsibilities by reviewing compensation and human resources issues and making recommendations to the Board as appropriate. Among other things, the Compensation, Nominating and Corporate Governance Committee: (i) recommends to the Board human resources and compensation policies and guidelines for application to the Corporation and oversees the administration of such policies and guidelines as are approved by the Board; (ii) ensures that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management; (iii) reviews the performance of the Chief Executive Officer relative to the goals and objectives of the Corporation for the purpose of determining the compensation of the Chief Executive Officer to be recommended to the Board for approval; (iv) recommends to the Board for approval the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer, and approves compensation for all other designated officers of the Corporation after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board; (v) periodically reviews, with the Chief Executive Officer, the Corporation's policies on compensation for all employees and overall human resources matters; and (vi) periodically reviews the adequacy and form of compensation of directors to ensure that the compensation realistically reflects the responsibility and risks involved in being an effective director and reports and makes recommendations to the Board accordingly.

The Board encourages objectivity in the compensation process by monitoring the criteria and methodology employed by the Compensation, Nominating and Corporate Governance Committee in arriving at its recommendations to the Board.

Other Board Committees

In addition to the Audit Committee and the Compensation, Nominating and Corporate Governance Committee, the Board has a Reserves Committee and an Environment, Health and Safety Committee.

The primary functions of the Reserves Committee are to: (i) assist the Board in the selection, engagement and instruction of an independent reserves evaluator for the Corporation and its affiliates; (ii) ensure there is a process in place to provide all relevant reserves data to the independent reserves evaluator; (iii) monitor the preparation of the independent reserves evaluation of the Corporation and its affiliates; and (iv) review the annual independent reserves evaluation of the Corporation and its affiliates and any other independent reserves evaluations prepared for the Corporation.

The primary functions of the Environment, Health and Safety Committee are to review and monitor the environmental policies and activities of the Corporation on behalf of the Board and the activities of the Corporation as they relate to the health and safety of employees of the Corporation in the workplace.

Assessment

The Board Mandate provides that the Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. Each review will have regard to the mandate or charter of the Board or committee and identifies any areas where the directors or management believe that the Board or committee could make a better collective contribution to overseeing the affairs of the Corporation. The written mandate of the Audit Committee also provides that the Audit Committee will, on an annual basis, assess its own performance.

The Board is also responsible for regularly assessing the effectiveness and contribution of the individual directors, having regard to the competencies and skills each director is expected to bring to the Board.

The matrix below demonstrates the skills and competencies each director currently brings to the Board:

	Executive Leadership	Value Creation	Operations	Reserves and Resource Evaluation	Enterprise Risk Assessment	Health, Safety and Environment	Legal, Regulatory and Governmental	Accounting and Finance	Compensation and Human Resources	Corporate Governance
James Pasioka	✓	✓		✓	✓	✓	✓	✓	✓	✓
Robert Leach	✓	✓			✓	✓	✓	✓	✓	✓
Paul Colborne	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Colin Davies	✓	✓	✓	✓	✓	✓	✓	✓		✓
Daryl Gilbert	✓	✓	✓	✓	✓	✓	✓		✓	✓
Keith Macdonald	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P. Daniel O'Neil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Murray Smith	✓	✓	✓		✓	✓	✓	✓	✓	✓

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

As of March 31, 2017, 3,528,087 RSAs and 4,631,595 PSAs were outstanding under the Stock Incentive Plan, representing, in aggregate, approximately 3.6% of the number of Shares outstanding. While the Corporation has discontinued its stock option plan, as of the date hereof, 67,000 options with a weighted average exercise price of \$4.87 that were granted under that stock option plan remain outstanding and will continue to exist until such options are exercised, expire or are cancelled.

Additional information concerning the outstanding Incentives (as defined herein) and Shares available for issuance under the Stock Incentive Plan and Option Plan as at December 31, 2016 is set out in the table below.

	Number of Shares issuable upon exercise of outstanding PSAs and RSAs⁽¹⁾	Weighted- average exercise price	Number of Shares remaining available for future issuance under the Stock Incentive Plan
Stock Incentive Plan (Approved by securityholders)	8,226,682	N/A	3,128,638 ⁽²⁾

Notes:

- (1) Without giving effect to any adjustments for dividends declared and paid pursuant to the Stock Incentive Plan and assuming a 100% Payout Percentage on PSAs, as are more fully described under the heading “*Compensation Discussion and Analysis – Long Term Incentive Program*” in Schedule “A” herein.
- (2) The maximum number of Shares reserved for issuance from time to time pursuant to Incentives shall not exceed a number equal to 5.0% of the aggregate number of issued and outstanding Shares, calculated on a non-diluted basis. If Shareholder approval of the Shares which may be issuable pursuant to unallocated Incentives is obtained at the Meeting, the maximum number of Shares reserved for issuance from time to time pursuant to Incentives shall thereafter not exceed a number equal to 4.5% of the aggregate number of issued and outstanding Shares, calculated on a non-diluted basis. See “*Item 3 – Approval of Unallocated Awards under Stock Incentive Plan*” herein.

EXECUTIVE COMPENSATION

This Circular is required to contain certain disclosure concerning the compensation for the financial year ended December 31, 2016 of individuals considered to be “Named Executive Officers” of the Corporation under applicable Canadian securities laws. Attached as Schedule “A” hereto is information concerning the compensation of the current officers and directors of the Corporation for the year ended December 31, 2016.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

No current or former director, officer or employee of the Corporation was indebted to the Corporation as at the date of this Circular. At no time since the beginning of the financial year ended December 31, 2016 did any director or officer, or any associate of any such director or officer, owe any indebtedness to the Corporation or owe any indebtedness to any other entity which is, or at any time has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as set forth herein, none of the directors or officers of the Corporation has any material interest, direct or indirect, in any matter to be acted upon at the Meeting, other than the election of directors and the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out below, since the beginning of the financial year ended December 31, 2016, no informed person of the Corporation, nominee for director of the Corporation, nor any affiliate or associate of any informed person or nominee for director, had any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation. For the purposes of this Circular, an “informed person” means: (i) a director or officer of the Corporation; (ii) a director or officer of a person or company that is itself an informed person; or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

James Pasioka, a director of the Corporation, is a partner of the law firm McCarthy Tétrault LLP, which provides legal services to the Corporation.

REGULATORY MATTERS AND BANKRUPTCIES AND INSOLVENCIES

Other than as set forth below, to the knowledge of management of the Corporation, no proposed director of the Corporation is, or within the 10 years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any other issuer that: (i) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set forth below, to the knowledge of management of the Corporation, no proposed director of the Corporation: (i) is, at the date of this Circular or has been within the 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. Gilbert was a director of Global Direct Inc (“**Global Direct**”), a public business process outsource company, from December 1998 to June 2009. Global Direct sought and received protection under the *Companies’ Creditors Arrangement Act* (Canada) in June 2007, and after a failed restructuring effort, a receiver was appointed by one of Global Direct’s lenders in December 2007. Operations ceased at this time and the stock of Global Direct was delisted in September 2008.

Mr. Gilbert has been a director of Connacher Oil & Gas Limited (“**Connacher**”), a public oil sands company, since October of 2014. On May 17, 2016, Connacher applied for and was granted protection from its creditors by the Court of Queen’s Bench of Alberta pursuant to the *Companies’ Creditors Arrangement Act*

(Canada). Stock of Connacher was delisted immediately following the court order. A restructuring process is currently underway.

Mr. Gilbert was a director of LGX Oil + Gas Inc. ("**LGX**"), a public oil and gas company with shares trading on the TSX Venture Exchange, from August 2013 until June 2016. On June 7, 2016, a consent receivership order was granted by the Alberta Court of Queen's Bench upon an application by LGX's senior lender. The stock of LGX was delisted shortly thereafter. A receiver manager was appointed and a liquidation process is underway.

Mr. Pasioka was also a director of LGX from June 2013 until his resignation in July 2015. He held the position of chairman of the board of directors of LGX during this time. On June 7, 2016, a consent receivership order was granted by the Alberta Court of Queen's Bench upon an application by LGX's senior lender. The stock of LGX was delisted shortly thereafter. A receiver manager was appointed and a liquidation process is underway.

Mr. Macdonald was a director of Mountainview Energy Ltd. ("**Mountainview**"), a public company with shares trading on the TSX Venture Exchange, until his resignation on March 15, 2017. A cease trade order in respect of Mountainview was issued by the Alberta Securities Commission on May 5, 2016 for failure to file its annual continuous disclosure filings for the fiscal period ended December 31, 2015. As of the date hereof, the order remains in effect. Subsequently on October 14, 2016, a wholly-owned subsidiary of Mountainview filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code.

To the knowledge of management of the Corporation, no proposed director of the Corporation has: (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

ADDITIONAL INFORMATION AND AVAILABILITY OF FINANCIAL STATEMENTS

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information concerning the Corporation is provided in its financial statements for the year ended December 31, 2016 and the accompanying management's discussion and analysis, which can be accessed under the Corporation's profile on SEDAR at www.sedar.com.

Further information concerning the Audit Committee, including the text of the Audit Committee Charter, is included in the Annual Information Form of the Corporation for the year ended December 31, 2016 dated March 15, 2017. A copy of the Annual Information Form is available on SEDAR at www.sedar.com.

The Corporation will mail its annual and interim financial statements and accompanying management's discussion and analysis to any Shareholder who requests them by: (i) sending the enclosed return card to the Corporation's agent, Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, as directed; or (ii) contacting the Corporation at Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, T2P 3M3, telephone (403) 930-1010.

AUDITORS OF THE CORPORATION

The auditors of the Corporation are KPMG LLP, Chartered Accountants, of Calgary, Alberta. KPMG LLP, Chartered Accountants, have been the auditors of the Corporation since May 5, 2010.

SCHEDULE "A" EXECUTIVE COMPENSATION

Named Executive Officers

This Circular is required to contain certain disclosure concerning the compensation of individuals considered to be "Named Executive Officers" ("**NEOs**") of the Corporation under applicable securities laws. The NEOs for the purposes of this Circular are the following executive officers:

- Paul Colborne – President and Chief Executive Officer
- Paul Ferguson – Chief Financial Officer
- Daniel C. Brown – Chief Operating Officer
- Gerard de Leeuw – Vice President, Geosciences
- Murray Bye – Vice President, Production

Compensation Discussion and Analysis

The Compensation, Nominating and Corporate Governance Committee is responsible for formulating and recommending to the Board the compensation for the Corporation's executive officers.

In determining the 2016 compensation of the executive officers, the Compensation, Nominating and Corporate Governance Committee followed a process primarily involving discussion among Compensation, Nominating and Corporate Governance Committee members and the executive officers of the Corporation as to appropriate compensation, as well as internal surveys of the compensation paid by the Corporation's peers and data within the Mercer Total Compensation Survey for the Energy Sector, in addition to receiving guidance from its compensation advisors at Mercer (Canada) Limited ("**Mercer**").

Traditionally the performance of the Corporation and the executive team is evaluated by the Board by considering the following three factors:

- Delivering the dividend;
- Delivering strong reserve, production and funds flow growth; and
- Delivering accretive transactions and increased original oil in place ("**OOIP**")¹

In 2016, because of the continued low crude oil prices and the extreme economic conditions facing the industry as a whole, the Board continued to consider the additional factors of:

- Managing the balance sheet to ensure that an appropriate level of debt was maintained;
- Requiring the leadership to proactively lead the organization through the tumultuous conditions present in the industry – including aggressive cost management strategies.

In assessing the 2016 performance of the Corporation and the executive team, the Compensation, Nominating and Corporate Governance Committee considered the following milestones and key successes achieved over the year. Specifically:

- Management has been strategically positioning the Corporation for success in a lower crude oil price environment for over 30 months. In the extended downturn for world crude oil prices, Surge focused on creating financial liquidity, balance sheet management, rigorous cost cutting initiatives, delineation of the Corporation's high quality, large OOIP crude oil reservoirs, and the implementation of

¹ Original oil in place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP). DPIIP is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be commercially viable to produce any portion of the resources. A recovery project cannot be defined for this volume of DPIIP at this time, and as such it cannot be further sub-categorized.

successful waterfloods. All of these steps were taken without issuing a single treasury share.

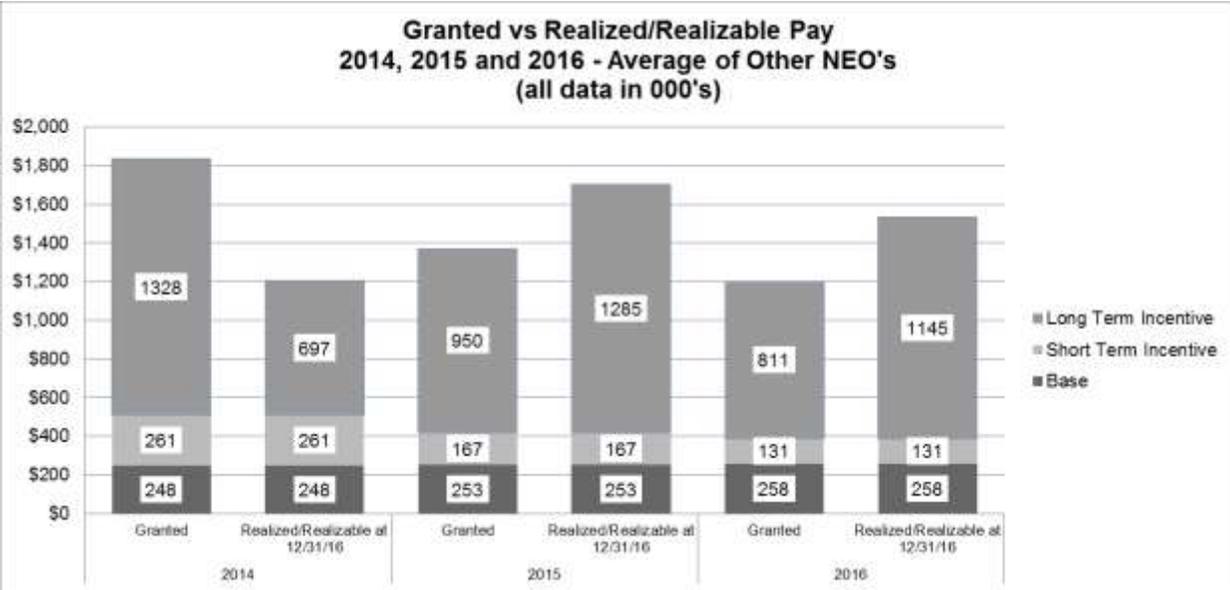
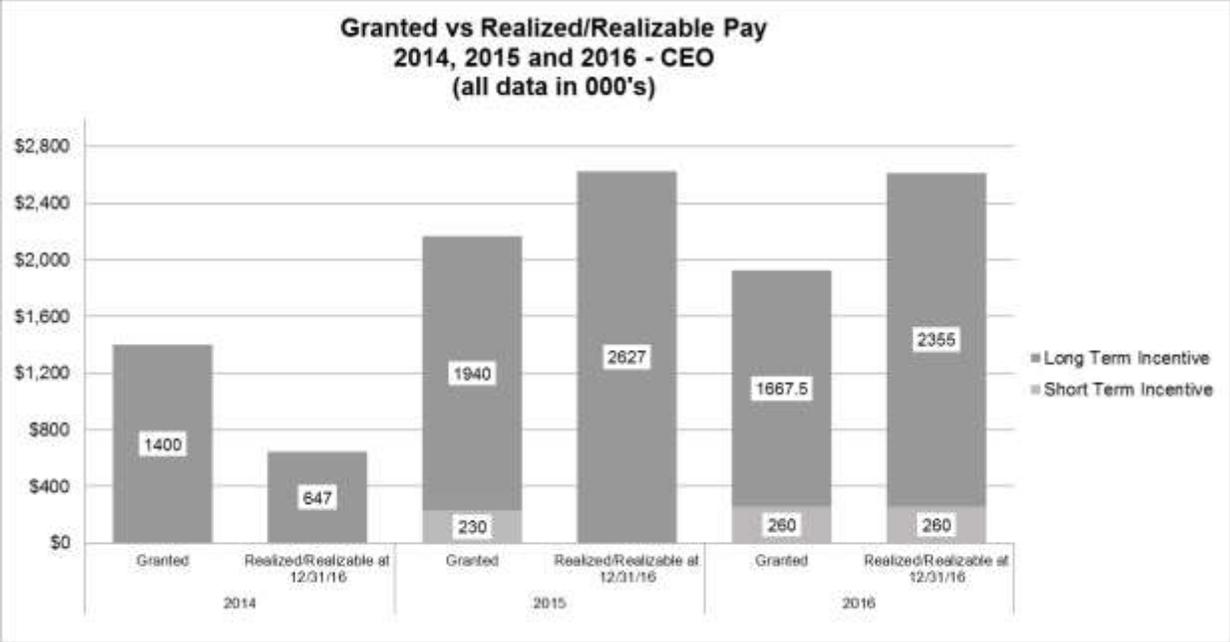
- As crude oil prices rallied from their February 2016 lows, in May of 2016 management moved to add a substantial, organic production per share growth component back into the Corporation's growth and dividend paying business model – all sustainable at less than current strip pricing for crude oil. This decision was further supported by a historically low service cost environment, together with drilling program improvements and efficiencies.
- The Corporation exceeded its 2016 exit production and upwardly revised its 2017 average daily production and 2017 exit production targets given its strong drilling results and successful waterflood programs.
- Management continued to deliver strategic acquisitions in core areas and dispositions of non-core assets. Of note, during the first quarter of 2016 the Corporation completed the sale of non-core Northern Alberta producing assets and infrastructure, for gross proceeds of \$43 million and then in the fourth quarter completed a \$15 million strategic core-area acquisition in the Valhalla area.
- Key financial achievements in 2016 include:
 - Net asset value was increased 12% in 2016 over 2015 results (\$5.47 per share as compared to \$4.79 per share);
 - The recycle ratio for 2016 was an exceptional result at 4.61 times;
 - The 2016 fourth quarter unhedged corporate netback was increased by 142% (\$20.07 per boe up from \$8.28 per boe) and the unhedged operating netback was increased 109% (\$23.37 per boe up from \$11.16 per boe) as compared to the same period in 2015;
 - Finding, development & acquisition costs for 2016 were \$3.74 per boe on a proved plus probable basis and the 2016 finding & development costs were 35% lower than in 2015 at \$3.98 per boe. More than 130% of the 2016 production was replaced with the addition of 6.1MM boed of proved developed producing reserves;
 - Controllable expenses for operating expense, G&A and interest expense continued to be aggressively managed had been reduced by \$6.91 per boe (28%) from the first quarter of 2015 until the final quarter of 2016.
- Based on the above, the Corporation was in a position to increase the dividend by 15% early in 2017 and will target a simple payout ratio of 20 - 30% going forward.

In March 2016, the base salaries of the NEOs were determined to be at appropriate levels and therefore were frozen for a second year and short term incentives for 2015 performance were issued based on an 85% corporate performance assessment. In summer 2016, the Compensation, Nominating and Corporate Governance Committee engaged Mercer to collect market data and recommend an industry peer group for the purposes of assessing performance under the Performance Share Awards issued within the Stock Incentive Plan. Mercer was also asked to make recommendations on CEO compensation in light of the fact that Mr. Colborne received no base salary. In August 2016, corporate performance was again reviewed in normal course for consideration of issuing Long Term Incentive Awards. Performance was deemed to be at or above the 75th Percentile of the peer group and awards were issued to the NEOs accordingly.

In the fall of 2016, management, the Compensation, Nominating and Corporate Governance Committee and Mercer consulted in order to determine the Percentage Payout for the PSAs issued in 2013. In October 2016, the Percentage Payout was established at 1.77 times.

In March 2017, in keeping with normal process, the Compensation, Nominating and Corporate Governance Committee evaluated base salary levels and determined that current levels remained competitive relative to the peer group. Base salaries of the NEOs were frozen for a third year. The 2016 results as they related to the Short Term Incentive Program metrics were also assessed and corporate performance was rated at 85%.

The following graphs compare total compensation granted in 2014, 2015 and 2016 to the realized and realizable compensation for each year as at December 31, 2016 for the CEO and for the average of the NEOs. Long Term Incentives values are stated on the basis of the closing price of \$3.31 per Share on the TSX on December 30, 2016 after giving effect to the dividend adjustment ratio.



Philosophy

Surge's executive compensation philosophy is to align the interests of the NEOs with that of the Corporation and its shareholders and to reward the NEOs for their contribution to the success of the Corporation. The key principles underlying Surge's compensation philosophy are to:

- attract, motivate and retain high quality, talented NEOs;
- create a strong link between pay and the performance of the Corporation in both the short and long term by using multiple forms of compensation in an appropriate proportionality;
- ensure pay alignment with total shareholder return;
- align the long-term incentives of the NEOs with the long-term objectives of the Corporation, primarily

- sustained shareholder value;
- structure compensation components to ensure appropriate risk management;
- provide transparent disclosure of the compensation programs provided to the NEOs and the compensation received by the NEOs;
- ensure that the results achieved by the Corporation are reviewed twice annually at year end and after the second quarter and that the individual contributions and performance of the NEOs are reviewed annually; and
- set total direct compensation in line with an industry peer group with similar production and market capitalization.

Total Compensation Peer Group

In recommending total compensation for each of the executive officers, the Compensation, Nominating and Corporate Governance Committee considered an industry peer group. The peer group was recommended by Mercer considering other Canadian companies focused on the exploration and production of oil and gas. Production volumes and market capitalization were the primary factors used to identify firms with similar business complexity.

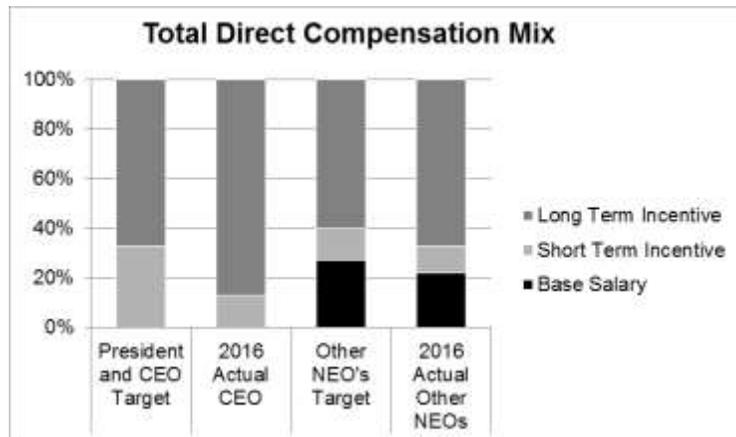
The 2016 peer group contains the following companies:

- ↪ *Advantage Oil & Gas Ltd.*
- ↪ *Crew Energy Inc.*
- ↪ *Birchcliff Energy Ltd.*
- ↪ *Bellatrix Exploration Ltd.*
- ↪ *Trilogy Energy Corp.*
- ↪ *NuVista Energy Ltd.*
- ↪ *Cardinal Energy Ltd.*
- ↪ *Spartan Energy Group*
- ↪ *TORC Oil & Gas Ltd.*
- ↪ *Northern Blizzard Resources Inc.*
- ↪ *Painted Pony Petroleum Limited*
- ↪ *Bonterra Energy Corp.*
- ↪ *Twin Butte Energy Ltd.*
- ↪ *Kelt Exploration Ltd.*
- ↪ *RMP Energy Inc.*
- ↪ *Raging River Exploration Inc.*

Compensation Components

The Compensation, Nominating and Corporate Governance Committee employed three forms of compensation for the NEOs of the Corporation in 2016 to deliver a total compensation package that is in line with the industry peer group and has the appropriate proportion of pay at risk.

Ordinarily the components consist of base salary and short and long-term incentives. The President and Chief Executive Officer’s pay is comprised entirely of short and long-term incentives. The following diagram illustrates the relative pay mix of the components for the President and CEO and the average of the other NEOs comparing the targets with the 2016 actuals.



Base Salary

Base salary provides an immediate cash incentive for the Corporation's executive officers.

The base salaries, other than that of Mr. Colborne, were recommended by the Compensation, Nominating and Corporate Governance Committee after an analysis of market data provided by Mercer with respect to the Corporation's industry peers (as described above) and were intended to represent the 50th percentile salary amount paid by such peers. Mr. Colborne asked for a base salary of \$1.00 per year since his appointment to the position of President and Chief Executive Officer of the Corporation in 2013.

In March 2017, in normal course, the Compensation, Nominating and Corporate Governance Committee reviewed base salaries as compared to the market data available and recommended that no change to the salaries of the NEOs be made for a third year in a row.

The annual base salaries for each of the NEOs are:

Named Executive Officer	Base Salary
Paul Colborne President and Chief Executive Officer	\$1.00
Paul Ferguson Chief Financial Officer	\$265,000
Daniel C. Brown Chief Operating Officer	\$278,000
Gerard de Leeuw Vice President – Geosciences	\$270,000
Murray Bye Vice President – Production	\$250,000

Short-Term Incentive Program (STIP)

The Compensation, Nominating and Corporate Governance Committee views short-term incentives for the NEOs as the primary method of tying cash compensation to the achievement of pre-defined performance goals. As with base salaries, the Compensation, Nominating and Corporate Governance Committee makes recommendations regarding the grant of cash bonuses and potential cash bonus levels are established at the 50th percentile of the market data of the industry peers, which was provided by Mercer.

The Compensation, Nominating and Corporate Governance Committee has established performance measures designed to focus the efforts of the NEOs in areas that specifically tie to the stated business objectives of providing a sustained dividend, 3-5% growth in reserves, production and funds flow (each on a per share basis) and pursuing additional growth in strategic acquisitions. Each performance measure specifically targets these stated business objectives. The reserves, production and funds flow measures sought are clearly stated. The corporate initiatives measure is an assessment of the steps taken to manage the growth of the Corporation as well as its sustainability. The recycle ratio supports the overall growth of the organization, including acquisitions. The five goals together drive the sustainability of the dividend.

The results achieved in 2016, adjusted for dividends and debt as applicable, are:

Performance Measures	Desired Outcome	2016 Outcome	2016 Performance
Corporate initiatives	See above	See above	Exceeded
Reserves per share growth	3 - 5%	5%	Fully Achieved
Recycle ratio	1.5 - 2.0X	4.61X	Exceeded
Production per share growth	3 - 5%	0%	Not Achieved
Funds flow per share growth	3 - 5%	-45%	Not Achieved

The granting of annual cash bonuses to the NEOs within the STIP is based on the overall corporate performance relative to the established performance measures and individual contributions toward the outcomes. For the NEOs, corporate performance constitutes 75% of the evaluation and individual performance the remaining 25%. A pool of the sum of the targets (\$500,000 for the President and CEO plus 50% of the salaries of the other NEOs) is established. The pool is adjusted based on corporate performance and allocated among the NEOs based on individual performance with the upward limit of any individual NEOs receiving no more than twice the target.

The corporate performance factor for 2016 was determined to be 85%. This resulted in a maximum pool of \$1,022,000 being available for distribution to the executive officers in the STIP. The Compensation, Nominating and Corporate Governance Committee recommended a pool of \$910,000 (with \$610,000 tied to corporate performance and \$300,000 tied to individual performance) to the Board for distribution among the entire executive team. The amounts were awarded based on performance relative to the individual's target. A pool of \$1,200,000 was approved for non-executive staff. The amounts approved by the Board and awarded to the NEOs are:

Named Executive Officer	2016 STIP Award
Paul Colborne President and Chief Executive Officer	\$260,000
Paul Ferguson Chief Financial Officer	\$137,500
Daniel C. Brown Chief Operating Officer	\$140,000
Gerard de Leeuw Vice President – Geosciences	\$110,000
Murray Bye Vice President – Production	\$136,500

Long Term Incentive Program

The Corporation's long term incentive program consists of the Stock Incentive Plan, which was adopted by the Board on October 7, 2013 and approved by Shareholders on May 22, 2014.

The principal purposes of the Stock Incentive Plan are to:

- retain and attract qualified directors, officers, employees or consultants of Surge and its affiliates (“**Participants**”);
- promote a proprietary interest in Surge by the Participants and to encourage them to remain in the employ or service of Surge and put forth maximum efforts for the success of the business of Surge; and
- focus the management of Surge on operating and financial performance and long-term total shareholder return.

Under the terms of the Stock Incentive Plan, Participants may be granted RSAs, and Participants other than non-employee directors may be granted PSAs, by the Board or a committee of the Board that has been delegated authority by the Board to administer the Stock Incentive Plan.

In determining the Participants to whom RSAs and/or PSAs may be granted, the number of incentives to be granted and the allocation of the incentives between RSAs and PSAs, the Board may take into account factors that it determines in its sole discretion, such as the following:

- comparisons to peer group comparables;
- the duties, responsibilities, position, seniority and contribution of the Participant; and
- the current value of the Shares and the overall compensation structure of Surge.

Subject to earlier vesting in accordance with the terms of the Stock Incentive Plan and unless otherwise determined by the Board, RSAs granted under the Stock Incentive Plan vest as to one-third on each of the first, second and third anniversary dates of the date of grant. Upon vesting, each RSA is deemed to be redeemed for no further consideration for one Share, subject to adjustments for dividend declared and paid, and taking into account the reinvestment of any such dividends.

Subject to earlier vesting in accordance with the terms of the Stock Incentive Plan and unless otherwise determined by the Board, PSAs granted under the Stock Incentive Plan vest on the third anniversary date of the date of grant. Upon vesting, each PSA is deemed to be redeemed for no further consideration for one Share (subject to adjustments for dividend equivalents) multiplied by a payout percentage (“**Payout Percentage**”). The Payout Percentage is a percentage between zero and 200 calculated at the time of vesting of a PSA based on performance criteria established by the Board at the time of the grant of the PSA, which criteria may include, but need not be limited to, the total shareholder return of the Shares compared to an index, subindex or identified group of peers and the Corporation’s performance compared to identified operational or financial targets.

In administering the Stock Incentive Plan, the Compensation, Nominating and Corporate Governance Committee recommends the number of RSAs and PSAs to be granted based on corporate and individual performance, the market data of the industry peers as well as guidance from the Corporation’s compensation advisors. The Compensation, Nominating and Corporate Governance Committee also relies on its assessment of the appropriate base level of RSA and PSA holdings by the executive officers after considering previous grants of RSAs and PSAs, the Corporation’s development to date and the current capital base of the Corporation. In order to drive the long-term sustainability of the Corporation, a stronger emphasis is placed on long-term incentives than the other compensation components. Accordingly, this compensation component constitutes at least 60% of the compensation of the NEOs. Further, to demonstrate clear alignment between the NEOs’ compensation and the interests of shareholders, the majority of incentives held by the NEOs are in the form of PSAs and the primary factor in determining the Payout Percentage of PSAs upon vesting is total shareholder return. The eleven industry peers² in the group for purposes of measuring performance for the PSAs granted in 2016 are all Canadian, TSX listed companies with market capitalization ranging from \$150 million to \$2.5 billion and they are of similar operational bases, mainly being oil-weighted production and with gas production at approximately less than 50% of total production. In arriving at recommended RSA and PSA grants for the NEOs, the Compensation, Nominating and Corporate Governance Committee considers total shareholder return as compared to industry peers as well as results against the defined business strategy which contribute to the sustainability of the Corporation:

- provide a sustainable, protected, annual dividend to shareholders, payable monthly;
- grow, cost effectively, at 3 – 5% per year on reserves, production and cash flow on a per share basis; and
- pursue additional growth through accretive acquisitions targeting high quality, large original oil in place OOIP assets, with low recovery factors.

As noted previously, the Board had further tasked the management of the Corporation to:

- manage the balance sheet; and
- proactively lead the organization through the extreme economic conditions facing the industry.

In accordance with the above stated factors, in July 2016, the Compensation, Nominating and Corporate

² Baytex Energy Corp., Raging River Exploration Inc., Pengrowth Energy Corp., Freehold Royalties Ltd., TORC Oil and Gas Ltd., Bonterra Energy Corp., Northern Blizzard Resources Inc., Cardinal Energy Ltd., Spartan Energy Ltd., Tamarack Valley Energy Ltd., and RMP Energy Inc.

Governance Committee assessed the corporate performance and the strides made by the Corporation in maintaining the long-term sustainability of the Corporation following the extreme drop in crude oil prices. As described previously, following the second quarter of 2016 and considering the performance of the twelve months prior, the Corporation was tracking well against its objectives. While the dividend level had been reduced in early 2016 to continue to manage the balance sheet and cash flow, Surge had publicly announced its intent to retain the dividend as the primary method for maximizing shareholder returns and that no further reduction would be required. It was also announced that the dividend would be revisited when a sustainable recovery in world crude oil prices was achieved. Early in 2017, the dividend was increased. In terms of reserves and production growth, 2016 started with a conservative drilling program coupled with waterflood projects and production optimization initiatives planned for the first half of the year. By the second quarter the drilling program for the second half of 2016 had been accelerated and the exceptional drilling results achieved at that point in the year had added more the 2,000 boepd putting Surge in a position to meet and exceed the production growth projections. The successful waterflood initiatives in two main plays, along with the drilling results, pointed to at least 5% growth in reserves. Capital, operating and General and Administrative expenses had been aggressively managed improving netbacks by over \$8.00 per boe. The market conditions had not yet provided viable options for growth by acquisition yet Surge was actively evaluating opportunities in anticipation of that changing. Debt was proactively being managed to improve liquidity and two assets had been sold as a result. Most importantly, Surge was in a position to undertake and even accelerate drilling activity; had room on its bank line and was focused on upward revisions to the Corporation's guidance. Taking all of this information and analysis into account, the Compensation, Nominating and Corporate Governance Committee determined that top quartile incentive grants to the NEOs should be awarded but again for a second year, at generally reduced values from the previous year's grant.

Therefore, in August 2016, under the long-term incentive program, the Corporation granted the following Incentives:

<u>Named Executive Officer</u>	<u>PSAs⁽¹⁾⁽²⁾⁽³⁾</u>	<u>RSAs⁽¹⁾⁽³⁾</u>
Paul Colborne President and Chief Executive Officer	422,152 (\$1,000,500) (60%)	281,434 (\$667,000) (40%)
Paul Ferguson Chief Financial Officer	261,867 (\$620,625) (75%)	87,289 (\$206,875) (25%)
Daniel C. Brown Chief Operating Officer	272,152 (\$645,000) (75%)	90,717 (\$215,000) (25%)
Gerard de Leeuw Vice President – Geosciences	237,341 (\$562,500) (75%)	79,114 (\$187,500) (25%)
Murray Bye Vice President – Production	254,746 (\$603,750) (75%)	84,916 (\$201,250) (25%)

Notes:

- (1) The value for PSAs and RSAs granted pursuant to the Corporation's long term incentive program is based on the grant date fair value of \$2.37 per PSA and RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2016.
- (2) For the purposes of the calculations in this chart, the Payout Percentage for PSAs is assumed to be 100%.
- (3) Denotes PSAs and RSAs as a percentage of the total long term incentive program grant in 2016.

After having arrived at its overall assessment of corporate performance as outlined above, the Compensation, Nominating and Corporate Governance Committee and ultimately the Board considered several factors in arriving at the Long Term Incentive grant for Mr. Colborne. The Board assessed Mr. Colborne's individual performance and compared his total compensation to that of the industry peers. The Board considered that Mr. Colborne continued to receive no base salary and receive all of his compensation in the form of Short

and Long Term Incentives. The Board further considered that the Stock Appreciation Rights issued to Mr. Colborne in June 2013 had fully vested in June 2016. In light of these factors and the fact that the Board wished to follow its stated philosophy and work within the existing compensation components while providing the appropriate total compensation to Mr. Colborne, the Compensation, Nominating and Corporate Governance Committee consulted with its compensation advisors. The outcome was that Mr. Colborne received a grant under the LTIP program at an appropriate value, however, the relative weighting of RSAs and PSAs for the 2016 LTIP grant was adjusted slightly to account for the aforementioned factors.

On October 7, 2016, the PSAs granted in 2013 vested. In determining the Percentage Payout, the following formula was used: six-ninths of the weighting was based on total shareholder returns relative to the group of industry peers approved at the time of the grant; the remainder of the weighting was based on a performance scale for the financial and operational measures – being the average of the recycle ratios achieved in each of the three years (two-ninths weighting) and the change in Net Asset Value over the period (one-ninth weighting). The performance scale and results were:

	<u>Total Shareholder Returns</u>	<u>Average Recycle Ratio</u>	<u>Change in Net Asset Value</u>
Threshold	25 th Percentile	1.0X	3%
Target	50 th Percentile	1.5X	9%
Maximum	75 th Percentile	2.0X	15%
Actual	83 rd Percentile (Maximum)	2.45X (Maximum)	-29% (Below Threshold)

The Compensation, Nominating and Corporate Governance Committee recommended that the Board approve management’s calculation which was based on the aforementioned formula and results. The final Percentage Payout was determined to be 1.77 times.

Compensation Advisors and Executive Compensation Related Fees

The Compensation, Nominating and Corporate Governance Committee engaged Mercer to undertake a review of, and make recommendations to the Board on, the compensation and compensation procedures for the executive officers and directors, having regard to peer group data from similar companies, including performing a peer group review as well as performing certain compensation benchmarking. Mercer was retained on June 6, 2013.

The table below summarizes the fees related to determining compensation for the Corporation’s directors and executives (“**Executive Compensation Related Fees**”) and the fees for these consultants for other services (“**All Other Fees**”) for the financial years ended December 31, 2015 and 2016.

	Mercer	
	2016	2015
Compensation-Related Fees	\$56,401	\$29,013
All Other Fees	nil	nil

Risk Assessment and Oversight

The Compensation, Nominating and Corporate Governance Committee considers the implications of the risks associated with the Corporation’s compensation policies and practices. The Compensation, Nominating and Corporate Governance Committee’s role of approving the compensation policies and practices includes considering whether the compensation policies and practices could encourage an NEO to: (i) take inappropriate or excessive risks; (ii) focus on achieving short-term goals at the expense of long-term returns to Shareholders; or (iii) excessively focus on financial and operational goals at the expense of environmental responsibility and health and safety. Based on the experience of the Compensation, Nominating and Corporate Governance Committee in compensation matters, it did not identify any risks arising from the

Corporation's compensation policies and practices that would reasonably be likely to have a material adverse effect on the Corporation. This assessment was based on a number of considerations, including the following:

- base salaries provide a steady income regardless of share price performance, allowing executives and employees to focus on both near-term and long-term goals and objectives without undue reliance on short term share price performance or market fluctuations;
- cash bonuses are based on performance measures designed to contribute to long term value creation, the Corporation targets awarding 50% of base salary as cash bonuses and up to 100% for each of the NEOs other than Mr. Colborne, who has a base salary of \$1.00;
- PSAs and RSAs typically vest over a number of years, motivating the achievement of long term sustainable objectives and aligning executives with the interests of Shareholders; and
- although annual performance goals are established, the Compensation, Nominating and Corporate Governance Committee does not solely focus on achievement of narrow focus performance goals and retains adequate discretion to apply business judgment to assess the overall execution of the long term business plan and adherence to the Corporation's corporate vision and values.

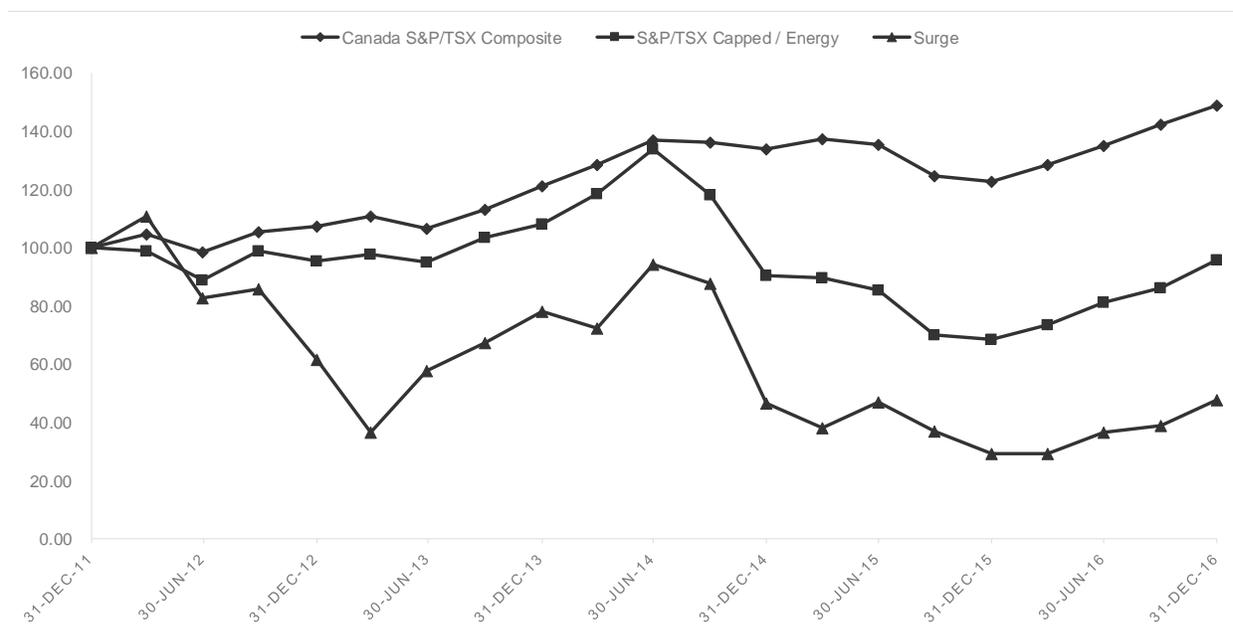
Performance Graphs

The Shares began trading on the TSX under the symbol "SGY" on October 21, 2011. Prior to that date the Shares traded on the TSX Venture Exchange since May, 1998. The following graph compares the cumulative total shareholder return of the Shares with the cumulative shareholder return of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index for the period commencing December 31, 2011 and ending December 31, 2016.

TOTAL RETURN

Canada S&P/TSX Composite	33,303	35,697	40,334	44,591	40,882	49,501
S&P/TSX Capped / Energy	339	323	366	306	232	324

	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
S&P/TSX Composite Index	\$100.00	\$107.19	\$121.11	\$133.90	\$122.76	\$148.64
S&P/TSX Capped Energy Index	\$100.00	\$95.17	\$107.85	\$90.22	\$68.45	\$95.59
SGY Common Shares	\$100.00	\$61.52	\$77.78	\$46.43	\$29.21	\$47.68



Notes: (1) Compounded total return, with dividends reinvested on the ex-date. Source: FactSet.

On July 11, 2013, the Corporation announced its transition to a sustainable, moderate growth, dividend paying oil and gas company. The above graph reflects the increase in the market price of the Shares following the implementation of dividends, other than during the recent economic downturn in the oil and gas industry and the beginnings of an upward trend in the second half of 2016. The total NEO compensation granted tracks the trends in shareholder returns over the time period. Compensation values were at their lowest in 2011 following the recapitalization process which had taken place in 2010 and then peaked in 2014 when shareholder returns were also at their peak. The total compensation then sharply decreased in 2015 and again in 2016 as the share price responded to industry conditions. The total compensation of the NEOs in 2016 was valued near the 2012 levels correlating to the shareholder returns at that same point in time.

Financial Instruments and Anti-Hedging Policy

Directors and officers of the Corporation, including the NEOs, are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities of the Corporation granted as compensation or held, directly or indirectly, by management.

Compensation Governance

The Corporation has a Compensation, Nominating and Corporate Governance Committee that determines the compensation of the directors and executive officers of the Corporation. For details concerning the

composition of the Compensation, Nominating and Corporate Governance Committee and the responsibilities, powers and operation of the Compensation, Nominating and Corporate Governance Committee, see above under the heading “*Corporate Governance Practices - Compensation*”.

The Compensation, Nominating and Corporate Governance Committee is chaired by Murray Smith. Robert Leach and Daryl Gilbert are the committee members. Each of these three committee members is independent under applicable Canadian securities laws. Mr. Smith’s career of forty-five years has encompassed responsibility for executive compensation in many instances including over six years with the Government of Alberta Treasury Board and serving as the Government of Alberta Minister of Labour from 1996-1999 where he was responsible for the administration of all Government of Alberta labour contracts. He also has previously served on the compensation committee of another publicly traded corporation and currently serves on the compensation committee of Williams Companies, Inc.

Mr. Leach has served on the compensation committees of two other publicly traded companies, namely, Breaker Energy and Delaney Energy Services. He has been instrumental in executive compensation design, implementation and administration in his own businesses in Western Canada. Mr. Leach is well connected to industry sources through his association with a major public accounting firm and the Young Presidents’ Organization which both ensure his ability to access market data and ascertain reasonability of compensation plans and practices.

Mr. Gilbert is significantly experienced with compensation matters through his service on the compensation committees of several publicly traded companies, including Longview Oil Corp. prior to its sale to Surge and his current service as Chairman of the Human Resources and Compensation Committee of AltaGas Ltd. and Cequence Energy Ltd. Mr. Gilbert is a highly experienced executive, director and businessman who has dealt with numerous compensation issues in the course of his various leadership roles within the energy industry.

Summary of Compensation of Named Executive Officers

The following table sets forth information concerning the total compensation paid for the years ended December 31, 2014 through 2016 to the NEOs of the Corporation.

Name and Position	Year	Salary (\$)	Share- Based Awards (\$) ⁽¹⁾⁽²⁾	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		All Other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽³⁾	Long- Term Incentive Plans		
Paul Colborne ⁽⁵⁾ President and Chief Executive Officer	2016	Nil	1,667,500	Nil	260,000	Nil	29,991	1,972,491
	2015	Nil	1,940,000	Nil	230,000	Nil	29,532	2,199,532
	2014	Nil	1,400,000	Nil	Nil	Nil	30,025	1,430,025
Paul Ferguson ⁽⁶⁾ Chief Financial Officer	2016	265,000	827,500	Nil	137,500	Nil	21,554	1,251,554
	2015	66,250	1,302,500	Nil	235,000	Nil	5,585	1,574,335
Daniel C. Brown Chief Operating Officer	2016	278,000	860,000	Nil	140,000	Nil	25,752	1,303,752
	2015	278,000	1,055,000	Nil	180,000	Nil	25,533	1,538,533
	2014	274,500	1,465,000	Nil	290,000	Nil	25,572	2,055,072
Gerard de Leeuw Vice President, Geosciences	2016	270,000	750,000	Nil	110,000	Nil	25,631	1,155,631
	2015	270,000	790,000	Nil	160,000	Nil	25,477	1,245,477
	2014	45,000	1,399,500	Nil	Nil	Nil	3,687	1,448,187

Name and Position	Year	Salary (\$)	Share- Based Awards (\$) ⁽¹⁾⁽²⁾	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)			Total Compensation (\$)
					Annual Incentive Plans ⁽³⁾	Long- Term Incentive Plans	All Other Compensation ⁽⁴⁾ (\$)	
Murray Bye	2016	250,000	805,000	Nil	136,500	Nil	24,632	1,216,132
Vice President, Production	2015	241,250	900,000	Nil	160,000	Nil	24,036	1,325,286
	2014	231,250	1,285,000	Nil	247,500	Nil	23,766	1,787,516

Notes:

- (1) For the year ended December 31, 2016, Share-Based Awards was comprised of PSAs and RSAs granted pursuant to the Corporation's long term incentive program. All PSAs vest on the date three years from the date of grant. All RSAs vest as to one third on each anniversary of the date of grant. The value for PSAs and RSAs is based on the grant date fair value of \$2.37 per PSA and RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2016. For the year ended December 31, 2015, Share-Based Awards was comprised of: (i) PSAs and RSAs granted pursuant to the Corporation's long term incentive program; and (ii) RSAs granted pursuant to the 2015 STIP. All PSAs vest on the date three years from the date of grant. All RSAs granted pursuant to the Corporation's long term incentive program vest as to one third on each anniversary of the date of grant. All RSAs granted pursuant to the 2015 STIP vested as to 50% on August 15, 2016 and 50% on October 7, 2016. The value for PSAs and RSAs granted pursuant to the Corporation's long term incentive program is based on the grant date fair value of \$2.52 per PSA and RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2015. The value of the RSAs granted pursuant to the 2015 STIP is based on the grant date fair value of \$2.34 RSA, being the 20 trading day volume weight adjusted average price of the Shares on March 16, 2016. The value for Mr. Ferguson was based upon his employment agreement and is comprised of RSAs and PSAs valued at the 5 day trading volume weight adjusted average price on October 19, 2015 of \$3.38 per Share. For the purposes of the calculations in this table, the Payout Percentage for all PSAs is assumed to be 100%.
- (2) The method used for computing the grant date fair value of the PSAs and RSAs is in accordance with IFRS 2. Surge used IFRS 2 as its methodology for computing grant date fair value for purposes of consistency with its financial statements.
- (3) Represents the short term incentive paid to the NEO with respect to each of the years presented pursuant to the STIP.
- (4) Includes the Corporation's contribution to the employee stock savings plan on behalf of the NEO and amounts paid on behalf of the NEO on account of parking, life insurance and accidental death and disability insurance.
- (5) Paul Colborne is also a director of the Corporation. Mr. Colborne received no compensation in the year ended December 31, 2016 in relation to his duties as a director of the Corporation.
- (6) The value for Mr. Ferguson's 2015 annual incentive included a \$200,000 signing bonus.

Outstanding Incentive Plan Awards

The following table outlines for each NEO all PSAs and RSAs outstanding as at December 31, 2016.

Name	Number of Incentives that have not Vested ⁽¹⁾ (#)	Market or payout value of Incentives that have not vested ⁽¹⁾⁽²⁾ (\$)
Paul Colborne President and Chief Executive Officer	1,055,841 PSAs 408,061 RSAs 2,000,000 SARs	3,494,834 1,350,682 4,010,000
Paul Ferguson Chief Financial Officer	449,367 PSAs 212,289 RSAs	1,487,405 702,677
Daniel Brown Chief Operating Officer	634,128 PSAs 161,525 RSAs	2,098,964 534,648
Gerard de Leeuw	512,484 PSAs	1,686,322

Vice President, Geosciences	174,007 RSAs	575,963
Murray Bye	565,237 PSAs	1,870,934
Vice President, Production	145,044 RSAs	480,096

Note:

- (1) Calculated based on the closing price of \$3.31 per Share on the TSX on December 31, 2016 multiplied by the number of Shares issuable upon the vesting of RSAs and PSAs, without giving effect to the dividend adjustment provisions in the Stock Incentive Plan. With respect to PSAs only, for the purposes of the calculations in this chart, the Payout Percentage is assumed to be 100%.
- (2) Paul Colborne, President and Chief Executive Officer of the Corporation holds 2,000,000 stock appreciation rights (“SARs”) expiring June 11, 2018. As at December 31, 2016, the value is based on the difference between the volume weighted average trading price of the Shares on the TSX for the twenty days prior to December 31, 2016, being \$3.03, and the SARs price of \$3.24 less dividends accumulated on the Shares between the date of grant and December 31, 2016 being \$2.215.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each NEO, the value of options and PSAs and RSAs which vested during the year ended December 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2016.

Name	Incentives – Value Vested During the Year (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$) ⁽²⁾
Paul Colborne President and Chief Executive Officer	2,809,702	260,000
Paul Ferguson Chief Financial Officer	197,545	137,500
Daniel Brown Chief Operating Officer	1,272,864	140,000
Gerard de Leeuw VP, Geosciences	327,702	110,000
Murray Bye VP, Production	968,749	136,500

Notes:

- (1) Represents the number of RSAs and PSAs, after giving effect to the dividend adjustment provisions in the Stock Incentive Plan and the Payout Percentage of 1.77 times on the PSAs, which vested at the fair market value of \$2.41 on August 15, 2016 and \$2.78 on October 7, 2016. Paul Colborne’s amount also includes consideration of SARs that vested June 11, 2016 valued at the difference between the base price of the SARs of \$3.24 and the volume weighted average trading price of the Shares on the TSX for the twenty days prior to June 11, 2016, being \$2.51 and the impact of dividends being \$2.17.
- (2) Represents the cash bonus paid to each NEO in respect of the 2016 STIP.

Employment Agreements and Termination and Change of Control Benefits

There are no employment contracts between either the Corporation or its subsidiaries and the NEOs except as set out below.

Surge currently has employment agreements in place with Paul Ferguson in his capacity as Chief Financial Officer, Daniel Brown in his capacity as Chief Operating Officer, Gerard de Leeuw in his capacity as Vice President, Geosciences, and Murray Bye in his capacity as Vice President, Production.

Upon a change of control, or upon the election of Surge to terminate the employment agreement without cause, the NEO is entitled to payment in the amount equal to: (i) the product of the salary to which the NEO was entitled at such termination or change of control multiplied by: (A) 18 months in the case of Paul

Ferguson; (B) 18 months in the case of Daniel Brown; (C) 15 months in the case of Gerard de Leeuw; and, (D) 15 months in the case of Murray Bye; (ii) an additional 15% of the amount referred to in (i), as applicable, in lieu of lost benefits; and (iii) a bonus, that being the average of short term incentive bonuses paid to the NEO over the preceding two years.

The Stock Incentive Plan provides for the accelerated vesting of outstanding PSAs and RSAs in certain circumstances, including in connection with a change of control of the Corporation where the successor does not assume to the PSAs or RSAs or the holder's service is involuntarily terminated without cause or voluntarily terminated for Good Reason (including material diminution of responsibilities) within 12 months of the change of control.

Paul Colborne, President and Chief Executive Officer of the Corporation holds 2,000,000 SARs expiring June 11, 2018. All of the SARs have vested as of December 31, 2016.

The table below provides details of the cash payment that would have been made under the employment agreements to each of the applicable NEO and the value of accelerated Incentives and, in the case of Mr. Colborne, SARs, held by each of the officers assuming the occurrence of the noted triggering event as at December 31, 2016. The value of the accelerated RSAs and PSAs has been calculated by multiplying the number held by the applicable NEOs by the closing price of the Shares on the TSX on December 31, 2016 of \$3.31, assuming a Payout Percentage of 100% for all PSAs, with giving no effect to the dividend adjustment provisions in the Stock Incentive Plan. The value of SARs has been calculated based on the difference between the volume weighted average trading price of the Shares on the TSX for the twenty days prior to December 31, 2016, being \$3.03, and the SARs price of \$3.24 less dividends paid on the Shares between the date of grant and December 31, 2016.

Name and Position	Triggering Event	Cash Payment	Value of Accelerated RSAs and PSAs and SARs (if applicable) (\$)
Paul Colborne President and Chief Executive Officer	Change of Control and Termination	Nil	8,855,516
	Change of Control and Equivalent Employment	Nil	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	Nil	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	8,855,516
Paul Ferguson Chief Financial Officer	Change of Control and Termination	543,375	2,190,081
	Change of Control and Equivalent Employment	543,375	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	543,375	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	2,190,081
Daniel Brown Chief Operating Officer	Change of Control and Termination	614,550	2,633,611
	Change of Control and Equivalent Employment	614,550	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	614,550	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	2,633,611
Gerard de Leeuw Vice President, Geosciences	Change of Control and Termination	500,625	2,272,285
	Change of Control and Equivalent Employment	500,625	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	500,625	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	2,272,285

Murray Bye	Change of Control and Termination	490,125	2,351,030
Vice President,	Change of Control and Equivalent Employment	490,125	Nil
Production	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	490,125	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	2,351,030

DIRECTOR COMPENSATION

Summary of Director Compensation

The directors of the Corporation are James Pasioka (Chair), Paul Colborne, P. Daniel O'Neil, Robert Leach, Keith Macdonald, Murray Smith, Colin Davies and Daryl Gilbert.

Pursuant to recommendations of the Compensation, Nominating and Corporate Governance Committee, the non-executive Directors, being all of the directors other than Mr. Colborne, are paid a cash annual retainer of \$36,000 as well as \$75,000 of share-based compensation (\$100,000 for the non-executive Chair), with additional cash retainers of \$15,000 being paid to the non-executive Chair of the Board, if any, and \$10,000 being paid to each of the Independent Lead Director, if any, and the Chair of the Audit Committee, and \$5,000 being paid to the Chair of any other committee. Non-executive directors are also paid meeting fees of \$1,000 per meeting attended in person and \$500 for a telephone attendance.

The current levels of non-executive director compensation, other than the non-executive Chair's additional cash retainer, came into effect June 24, 2015.

The Compensation, Nominating and Corporate Governance Committee primarily relies on market data as compiled and recommended by Mercer in establishing compensation for non-executive directors. Non-executive director compensation is targeted at the 50th percentile of the industry peers ensuring an appropriate balance between cash and equity based compensation. The equity compensation is further limited by the Stock Incentive Plan provisions and the maximum of \$100,000 per non-executive director per annum. The industry peer group is as noted under the heading "*Compensation Discussion and Analysis - Total Compensation Peer Group*".

Non-Executive Director Share Ownership Guidelines

On March 16, 2016, the Corporation implemented certain requirements respecting the minimum ownership by non-executive directors of the Corporation of Shares (or RSAs) (the "**Non-Executive Director Share Ownership Guidelines**"). The Non-Executive Share Ownership Guidelines require that non-executive directors own Shares and hold unvested RSAs which in the aggregate have a value equal to three times their cash retainer, with such target to be achieved within five (5) years of the later of: (i) the date they are elected or appointed to the Board; and (ii) March 16, 2016. The determination date of compliance with the guidelines is January 2nd of each year based on the closing price of the Shares as reported on the TSX for the fiscal year ended immediately prior to such date.

Failure to meet or show sustained progress toward meeting the ownership requirements set forth in the Non-Executive Director Share Ownership Guidelines may result in a reduction in future short and long term incentive grants to the non-executive director and/or the requirement to retain all shares obtained through the vesting or exercise of equity grants.

The Non-Executive Director Share Ownership Guidelines also contains a provision that should there be a significant reduction in share value caused by market fluctuations that results in a previously met ownership criteria dropping below the ownership guideline, the subject director will have a reasonable opportunity to rectify the share position to conform to the guidelines, as reasonably determined by the Compensation Committee.

All non-executive directors have met the minimum threshold as of December 31, 2016.

The following table outlines information concerning the compensation paid to the non-executive Directors for the year ended December 31, 2016.

Name	Fees Earned (\$)	Share-Based Awards⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
James Pasieka	55,500	100,000	Nil	Nil	155,500
P. Daniel O'Neil	51,000	75,000	Nil	Nil	126,000
Robert Leach	57,500	75,000	Nil	Nil	132,500
Keith Macdonald	60,500	75,000	Nil	Nil	135,500
Murray Smith	54,500	75,000	Nil	Nil	129,500
Colin Davies	50,500	75,000	Nil	Nil	125,500
Daryl Gilbert	45,500	75,000	Nil	Nil	120,500

Notes:

- (1) Comprised of 31,645 RSAs granted to each non-executive director other than Mr. Pasieka who was granted 42,194 as Chairman of the Board pursuant to the Stock Incentive Plan. All RSAs vest as to 1/3 per year for a period of 3 years from the date of grant. Value for RSAs granted is based on the grant date fair value of \$2.37 per RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2016.

Outstanding Incentives

The following table outlines, for each non-executive director, all RSAs outstanding as at December 31, 2016.

Name	Number of RSAs that have not Vested (#)	Market or payout value of RSAs that have not vested (\$)⁽¹⁾
James Pasieka	74,286	245,887
P. Daniel O'Neil	54,527	180,484
Robert Leach	54,527	180,484
Keith Macdonald	54,527	180,484
Murray Smith	54,527	180,484
Colin Davies	54,527	180,484
Daryl Gilbert	54,527	180,484

Note:

- (1) Calculated based on the closing price of \$3.31 per Share on the TSX on December 31, 2016 multiplied by the number of Shares issuable upon the vesting of RSAs. The calculation does not include the value of the dividend adjustment provisions in the Stock Incentive Plan.

Incentive Plan Awards – Value Vested

The following table sets forth for each director the value of Incentives which vested during the year ended

December 31, 2016.

Name	RSAs – Value Vested During the Year (\$)⁽¹⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
James Pasieka	71,225	Nil
P. Daniel O'Neil	77,098	Nil
Robert Leach	55,697	Nil
Keith Macdonald	55,697	Nil
Murray Smith	55,697	Nil
Colin Davies	55,697	Nil
Daryl Gilbert	34,293	Nil

Notes:

- (1) Represents the number of RSAs, after giving effect to the dividend adjustment provisions in the Stock Incentive Plan, which vested at the fair market value of \$2.41 on August 15, 2016 and \$2.78 on October 7, 2016.

SCHEDULE "B"

BOARD OF DIRECTORS MANDATE

These terms of reference define the role of the Board of Directors of the Corporation. The fundamental responsibilities of the Board of Directors of Surge Energy Inc. (the "**Corporation**") are to: (i) appoint and oversee a competent executive team to manage the business of the Corporation, with a view to maximizing shareholder value, (ii) identify and understand the risks associated with the business of the Corporation and (iii) ensure corporate conduct in an ethical and legal manner via an appropriate system of corporate governance, disclosure processes and internal controls. The following are the key guidelines governing how the Board will operate to carry out its duties.

1. Duty of Oversight

The Board is responsible for overseeing and supervising management's conduct of the business of the Corporation to ensure that such business is being conducted in the best interests of the Corporation and its Shareholders.

2. Formulation of Corporate Strategy

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board shall ensure there is a formal strategic planning process in place and shall review and, if it sees fit, endorse the corporate strategy presented by management. The Board shall monitor the implementation and execution of the corporate strategy.

3. Principal Risks

The Board should have a continuing understanding of the principal risks associated with the business of the Corporation. It is the responsibility of management to ensure that the Board and its committees are kept well informed of changing risks. The principle mechanisms through which the Board reviews risks are the Audit Committee, the Reserves Committee, the Environmental, Health and Safety Committee and the strategic planning process. It is important that the Board understands and supports the key risk decisions of management.

4. Internal Controls and Communication Systems

The Board ensures that sufficient internal controls and communication systems are in place to allow it to conclude that management is discharging its responsibilities with a high degree of integrity and effectiveness. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

5. Financial Reporting, Operational Reporting and Review

- (a) The Board ensures that processes are in place to address applicable regulatory, corporate, securities and other compliance matters, including applicable certification requirements regarding the financial, operational and other disclosure of the Corporation.
- (b) The Board reviews and approves the financial statements, related MD&A and reserves evaluations of the Corporation.
- (c) The Board approves annual operating and capital budgets and reviews and considers all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.

- (d) The Board reviews operating and financial performance results relative to established strategy, budgets and objectives.

6. Succession Planning and Management Development

The Board considers succession planning and management recruitment and development. The Chief Executive Officer and the Compensation, Nominating and Corporate Governance Committee shall periodically review succession planning and management recruitment and development.

7. Disclosure and Communication Policy

The Board will adopt a policy governing disclosure and communication concerning the affairs of the Corporation.

8. The Chair of the Board

The Board shall appoint a Chair from among its members. The role of the Chair is to act as the leader of the Board, to manage and co-ordinate the activities of the Board and to oversee execution by the Board of this written mandate.

9. Committees

The Board may appoint such committees as it sees fit. Each committee operates according to terms of reference approved by the Board and outlining its duties and responsibilities and the limits of authority delegated to it by the Board. The Board reviews and re-assesses the adequacy of the terms of reference of each committee on a regular basis and, with respect to the Audit Committee, at least once a year.

10. Committee Chairs and Committee Members

- (a) The Chair shall annually propose the leadership and membership of each committee. In preparing recommendations, the Chair will take into account the preferences, skills and experience of each director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholder meeting or as needed to fill vacancies during the year.
- (b) Each committee's meeting schedule will be determined by its Chair and members based on the committee's work plan and terms of reference. The committee Chair will develop the agenda for each committee meeting. Each committee will report in a timely manner to the Board on the results of its meetings.

11. Board Meetings and Agendas

- (a) The Board will meet a minimum of 5 times per year.
- (b) The Chair, in consultation with the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary, will develop the agenda for each Board meeting. Under normal circumstances, management will use its best effort to distribute the agenda and related materials to directors not less than two business days before the meeting. All directors are free to suggest additions to the agenda.

12. Information for Board Meetings

- (a) Material distributed to the directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by directors, management or staff, or

by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.

- (b) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

13. Non-Directors at Board Meetings

The Board appreciates the value of having management team members attend Board meetings to provide information and opinions to assist the directors in their deliberations. The Board, through the Chair, can determine management attendees at Board meetings.

14. Board Relations with Management

- (a) Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, to the President and Chief Executive Officer or through Board and committee meetings.
- (b) While the Board establishes limits of authority delegated to management, directors must respect the organizational structure of management. A director has no authority to direct any staff member.

15. New Director Orientation

New directors will be provided with an orientation which will include written information about the duties and obligations of directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors.

16. Assessing the Board's Performance

The Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review should identify any areas where the directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation.

17. Board Compensation

The Compensation and Nominating Committee will review director compensation annually in accordance with the terms of reference of the Compensation and Nominating Committee and will recommend changes in compensation to the Board when warranted and in light of the responsibilities and risks involved in being a director.

18. Annual Evaluation of the President and Chief Executive Officer

The Compensation and Nominating Committee will conduct an annual performance review of President and Chief Executive Officer in accordance with the terms of reference of the Compensation and Nominating Committee. The results of this performance review will be communicated to the President and Chief Executive Officer by the Chair.

19. **Outside Advisors for Individual Directors**

Occasionally, a director may need the services of an advisor to assist with matters involving responsibilities as a director. A director who wishes to engage an outside advisor at the expense of the Corporation may do so with the authorization of the Chair of the Board.

20. **Conflict of Interest**

- (a) Directors have a duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.
- (b) Directors shall not allow personal interests to conflict with their duties to the Corporation and shall avoid and refrain from involvement in situations of conflict of interest.
- (c) A director shall disclose promptly any circumstances such as an office, property, a duty or an interest, which might create a conflict with that director's duty to the Corporation.
- (d) A director shall disclose promptly any interest that director may have in an existing or proposed contract or transaction of or with the Corporation.
- (e) The disclosures contemplated in paragraphs (c) & (d) above shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur at the first Board meeting after the director becomes aware of the potential conflict of interest.
- (f) A director's disclosure to the Board shall disclose the full nature and extent of that director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board.
- (g) A director with a conflict of interest or who is capable of being perceived as being in conflict of interest vis a vis the Corporation shall abstain from discussion and voting by the Board or committee of the Board on any motion to recommend or approve the relevant contract of transaction unless the contract or transaction is an arrangement by way of security for obligations undertaken by the director for the benefit of the Corporation or one relating primarily to the director's remuneration or benefits. If the conflict of interest is obvious and direct, the director shall withdraw while the item is being considered.
- (h) Without limiting the generality of "conflict of interest" it shall be deemed a conflict of interest if a director, a director's relative, a member of the director's household in which any relative or member of the household is involved has a direct or indirect financial interest in, or obligation to, or a party to a proposed or existing contract or transaction with the Corporation.
- (i) Directors shall not use information obtained as a result of acting as a director for personal benefit or for the benefit of others.
- (j) Directors shall maintain the confidentiality of all information and records obtained as a result of acting as a director.

21. **Corporate Governance**

The Board retains overall responsibility for the implementation and enforcement of an appropriate system of corporate governance, including policies and procedures to ensure the Board functions independently of

management. The Board shall establish and maintain such corporate governance policies and procedures as are necessary to ensure that the Corporation is fully compliant with applicable securities laws and prevailing governance standards. Such policies and procedures shall contain clear reporting, oversight and enforcement provisions that reserve the right to the Board to take appropriate remedial action in the event of a breach thereof. The Board shall mandate the Corporation's professional advisors to keep it apprised of developing corporate governance issues and shall, each year after the annual shareholder meeting of the Corporation, review the sufficiency of the Corporation's corporate governance policies and procedures.

22. Terms of Reference Review

These Terms of Reference shall be reviewed and approved by the Board each year after the annual general shareholder meeting of the Corporation.

QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR

Shorecrest

NORTH AMERICAN TOLL-FREE

1 (888) 637-5789

Banks and Brokers and collect calls outside North America

(647) 931-7454