

Condensed Consolidated Interim Statements of Financial Position

Stated in thousand of dollars

(Unaudited)

As at	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Accounts receivable	\$ 22,644	\$ 25,202
Fair value of financial contracts (note 5)	—	1,510
Prepaid expenses and deposits	4,607	3,934
	27,251	30,646
Fair value of financial contracts (note 5)	—	7
Exploration and evaluation assets (note 3)	11,186	11,287
Petroleum and natural gas properties (note 4)	1,042,869	1,070,311
Deferred income taxes	36,213	33,038
	\$ 1,117,519	\$ 1,145,289
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 27,199	\$ 37,720
Dividends payable	1,389	2,763
Fair value of financial contracts (note 5)	7,155	5,250
Current portion of other long term obligations	2,431	1,709
	38,174	47,442
Fair value of financial contracts (note 5)	1,063	4,789
Bank debt (note 6)	139,818	149,028
Decommissioning obligations (note 7)	148,438	129,827
Other long term obligations	1,503	2,062
Shareholders' equity		
Share capital	1,260,916	1,256,630
Contributed surplus	44,686	40,391
Warrants	3,522	3,522
Deficit	(520,601)	(488,402)
	788,523	812,141
	\$ 1,117,519	\$ 1,145,289

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Stated in thousands of dollars, except per share amounts

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Petroleum and natural gas	\$ 45,244	\$ 45,779	\$ 115,333	\$ 197,000
Royalties	(5,745)	(8,045)	(13,201)	(30,402)
Realized gain (loss) on financial contracts	(1,661)	2,114	6,143	38,577
Unrealized gain (loss) on financial contracts (note 5)	1,799	2,918	304	(41,199)
	39,637	42,766	108,579	163,976
Expenses				
Operating	13,609	16,610	42,635	73,866
Transportation	1,541	2,361	5,672	7,306
General and administrative	2,009	2,191	6,597	8,793
Bad debt provision	120	—	120	—
Transaction costs	—	265	230	8,039
Stock-based compensation (note 8)	1,844	650	6,131	4,027
Depletion and depreciation (note 4)	22,510	24,207	63,374	99,553
Impairment	101	42,486	101	152,322
Finance expense	2,257	2,612	6,895	14,835
Gain on disposal of petroleum and natural gas properties (note 4)	—	(1,850)	(4,397)	(7,246)
	43,991	89,531	127,358	361,495
Loss before income taxes	(4,354)	(46,765)	(18,779)	(197,519)
Deferred income tax recovery	(514)	(11,945)	(3,174)	(48,225)
Net loss and comprehensive loss for the period	\$ (3,840)	\$ (34,820)	\$ (15,605)	\$ (149,294)
Loss per share (note 8)				
Basic	\$ (0.02)	\$ (0.16)	\$ (0.07)	\$ (0.68)
Diluted	\$ (0.02)	\$ (0.16)	\$ (0.07)	\$ (0.68)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Stated in thousands of dollars, except share amounts

(Unaudited)

	Number of common shares	Share capital	Contributed surplus	Warrants	Deficit	Total equity
Balance at December 31, 2014	220,059,794	\$ 1,252,315	\$ 31,508	\$ 5,883	\$ (213,843)	\$ 1,075,863
Net loss for the period	—	—	—	—	(149,294)	(149,294)
Share issue costs, net of tax of \$3	—	(36)	—	—	—	(36)
Flow-through shares issued	1,002,300	4,500	—	—	—	4,500
Premium on flow-through shares	—	(621)	—	—	—	(621)
Repurchase of common shares for cancellation	(740,300)	(4,208)	2,414	—	—	(1,794)
Transfer on exercise of RSAs and PSAs ⁽¹⁾	529,226	3,485	(3,485)	—	—	—
Stock-based compensation	—	—	7,808	—	—	7,808
Dividends	—	—	—	—	(49,618)	(49,618)
Transfer on expiry of performance warrants	—	—	2,361	(2,361)	—	—
Balance at September 30, 2015	220,851,020	\$ 1,255,435	\$ 40,606	\$ 3,522	\$ (412,755)	\$ 886,808
Balance at December 31, 2015	221,032,888	\$ 1,256,630	\$ 40,391	\$ 3,522	\$ (488,402)	\$ 812,141
Net loss for the period	—	—	—	—	(15,605)	(15,605)
Share issue costs, net of tax	—	(21)	—	—	—	(21)
Transfer on exercise of RSAs and PSAs ⁽¹⁾	1,245,440	4,307	(4,307)	—	—	—
Stock-based compensation	—	—	8,602	—	—	8,602
Dividends	—	—	—	—	(16,594)	(16,594)
Balance at September 30, 2016	222,278,328	\$ 1,260,916	\$ 44,686	\$ 3,522	\$ (520,601)	\$ 788,523

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

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

Stated in thousands of dollars

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating				
Net loss	\$ (3,840)	\$ (34,820)	\$ (15,605)	\$ (149,294)
Gain on disposal of petroleum and natural gas properties	—	(1,850)	(4,397)	(7,246)
Unrealized (gain) loss on financial contracts	(1,799)	(2,918)	(304)	41,199
Finance expense	2,257	2,612	6,895	14,835
Interest expense	(1,547)	(1,678)	(4,679)	(11,640)
Depletion and depreciation	22,510	24,207	63,374	99,553
Impairment	101	42,486	101	152,322
Decommissioning expenditures	(191)	(712)	(508)	(3,265)
Bad debt provision	120	—	120	—
Stock-based compensation	1,418	(855)	4,397	1,465
Deferred income tax recovery	(514)	(11,945)	(3,174)	(48,225)
Change in non-cash working capital	(274)	(5,015)	(7,099)	391
Cash flow from operating activities	18,241	9,512	39,121	90,095
Financing				
Bank debt	8,108	25,826	(9,210)	(433,291)
Dividends paid	(4,153)	(16,590)	(17,968)	(55,099)
Purchase of common shares for cancellation	—	(1,794)	—	(1,794)
Issuance of flow-through shares	—	—	—	4,500
Share issue costs	(21)	(24)	(21)	(39)
Cash flow from (used in) financing activities	3,934	7,418	(27,199)	(485,723)
Investing				
Petroleum and natural gas properties	(20,764)	(17,653)	(50,447)	(58,422)
Disposition of petroleum and natural gas properties	—	4,292	43,178	469,816
Acquisitions	—	(557)	(2,037)	(5,131)
Change in non-cash working capital	(1,411)	(3,012)	(2,616)	(10,635)
Cash flow from (used in) investing activities	(22,175)	(16,930)	(11,922)	395,628
Change in cash	—	—	—	—
Cash, beginning of the period	—	—	—	—
Cash, end of the period	\$ —	\$ —	\$ —	\$ —

Cash is defined as cash and cash equivalents.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tabular amounts are in thousands of dollars, except share and per share data

(Unaudited)

1. REPORTING ENTITY

Surge Energy Inc.'s (the "Corporation" or "Surge") business consists of the exploration, development and production of oil and gas from properties in western Canada. The Corporation is a dividend paying entity. The condensed consolidated interim financial statements include the accounts of the Corporation, its wholly-owned subsidiaries and partnerships.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and using the accounting policies outlined by the Corporation in its annual consolidated financial statements for the year ended December 31, 2015. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 9, 2016.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation (E&E) assets consist of the Corporation's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period.

Exploration & Evaluation Assets

	Total
Balance at December 31, 2014	\$ 12,788
Dispositions	(1,095)
Impairment	(406)
Balance at December 31, 2015	\$ 11,287
Impairment	(101)
Balance at September 30, 2016	\$ 11,186

4. PETROLEUM AND NATURAL GAS PROPERTIES

Petroleum and Natural Gas Properties

	Total
Balance at December 31, 2014	\$ 2,569,170
Acquisitions	5,562
Dispositions	(761,065)
Additions	76,731
Change in decommissioning obligations	2,335
Capitalized stock-based compensation	6,938
Balance at December 31, 2015	\$ 1,899,671
Acquisitions	2,037
Dispositions	(87,136)
Additions	50,447
Change in decommissioning obligations	25,143
Capitalized stock-based compensation	5,162
Balance at September 30, 2016	\$ 1,895,324

	Total
Accumulated depletion and depreciation	
Balance at December 31, 2014	\$ (712,135)
Depletion and depreciation expense	(122,879)
Impairment	(217,623)
Dispositions	223,277
Balance at December 31, 2015	\$ (829,360)
Depletion and depreciation expense	(63,374)
Dispositions	40,279
Balance at September 30, 2016	\$ (852,455)

	Total
Carrying amounts	
At December 31, 2015	\$ 1,070,311
At September 30, 2016	\$ 1,042,869

The calculation of depletion and depreciation expense for the period ended September 30, 2016 included an estimated \$426.3 million (December 31, 2015 - \$486.2 million) for future development costs associated with proved plus probable reserves and deducted \$103.1 million (December 31, 2015 - \$107.7 million) for the estimated salvage value of production equipment and facilities.

During the period ended September 30, 2016 the Corporation disposed of certain non-core assets and facilities in Northern Alberta for cash proceeds of \$43.2 million. The assets had a carrying value of \$46.9 million at the time of disposition and an associated decommissioning liability of \$8.1 million, resulting in a gain on disposal of \$4.4 million.

During the period ended September 30, 2016 the Corporation acquired certain petroleum and natural gas properties in Northern Alberta for cash consideration of \$2.0 million.

5. RISK MANAGEMENT

During the second quarter of 2016, the Corporation monetized certain existing forward foreign exchange contracts at a realized gain of \$4.2 million (2015 - nil).

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

The following table outlines the fair value of natural gas commodity contracts as at September 30, 2016:

						As at September 30, 2016
Contract Term	Type	Volume	Swap Price (Surge receives)	Swap Price (Surge pays)	Index	Fair Value (\$000s CDN)
Jan 1, 2016 to Dec 31, 2016	Swap	3,000 mcf/d	CAD \$3.5025	CAD Floating	Chicago	(146)
Jan 1, 2016 to Dec 31, 2016	Swap	4,000 mcf/d	CAD \$3.5050	CAD Floating	Chicago	(193)
Jan 1, 2016 to Dec 31, 2016	Swap	3,000 mcf/d	CAD \$3.5000	CAD Floating	Chicago	(146)
Jan 1, 2017 to Oct 31, 2017	Swap	1,500 mcf/d	CAD \$3.8050	CAD Floating	Chicago	(112)
Jan 1, 2017 to Oct 31, 2017	Swap	3,000 mcf/d	CAD \$3.5800	CAD Floating	Chicago	(427)
Jan 1, 2017 to Oct 31, 2017	Swap	3,500 mcf/d	CAD \$3.6250	CAD Floating	Chicago	(456)
Jan 1, 2017 to Oct 31, 2017	Swap	2,000 mcf/d	CAD \$3.5750	CAD Floating	Chicago	(289)
Total						\$ (1,769)

The following table outlines the fair value of oil commodity contracts as at September 30, 2016:

						As at September 30, 2016
Contract Term	Type	Volume	Price (Surge receives)	Price (Surge pays)	Index	Fair Value (\$000s CDN)
Jul 1, 2016 to Dec 31, 2016	Collar (put/call)	1,000 bbls/d	CAD \$45.00	CAD \$65.00	WTI - NYMEX	(314)
Jul 1, 2016 to Dec 31, 2016	Collar (put/call)	500 bbls/d	CAD \$45.00	CAD \$64.48	WTI - NYMEX	(163)
Jul 1, 2016 to Dec 31, 2016	Collar (put/call)	500 bbls/d	CAD \$45.00	CAD \$64.60	WTI - NYMEX	(161)
Jul 1, 2016 to Jun 30, 2017	Collar (put/call)	500 bbls/d	CAD \$45.00	CAD \$70.75	WTI - NYMEX	(507)
Jul 1, 2016 to Jun 30, 2017	Collar (put/call)	250 bbls/d	CAD \$45.00	CAD \$69.00	WTI - NYMEX	(285)
Jul 1, 2016 to Jun 30, 2017	Collar (put/call)	250 bbls/d	CAD \$45.00	CAD \$70.25	WTI - NYMEX	(264)
Jan 1, 2017 to Jun 30, 2017	Collar (put/call)	500 bbls/d	CAD \$50.00	CAD \$70.00	WTI - NYMEX	(371)
Jan 1, 2017 to Jun 30, 2017	Collar (put/call)	500 bbls/d	CAD \$50.00	CAD \$70.00	WTI - NYMEX	(408)
Jan 1, 2017 to Jun 30, 2017	Collar (put/call)	500 bbls/d	CAD \$55.00	CAD \$74.60	WTI - NYMEX	(83)
Jul 1, 2017 to Dec 31, 2017	Collar (put/call)	500 bbls/d	CAD \$60.00	CAD \$80.25	WTI - NYMEX	20
Jul 1, 2017 to Dec 31, 2017	Collar (put/call)	500 bbls/d	CAD \$50.00	CAD \$77.50	WTI - NYMEX	(336)
Jul 1, 2017 to Dec 31, 2017	Collar (put/call)	500 bbls/d	CAD \$50.00	CAD \$77.25	WTI - NYMEX	(353)
Oct 1, 2016 to Dec 31, 2016	Bought Put	2,000 bbls/d	CAD \$60.00	—	WTI - NYMEX	(222)
Jan 1, 2017 to Jun 30, 2017	Bought Put	1,000 bbls/d	CAD \$60.00	—	WTI - NYMEX	568
Jan 1, 2017 to Jun 30, 2017	Bought Put	1,000 bbls/d	CAD \$60.00	—	WTI - NYMEX	659
Jan 1, 2017 to Jun 30, 2017	Bought Put	500 bbls/d	CAD \$60.00	—	WTI - NYMEX	(117)
Jul 1, 2017 to Dec 31, 2017	Bought Put	1,000 bbls/d	CAD \$60.00	—	WTI - NYMEX	906
Jan 1, 2017 to Jun 30, 2017	Sold Put	1,500 bbls/d	—	CAD \$50.00	WTI - NYMEX	(335)
Jan 1, 2017 to Jun 30, 2017	Sold Put	1,000 bbls/d	—	CAD \$50.00	WTI - NYMEX	(162)
Jan 1, 2017 to Jun 30, 2017	Sold Put	1,000 bbls/d	—	CAD \$50.00	WTI - NYMEX	(248)
Jan 1, 2017 to Jun 30, 2017	Sold Put	500 bbls/d	—	CAD \$50.00	WTI - NYMEX	(156)
Jan 1, 2017 to Jun 30, 2017	Sold Put	1,000 bbls/d	—	CAD \$50.00	WTI - NYMEX	(113)
Jul 1, 2017 to Dec 31, 2017	Sold Put	1,500 bbls/d	—	CAD \$50.00	WTI - NYMEX	(598)
Jul 1, 2017 to Dec 31, 2017	Sold Put	1,000 bbls/d	—	CAD \$50.00	WTI - NYMEX	(446)
Jan 1, 2017 to Jun 30, 2017	Swap	1,000 bbls/d	CAD \$66.00	CAD Floating	WTI - NYMEX	(65)
Dec 1, 2015 to Dec 31, 2016	Swap	2,000 bbls/d	USD \$3.55	USD Floating	EDM Basis	(179)
Jan 1, 2017 to Dec 31, 2017	Swap	1,000 bbls/d	USD \$3.35	USD Floating	EDM Basis	(315)
Jan 1, 2017 to Dec 31, 2017	Swap	500 bbls/d	USD \$3.00	USD Floating	EDM Basis	(69)
Jan 1, 2017 to Dec 31, 2017	Swap	500 bbls/d	USD \$3.00	USD Floating	EDM Basis	(69)
Jan 1, 2016 to Dec 31, 2016	Swap	1,000 bbls/d	USD \$14.85	USD Floating	WCS Basis	(84)
Jan 1, 2016 to Dec 31, 2016	Swap	500 bbls/d	USD \$21.75	USD Floating	WCS Basis	(458)
Jan 1, 2016 to Dec 31, 2016	Swap	1,000 bbls/d	USD \$14.55	USD Floating	WCS Basis	(52)
Jan 1, 2017 to Dec 31, 2017	Swap	500 bbls/d	USD \$22.00	USD Floating	WCS Basis	(1,669)
Total						\$ (6,449)

The following table summarizes the sensitivity of the fair value of the Corporation’s market risk management positions to fluctuations in natural gas prices, crude oil prices, and foreign exchange. All such fluctuations were evaluated independently, with all other variables held constant. In assessing the potential impact of these fluctuations, the Corporation believes that the volatilities presented below are reasonable measures. Fluctuations in crude oil and natural gas prices would have had the following impact on the net loss:

Net earnings impact for the period ended September 30, 2016		
	Price Increase	Price Decrease
Crude Oil - Change of +/- \$1.00	(3,523)	3,523
Natural Gas - Change of +/- \$0.10	(297)	297

6. BANK DEBT

The Corporation has an extendible, revolving term credit facility at \$250 million with a syndicate of Canadian banks. The ability of the Corporation to draw amounts under the facility in excess of \$200 million is subject to certain conditions and covenants being met by the Corporation to the satisfaction of the syndicate at the time of draw and thereafter, which may also trigger a borrowing base re-determination. The facility is available on a revolving basis until May 29, 2017. On May 29, 2017, at the Corporation’s discretion, the facility is available on a non-revolving basis for a one-year period, at the end of which time the facility would be due and payable. Alternatively, the facilities may be extended for a further 364-day period at the request of the Corporation and subject to the approval of the syndicate. As the available lending limits of the facilities are based on the syndicate’s interpretation of the Corporation’s reserves and future commodity prices, there can be no assurance that the amount of the available facilities will not decrease at the next scheduled review. Interest rates vary depending on the ratio of net debt to cash flow. The facility had an effective interest rate of prime plus 1.75 percent as at September 30, 2016 (December 31, 2015 – prime plus 1.50 percent).

The facility is secured by a general assignment of book debts, debentures of \$1.5 billion with a floating charge over all assets of the Corporation with a negative pledge and undertaking to provide fixed charges on the major producing petroleum and natural gas properties at the request of the bank. Under the terms of the agreement, the Corporation is required to meet certain financial and engineering reporting requirements.

7. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total inflated and undiscounted amount of cash flows required to settle its decommissioning obligations at September 30, 2016 is approximately \$292.2 million (December 31, 2015 – \$315.6 million). These payments are expected to be made over the next 50 years with the majority of costs to be incurred between 2025 and 2064. A risk free rate of 1.66 percent (December 31, 2015 – 2.15 percent) and an inflation rate of two percent (December 31, 2015 – two percent) was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	September 30, 2016	December 31, 2015
Balance, beginning of period	\$ 129,827	\$ 206,060
Liabilities related to acquisitions	—	345
Liabilities related to dispositions (note 4)	(8,076)	(79,047)
Change in estimate	23,590	1,376
Liabilities incurred	1,553	959
Accretion expense	2,052	3,718
Decommissioning expenditures	(508)	(3,584)
Balance, end of period	\$ 148,438	\$ 129,827

The change in estimate was primarily the result of decreasing the discount rate.

8. SHARE CAPITAL

(a) Authorized

Unlimited number of voting common shares.

Unlimited number of preferred shares, issuable in series.

(b) Stock Options

The Corporation has granted options to certain officers, directors, employees and consultants under the Corporation's stock option plan. The exercise price of each option equals the market price of the Corporation's common shares at the date of grant. Options granted have a term of five years to maturity and vest as to one-third on each of the first, second and third anniversaries from the date of grant.

	September 30, 2016		December 31, 2015	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Stock options outstanding, beginning of period	129,200	\$ 7.05	232,533	\$ 6.76
Expired	(62,200)	\$ 9.39	(103,333)	\$ 6.40
Stock options outstanding, end of period	67,000	\$ 4.87	129,200	\$ 7.05
Exercisable at period-end	67,000	\$ 4.87	111,700	\$ 7.61

The following table summarizes stock options outstanding and exercisable at September 30, 2016:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average exercise price	Weighted average contractual life (years)	Number exercisable	Weighted average exercise price
\$3 to \$4.99	42,500	\$3.44	1.56	42,500	\$3.44
\$5 to \$7.34	24,500	\$7.34	0.86	24,500	\$7.34
\$3 to \$7.34	67,000	\$4.87	1.20	67,000	\$4.87

(c) Warrants

The Corporation has 1,400,560 warrants exercisable at a price of \$4.46. The exercise price is downward adjusted for dividends paid. The warrants become exercisable based on certain time based and performance based conditions. Specifically with respect to time they are exercisable up to one third on each anniversary from the date of the grant, and with respect to performance up to one half when the market price of the Corporation reaches \$6.30 and the other half when it reaches \$8.40. The warrants expire in June 2018. As at September 30, 2016, 1,400,560 warrants were exercisable.

(d) Stock Appreciation Rights

The Corporation had 2.0 million SAR's outstanding at September 30, 2016. The SARs vest up to one third on each anniversary from the date of grant and expire in June 2018. The exercise price is downward adjusted for dividends paid. As such the exercise price at September 30, 2016 is \$2.13 (December 31, 2015 - \$2.20) and 2.0 million SARs were vested and exercisable. The SARs when exercised are to be cash settled based on the difference between the Corporation's common share price on the date of exercise and the adjusted exercise price. The Corporation has valued the SARs using a Black Scholes valuation model and will continue to revalue at each reporting period until ultimate cash settlement. During the nine month period, the Corporation realized an increase to the liability within accounts payable and an offsetting increase to stock-based compensation of \$1.0 million (2015 - \$0.7 million decrease). There is \$2.3 million included in accounts payable at September 30, 2016 (December 31, 2015 - \$1.3 million).

(e) Restricted and Performance Share Award Incentive Plan

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

Subject to the terms and conditions of the plan, each RSA entitles the holder to an award value to be typically paid as to one-third on each of the first, second and third anniversaries from the date of grant. Each PSA entitles the holder to an award value to be typically paid on the third anniversary of the date of grant. For the purpose of calculating share-based compensation, the fair value of each award is determined at the grant date using the closing price of the common shares. An estimated forfeiture rate of 15% (2015 - 15%) was used to value all awards granted for the period ended September 30, 2016. The weighted average fair value of awards granted for the period ended September 30, 2016 is \$2.49 (2015 - \$2.47) per PSA granted and \$2.43 (2015 - \$2.47) per RSA. In the case of PSAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Corporation relative to pre-defined corporate performance measures for a particular period. On the vesting dates, the Corporation has the option of settling the award value in cash or common shares of the Corporation. For purposes of stock-based compensation a payout multiple of 1.0 was assumed for the PSAs.

The total number of RSA and PSA units granted cannot exceed five percent of the issued and outstanding shares of the Corporation.

The number of restricted and performance share awards outstanding are as follows:

	Number of restricted share awards	Number of performance share awards
Balance at January 1, 2016	2,740,363	3,407,103
Granted	2,498,777	2,093,769
Reinvested ⁽¹⁾	110,415	132,170
Exercised	(1,245,440)	—
Forfeited	(22,333)	(12,749)
Balance at September 30, 2016	4,081,782	5,620,293

⁽¹⁾ Per the terms of the plan, cash dividends paid by the Corporation are reinvested to purchase incremental awards.

(f) Stock-based compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based compensation on options	\$ —	\$ 5	\$ 5	\$ 24
Stock-based compensation on SARs	(9)	(1,137)	957	(711)
Stock-based compensation on PSAs and RSAs ⁽¹⁾	3,683	4,293	10,331	10,345
Capitalized stock-based compensation	(1,830)	(2,511)	(5,162)	(5,631)
Total stock-based compensation expense	\$ 1,844	\$ 650	\$ 6,131	\$ 4,027

⁽¹⁾ Included in stock-based compensation for the period ended September 30, 2016 is cash expenditures of \$1.7 million paid to acquire shares offered to employees and service providers (2015 - \$2.6 million).

(g) Per share amounts

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average number of shares - basic and diluted	221,615,072	221,259,098	221,236,102	220,539,775

In computing diluted per share amounts at September 30, 2016, 67,000 options (September 30, 2015 – 129,200), 1,400,560 warrants (September 30, 2015 – 1,400,560), 4,081,782 RSAs (September 30, 2015 – 3,109,111) and 5,620,293 PSAs (September 30, 2015 – 3,259,748) were excluded from the calculation as their effect was anti-dilutive.

(h) Dividends

The Board of Directors declared for the months of January through September 2016 cumulative dividends of \$0.075 per share (January - September 2015 - \$0.225 per share). Dividends of \$0.00625 per share are declared and outstanding at September 30, 2016 and were paid in October 2016. The dividend for October 2016 has been declared at \$0.00625 per share.

9. COMMITMENTS

Future minimum payments relating to operating lease and firm transport commitments at September 30, 2016 are as follows:

(\$000s)	
2016	\$ 3,266
2017	12,469
2018	8,140
2019	7,664
2020	7,440
2021+	14,788
Total	\$ 53,767