Notice and Management Information Circular – Proxy Statement

For the Annual General Meeting of Shareholders
to be held May 4, 2016 at 3:00 p.m. (Calgary time)

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

April 1, 2016

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 Meeting of Shareholders to be held on May 4, 2016

The annual general meeting of the holders (the "**Shareholders**") of common shares ("**Shares**") of Surge Energy Inc. (the "**Corporation**") will be held in the Devonian Room at the Calgary Petroleum Club at 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, May 4, 2016 (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, 2015, 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;

4. to appoint independent auditors for the ensuing year and to authorize the directors to fix the remuneration of the auditors; and

5. 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 April 1, 2016 (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 Monday, May 2, 2016 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
April 1, 2016

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 April 1, 2016

For the Annual General Meeting of Shareholders
to be held on May 4, 2016

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 meeting of the holders (the "**Shareholders**") of common shares (the "**Shares**") of the Corporation to be held in the Devonian Room at the Calgary Petroleum Club at 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, May 4, 2016 (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 April 1, 2016, 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

April 1, 2016 is the record date (the "**Record Date**") for the Meeting. 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 May 2, 2016 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 April 1, 2016, there were 221,046,510 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 in favour of 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 April 1, 2016.

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	April 13, 2010	President and CEO of the Corporation. Mr. Colborne 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 as a director of Red River Oil Inc., a private oil and gas company. 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 Startech Energy Ltd., which grew to become a 15,000 boe/d, publicly traded oil and gas company. Eight years later, in 2001, Startech was acquired by ARC Energy Trust for more than $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 a director of Crescent Point Energy, a 140,000 boe/d, publicly traded, dividend paying oil and gas company. He was also previously a director for Westfire Energy Ltd., Twin Butte Energy Ltd., Cequence Energy Ltd., and Breaker Energy Ltd. Mr. Colborne was Chairman of Seaview Energy Ltd. until its sale in December of 2009, Chairman of TriStar Oil & Gas Ltd. until its sale in July of 2009 and Chairman of Mission Oil and Gas Inc. until its sale in February 2007.	3,433,928
P. Daniel O'Neil(3)(4) Calgary, Alberta	April 13, 2010	Independent businessperson since his retirement on May 8, 2013. Prior thereto, President and CEO of the Corporation since April 13, 2010. Prior thereto, President and CEO 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	275,069

Name, Province and Country of Residence	Date of Initial Appointment or Election	Principal Occupation During Previous Five Years	Shares Beneficially Owned, Controlled or Directed
		Cathedral Energy Services Ltd. Prior to its sale, Mr. O'Neil was also a director of Hyperion Exploration Corp. Mr. O'Neil is a Professional Petroleum Engineer.	
Robert Leach(1)(2)(6) Calgary, Alberta	April 13, 2010	Chief Executive Officer of Custom Truck Sales Ltd., a private company operating Kenworth truck dealerships in Saskatchewan and Manitoba, and CEO of International Fitness Holdings, an operating arm of a private equity firm operating health clubs in Alberta. Mr. Leach was formerly the Chairman of the Board of Breaker Energy Ltd.	1,127,449
James Pasieka(5) Calgary, Alberta	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. Pasieka 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.	363,000
Keith Macdonald(1)(3)(4) Calgary, Alberta	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. and Mountainview Energy Ltd., which are 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.	132,834
Murray Smith(1)(2) Calgary, Alberta	June 26, 2010	President of Murray Smith and Associates and a director of Williams Companies, Inc. Mr. Smith also serves on the board of two private companies. Prior thereto, Mr. Smith was the 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.	95,276
Colin Davies(3)(4) Calgary, Alberta	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	201,873

Name, Province and Country of Residence	Date of Initial Appointment or Election	Principal Occupation During Previous Five Years	Shares Beneficially Owned, Controlled or Directed
		years of diverse experience in the oil and gas industry.	
Daryl Gilbert(2)(3) Calgary, Alberta	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.	16,569

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.
(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 (the "Board of Directors" or the "Board").

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 - 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:

- retained specialist consultants in the area of gender diversity;
- updated the mandate of the Compensation, Nominating and Corporate Governance Committee to specifically provide for oversight responsibility over diversity matters;
- implemented a Diversity Policy (as defined and described in more detail under the heading *"Board and Executive Diversity"*) in order to further advance diversity within the management of the Corporation and the Board;
- implemented the Non-Executive Director Share Ownership Guidelines (as defined and described in more detail under the heading *"Director Compensation – Non-Executive Director Share Ownership Guidelines"* in Schedule "A" hereto); and
- developed a Board skills matrix to assist with future nominating activities.

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, five of whom are considered to be independent. The Board considers Robert Leach, Keith Macdonald, Murray Smith, Colin Davies and Daryl Gilbert to be independent. Paul Colborne is not independent as he is the President and Chief Executive Officer of the Corporation. P. Daniel O'Neil is not independent as he served as the President and Chief Executive Officer of the Corporation within the past three years. James Pasieka is not independent as he is a partner of a law firm that provides legal services to the Corporation.

Mr. Pasieka 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, 2015. 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 *Business Corporations Act* (Alberta) (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 will disclose its decision, by way of press release, within 90 days of the applicable meeting. 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 of Directors at which the resignation is considered. 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 since January 1, 2015.

Director	Board	Audit	Reserves	Compensation, Nominating and Corporate Governance	EH&S	Total and Percentage
Paul Colborne	8 of 8	N/A	N/A	N/A	N/A	8 of 8 (100%)
Robert Leach	8 of 8	4 of 4	N/A	3 of 3	N/A	15 of 15 (100%)
Keith Macdonald	8 of 8	4 of 4	2 of 2	N/A	4 of 4	18 of 18 (100%)
Murray Smith	8 of 8	4 of 4	N/A	3 of 3	N/A	15 of 15 (100%)
Colin Davies	8 of 8	N/A	2 of 2	N/A	4 of 4	14 of 14 (100%)
P. Daniel O'Neil	8 of 8	N/A	2 of 2	N/A	4 of 4	14 of 14 (100%)
James Pasieka	8 of 8	N/A	N/A	N/A	N/A	8 of 8 (100%)
Daryl Gilbert	8 of 8	N/A	2 of 2	3 of 3	N/A	13 of 13 (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:

Director	Reporting Issuer
Paul Colborne	Priviti Oil & Gas Opportunities Limited Partnership 2013
Keith Macdonald	Bellatrix Exploration Ltd. Madalena Energy Inc. Mountainview Energy Ltd.
Murray Smith	Williams Companies, Inc.
Daryl Gilbert	Whitecap Resources Inc. Cequence Energy Ltd. AltaGas Ltd. PRD Energy Inc. LGX Oil + Gas Inc. Falcon Oil & Gas Ltd. Leucrotta Exploration Inc. Connacher Oil and Gas Limited

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 written mandate of the Board of Directors 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 2016, 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 53% 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. In 2015, the reporting relationship of the VP, Land position, currently held by a woman, was augmented to report directly to the CEO rather than the COO to further develop her executive skills.

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 Pasieka	✓	✓		✓	✓	✓	✓	✓	✓	✓
Robert Leach	✓	✓			✓	✓	✓	✓	✓	✓
Paul Colborne	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Colin Davies	✓	✓	✓	✓	✓	✓	✓	✓		✓
Daryl Gilbert	✓	✓		✓	✓	✓	✓		✓	✓
Keith Macdonald	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P. Daniel O'Neil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Murray Smith	✓	✓	✓		✓	✓	✓	✓	✓	✓

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The sole share based compensation plan of the Corporation is the Stock Incentive Plan (as defined herein). As of the date hereof, 2,553,056 RSAs and 3,114,649 PSAs (each as defined herein) were outstanding under the Stock Incentive Plan, representing, in aggregate, approximately 2.6% of the number of Shares outstanding. While the Corporation has discontinued its stock option plan, as of the date hereof, 129,200 options with a weighted average exercise price of \$7.05 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, 2015 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)	5,667,705	N/A	5,384,620(2)

Notes:

(1) Without giving effect to any adjustments for dividends declared and paid pursuant to the Stock Incentive Plan, as is 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% of the aggregate number of issued and outstanding Shares, calculated on a non-diluted basis.

EXECUTIVE COMPENSATION

This Circular is required to contain certain disclosure concerning the compensation for the financial year ended December 31, 2015 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, 2015.

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, 2015 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, 2015, 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 Pasieka, 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 Globel Direct, Inc. ("**Globel**") from December 1998 to June 2009. On June 12, 2007, Globel was granted protection from its creditors by the Court of Queen's Bench of Alberta pursuant to the CCAA, which protection expired on December 7, 2007, following which the monitor was discharged on December 12, 2007 and a receiver/manager was appointed. Subject to the completion of matters relating to the wind-up of the administration of the receivership, the receiver was discharged on September 3, 2008. Globel ceased operations, and as a result became the subject of cease trade orders issued by the ASC on September 24, 2008 and the BCSC on September 30, 2008 for failure to file certain disclosure documents. Globel was struck from the Alberta corporate registry on June 2, 2009.

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, 2015 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, 2015 dated March 16, 2016. 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

On September 25, 2015 Mr. Gordon (Paul) Ferguson joined the Corporation as Chief Financial Officer. Mr. Ferguson replaced Mr. Maxwell Lof in this capacity following Mr. Lof's departure which was announced on June 25, 2015. In the interim period, Mr. Rod Monden fulfilled certain Chief Financial Officer responsibilities. Mr. Monden continued to be considered a senior manager of the Corporation during this period and was treated as a non-executive staff member for purposes of establishing his compensation.

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
- Maxwell Lof – Former Chief Financial Officer
- Rod Monden – Interim Chief Financial Officer
- Daniel C. Brown – Chief Operating Officer
- Margaret Elekes – Vice President, Land
- 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 2015 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
- Delivering accretive transactions and increased original oil in place ("**OOIP**")[1]

In 2015, because of the drop in crude oil prices and the extreme economic conditions facing the industry as a whole, it was recommended and agreed that the Board consider the additional factors of:

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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.

- 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

In assessing the 2015 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:

- The undertaking by management to evaluate the Corporation's four main assets to assess production efficiencies, operating expenses and netbacks in each area; to consider the stage of development and proven OOIP upside in each area; the level of labour intensity and general and administrative expenses tied to each area and the overall economics and liabilities associated with each area. The objective was to determine which plays were most effective in contributing to the Corporation's short and long term sustainability.
- The analysis resulted in the transformational deal of selling the Southeast Saskatchewan and Manitoba assets in June 2015 which quickly and effectively repositioned the balance sheet by reducing net debt[2] to $125.5 million and set the Corporation up to be sustainable within the economic conditions. Of key importance were: the ultimate result of the proceeds of the sale at $430 million exceeded internal estimates; the deal was accretive to production, cash flow and proven plus probable reserves per share (all on a debt adjusted basis); and the deal positively repositioned forecasted debt to cash flow.
- By the end of the first quarter of 2015, record production had been achieved, capital spending was $25.8 million, being 50% of funds from operations[3] for the quarter; the operating netback[4] for the quarter was $32.67/boe and 4.6 net wells had been drilled with a 100% success rate.
- By the end of the second quarter of 2015, the Corporation was focused on optimizing the remaining three core areas and had the following corporate fundamentals: OOIP of greater than 1.4 billion (net) barrels, net debt of only $125.5 million versus a bank line of $425 million; high operating cash flow net backs for the first half of $29.82/boe; low opex for the quarter at $15.13/boe; and on-going risk management programs to protect cash flow. The Shares were trading at one of the highest gains in the quarter.
- By the end of 2015, the Corporation remained well positioned for a "lower for longer" scenario and to thrive and grow coming out of the downturn; management had continued to act proactively and decisively to use capital allocation techniques and other levers to create liquidity. Specifically, during the 2015 year, approximately $650 million had been created in liquidity by: unwinding hedges (Surge realized $36 million of proceeds from monetizing its fixed swap positions in 2015); dividend cuts (for year ended 2015, dividend cuts accounted for $72 million of additional liquidity as compared to a $0.60 per share, per annum dividend), asset sales (total dispositions in 2015 amounted to $469 million) and capital expenditure reductions (Surge cut its capital expenditures by $73 million from $150 million in 2014 to $77 million in 2015). A number of initiatives to reduce

2 "Net debt" does not have a standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and therefore may not be comparable with the calculation of similar measures by other companies. The Corporation defines net debt as outstanding bank debt plus or minus working capital, however, excluding the fair value of financial contracts and other current obligations. Management believes "net debt" is a useful supplemental measure of the total amount of current and long-term debt of the Corporation.

3 "Funds flow from operations" does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. The Corporation defines funds from operations as cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, transaction costs and cash settled stock-based compensation. The Corporation uses funds flow from operations to analyze operating performance and leverage.

4 "Netbacks" does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Management believes "netbacks" are a useful supplemental measures of the amount of revenues received after royalties and operating and transportation costs and secondly, the amount of revenues received after the royalties, operating, transportation costs, general and administrative costs, financial charges and asset retirement obligations.

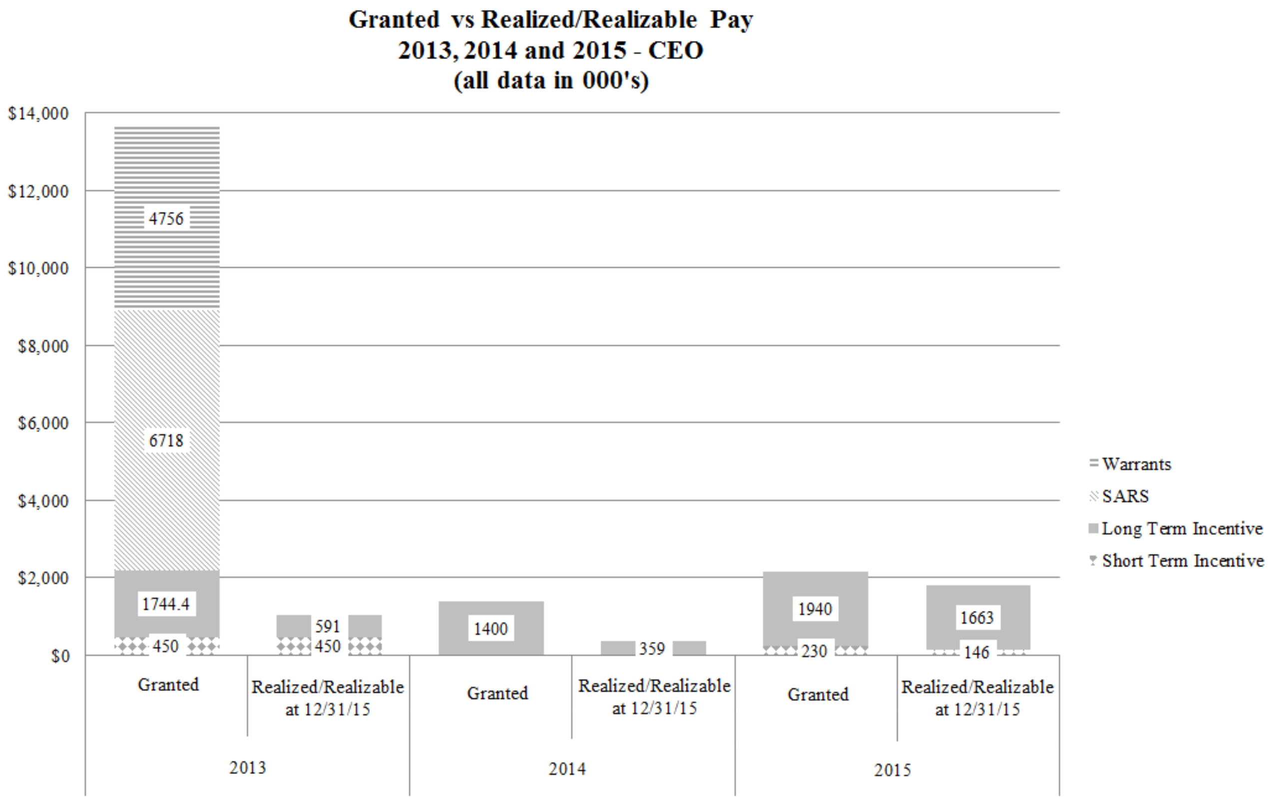
G&A (to $1.69/boe for Q4 2015 from $4.88/boe for the quarter ended June 30, 2013), operating expenses (to less than $12.60/boe for the most recently completed quarter from over $15.70/boe from the comparable quarter a year ago) and interest expense (decreased by $3.7 million per year over the previous year). Most notably, the Corporation had a very strong balance sheet on a production basis and was actively analyzing deals, structures and opportunities to continue to maintain the Corporation's sustainability.

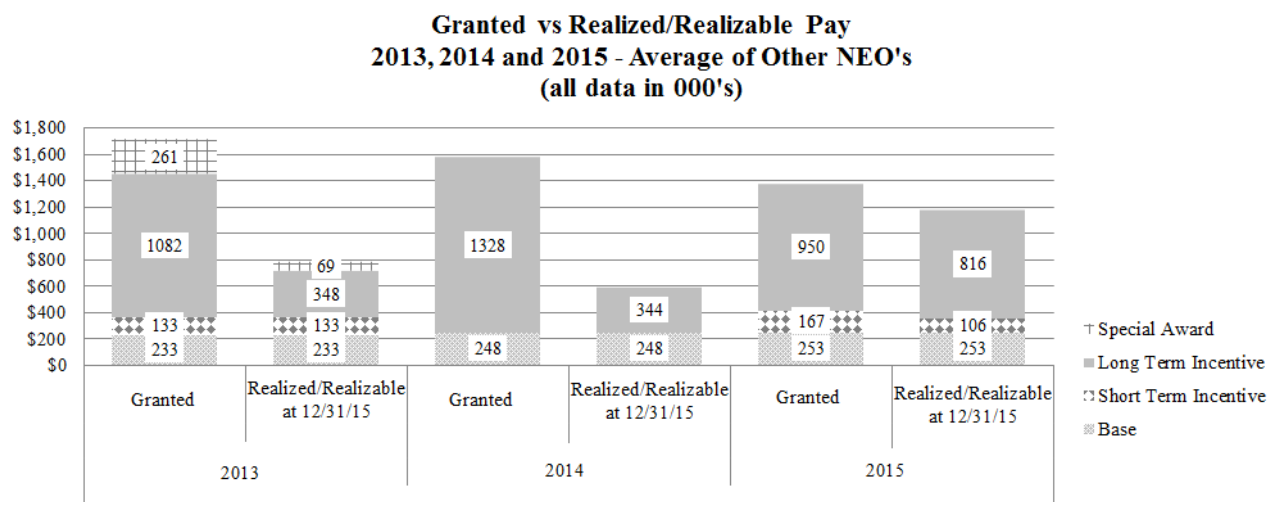
In March 2015, the previous year's performance had been assessed and base salaries of the executive officers were determined to be at appropriate levels and therefore were frozen. It was also determined that payments arising from the Corporation's Short Term Incentive Plan for 2014 performance would not be issued at that time for reasons previously disclosed. In June 2015, the Compensation, Nominating and Corporate Governance Committee engaged Mercer, its compensation advisors, 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. Directors' compensation was also compiled by Mercer at that time. In July 2015, the Compensation, Nominating and Corporate Governance Committee revisited its prior decision regarding the 2014 Short Term Incentive Plan in light of new market data being available and in light of the significant impact of the transformation deal that had just taken place. Incentives were issued at that time; however, rather than cash awards, the awards were issued in the Corporation's Shares which had been purchased in the market. In August 2015, 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 executive officers accordingly.

In March 2016, again in normal course, the assessments of base salary levels and corporate performance for purposes of assessing the Short Term Incentive Plan awards were undertaken. Base salaries were again frozen. Corporate performance was deemed to be at an 85% result under the factors of the plan and incentives were issued to the executive officers taking into account the fact that some consideration for the results had already been factored into previous awards. Again, rather than in cash, awards at this time were issued in RSAs with future vesting dates in 2016.

The following graphs compare total compensation granted in 2013, 2014 and 2015 to the realized and realizable compensation as at December 31, 2015 for the CEO and for the average of the other executive officers. Long Term Incentives and warrants values are stated on the basis of the closing price of $2.11 per Share on the TSX on December 31, 2015. Long Term Incentive values are stated giving no effect to the dividend adjustment provisions in the Stock Incentive Plan. The SARs (as defined below) 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, 2015, being $2.12, and the SARs price of $3.24 less dividends paid on the Shares between the date of grant and December 31, 2015. Average NEO compensation is based on the positions of COO, VP Production and VP Land only to avoid anomalies created in the data as a result in the change in the CFO position.

Consistent with the declining market conditions and the returns to shareholders, the values of the compensation granted over 2013, 2014 and 2015 are noticeably lower at December 31, 2015 than at the time of the grants thereby demonstrating directional alignment between the compensation of the executive officers and the interests of shareholders.





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.

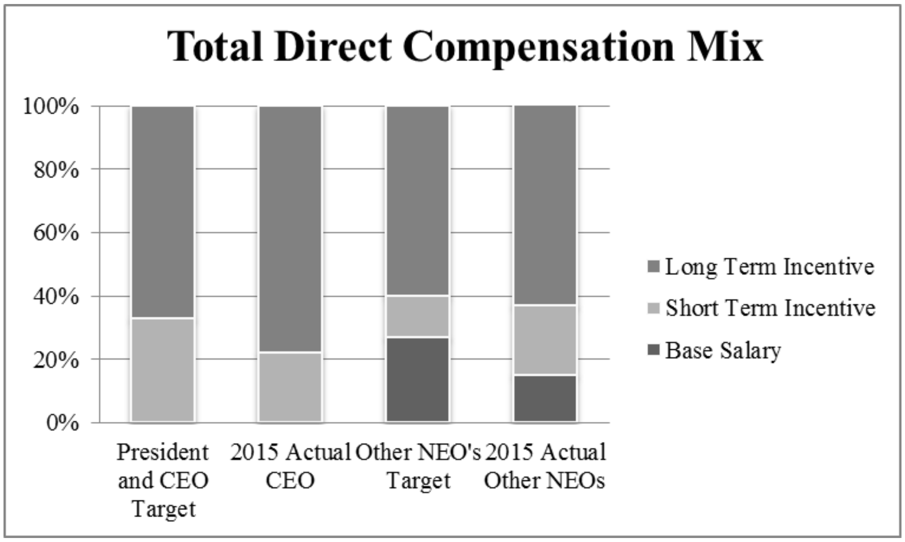
The 2015 peer group contains the following companies:

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

Compensation Components

The Compensation, Nominating and Corporate Governance Committee employed three forms of compensation for the NEOs of the Corporation in 2015 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 2015 actuals.



Base Salary

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

In April 2014, the Corporation established the following annual base salaries for each of the NEOs other than for Mr. Bye whose salary was updated in August 2015 and for Mr. Ferguson who was hired September 2015:

Named Executive Officer	Base Salary
Paul Colborne President and Chief Executive Officer	$1.00
Paul Ferguson Chief Financial Officer	$265,000
Maxwell Lof Former Chief Financial Officer	$270,000
Rod Monden Controller and Interim CFO	$205,000
Daniel C. Brown Chief Operating Officer	$278,000
Margaret Elekes Vice President – Land	$240,000
Murray Bye Vice President – Production	$250,000

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 2016, 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 second year in a row.

In July 2015, the base salary of Mr. Bye was reviewed and adjusted to reflect the progression Mr. Bye had made in his development as an executive member. It was recommended that his base salary be moved closer to the 50th percentile of the market for that position. In September 2015, Mr. Ferguson joined the organization at a base salary of $265,000.

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[3] supports the overall growth of the organization, including acquisitions. The five goals together drive the sustainability of the dividend.

The performance goals and the results achieved relative to those goals in 2015 are as follows, adjusted for dividends and debt as applicable:

Performance Measures	**Desired Outcome**	**2015 Outcome**	**2015 Performance**
Corporate initiatives	See above	See above	Exceeded
Reserves per share growth	3-5%	9%	Exceeded
Recycle ratio	1.5 – 2.0X	3.9X	Exceeded
Production per share growth	3-5%	4%	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 2015 was determined to be 85%. This resulted in a maximum pool of $934,000 being available for distribution to the executive officers in the STIP. The Compensation, Nominating and Corporate Governance Committee recommended a pool of $765,000 (with $521,000 tied to corporate performance and $244,000 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 and in the case of Mr. Ferguson, prorated for the portion of 2015 work. Recommendations were also considered in conjunction with the amounts issued in July 2015, as described below, to ensure no overlap in consideration for the transformational deal. The amounts were issued in April 2016 to the NEOs in the form of restricted share awards (and therefore reported in the Share-based Awards column in the Summary table which follows) in order to preserve cash, protect the balance sheet and ensure strong alignment to the performance of the Corporation. The restricted share awards vest in equal parts on August 15, 2016 and

October 7, 2016. A pool of $980,000, of which Mr. Monden was a part of, was approved for non-executive staff with managerial and senior technical staff receiving a blend of cash and restricted share awards and junior technical and administrative staff receiving cash amounts. The amounts approved by the Board and awarded to the NEOs are:

Named Executive Officer	2015 STIP Award
Paul Colborne President and Chief Executive Officer	$240,000
Paul Ferguson Chief Financial Officer	$35,000
Maxwell Lof Former Chief Financial Officer	Nil
Rod Monden Controller and Interim CFO	$53,000
Daniel C. Brown Chief Operating Officer	$130,000
Margaret Elekes Vice President – Land	$120,000
Murray Bye Vice President – Production	$125,000

In July 2015, following assessment of two key factors – the first being a review of the total compensation of the industry peer group once full disclosure of 2014 bonuses paid among the peer group were reviewed and in excess of the market research conducted in March 2014 and secondly in light of the transformational deal which had taken place in June 2015, the Corporation revisited its decision to not have awarded payments under the STIP in April 2014. It was determined, and approved by the Board of Directors, that the STIP payments for the NEOs be issued at that time and paid in the Corporation's Shares purchased in the market to strengthen the tie between the interests of the shareholders and the NEOs. The amounts awarded were aligned with the performance of the Corporation in 2014 which was previously disclosed. The overall corporate performance on the above stated factors was rated at 85% based on corporate initiatives, reserves per share growth and recycle ratio results all exceeding target and funds flow growth meeting target. Production per share growth had not been achieved. With respect to the transformational deal, the Corporation had evaluated properties and sold its Southeast Saskatchewan and Manitoba assets in a transaction that exceeded market expectations and significantly impacted the debt level, bringing it into alignment and thus positioning the Corporation to be sustainable through the downturn.

The pool was established at $985,000 based on the above-cited methodology in determining the STIP pool and a limit based on the premium achieved on the disposition of the assets (less than 2% of the premium). A portion of the pool was distributed to the NEOs based on their individual targets and as outlined below and a portion of the pool was distributed to non-executive staff who had been instrumental in the transaction. The number of Shares issued was based on the closing trading price of the Shares on the date which they were purchased, that being $3.33 on July 7, 2015.

Named Executive Officer	Deferred Incentive Award
Paul Colborne President and Chief Executive Officer	$230,000
Paul Ferguson Chief Financial Officer	N/A

Named Executive Officer	Deferred Incentive Award
Maxwell Lof Former Chief Financial Officer	N/A
Rod Monden Controller and Interim CFO	N/A
Daniel C. Brown Chief Operating Officer	$180,000
Margaret Elekes Vice President – Land	$160,000
Murray Bye Vice President – Production	$160,000

When hired, Mr. Paul Ferguson was provided a signing bonus in the amount of $200,000 which was to be paid 50% in cash in early 2016 and 50% in Shares which will be purchased in the market and granted to Mr. Ferguson on or about April 2016.

Long Term Incentive Program

The Corporation's long term incentive program consists of the Corporation's stock incentive plan (the "**Stock Incentive Plan**"). The Stock Incentive Plan 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 restricted share awards ("**RSAs**") and Participants other than non-employee directors may be granted performance share awards ("**PSAs**", together with the RSAs, the "**Incentives**") 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 including 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 Corporation's long-term 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 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 returns as well as Net Asset Value and Recycle Ratio as compared to industry peers as recommended by Mercer. The current fourteen industry peers[5] are all Canadian, TSX listed companies with market capitalization levels ranging from $250 million to $4 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 a reserves, production and cash flow 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 2015, the Compensation, Nominating and Corporate 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 2015 and considering the performance of the twelve months prior, the Corporation was tracking well against its objectives. While it had been necessary

[5] Baytex Energy Corp., Whitecap Resources Inc., 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., Crew Energy Ltd., Tamarack Valley Energy Ltd., RMP Energy Inc. and Twin Butte Energy Ltd.

to cut the dividend due to crude oil prices affecting cash flow and primarily outside the Corporation's control and because it was too high risk to be pursuing growth in the economic circumstances, the other key areas of performance were strong. Reserves and production on a debt-adjusted basis were within the growth targets. The balance sheet and net debt/boe had been brought into alignment. Further, the management team had continued to aggressively pursue austerity measures and continued to push operating and G&A expenses. Staff had been rationalized to an appropriate level and were being led through various initiatives to continue to look for ways to reduce expenses, finding process improvements and efficiencies and most importantly, a high effort was being placed on maintaining morale. Analysis of total shareholder returns had been conducted by Mercer to determine estimated mid-term Payout Percentages for the 2013 and 2014 PSAs. 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 albeit at reduced values from the previous year's grant.

Therefore, in August 2015, under the long-term incentive program, the Corporation granted the following Incentives:

Named Executive Officer	**PSAs(1)(2)**	**RSAs(1)**
Paul Colborne President and Chief Executive Officer	505,952 ($1,275,000)	168,651 ($425,000)
Paul Ferguson Chief Financial Officer	N/A	N/A
Maxwell Lof Former Chief Financial Officer	N/A	N/A
Rod Monden Controller and Interim (CFO)	39,682 ($99,999)	39,683 ($100,001)
Daniel C. Brown Chief Operating Officer	275,297 ($693,750)	91,766 ($231,250)
Margaret Elekes Vice President – Land	230,655 ($581,250)	76,885 ($193,750)
Murray Bye Vice President – Production	230,655 ($581,250)	76,885 ($193,750)

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 $2.52 per PSA and RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2015.

(2) For the purposes of the calculations in this chart, the Payout Percentage for PSAs is assumed to be 100%.

When hired, Mr. Paul Ferguson was granted 187,500 RSAs and 187,500 PSAs at a deemed value of $3.38 per incentive, being the 5 trading day volume weight adjusted average price of the Shares on October 19, 2015. The grant represented an appropriate initial grant for a Chief Financial Officer within industry peers.

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 2014.

	Mercer	
	2015	**2014**
Compensation-Related Fees	$29,013	$39,767
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:

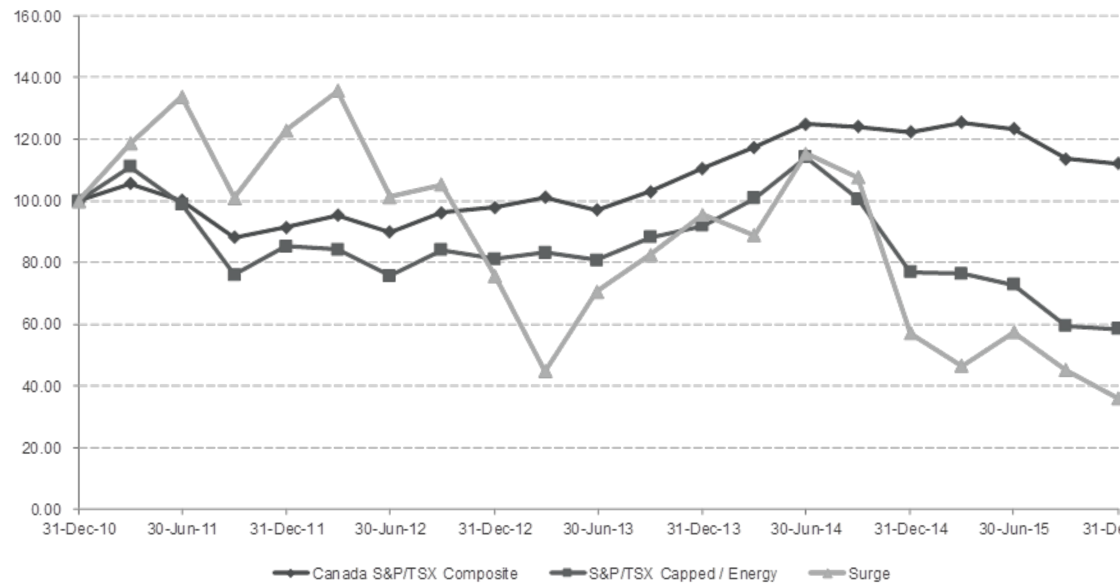
- base salaries provide a steady income regardless of share price performance, allowing executives and employees to focus on both near-term and long-term goals and objectives without undue reliance on short term share price performance or market fluctuations;
- cash bonuses are based on performance measures 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 Toronto Stock Exchange ("**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, 2010 and ending December 31, 2015.

	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
TOTAL RETURN						
Canada S&P/TSX Composite	36,481	33,303	35,697	40,334	44,591	40,882
S&P/TSX Capped / Energy	398	339	323	366	306	232

	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
S&P/TSX Composite Index	$100.00	$91.29	$97.85	$110.56	$122.23	$112.06
S&P/TSX Capped Energy Index	$100.00	$85.20	$81.08	$91.88	$76.87	$58.32
SGY Common Shares	$100.00	$122.80	$75.55	$95.51	$57.01	$35.87



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

The majority of the NEOs were appointed or named as a director on April 13, 2010 in connection with the recapitalization of Surge. 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 completion of the recapitalization and again after the implementation of dividends, other than during the recent economic downturn in the oil and gas industry. The trends in NEO compensation in terms of both total compensation granted and the realized/realizable pay at December 31, 2015 track the trends in shareholder returns over the time period.

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. 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 serves on the compensation committees of both Critical Control Solutions Corp. and 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, 2013 through 2015 to the NEOs of the Corporation.

					Non-Equity Incentive Plan Compensation ($)			
Name and Position	**Year**	**Salary ($)**	**Share-Based Awards ($)(1)**	**Option-Based Awards ($)**	**Annual Incentive Plans(3)**	**Long-Term Incentive Plans**	**All Other Compensation(4) ($)**	**Total Compensation ($)**
Paul Colborne(5) President and Chief Executive Officer	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
	2013	Nil	1,744,400	11,473,616(2)	450,000	Nil	7,925	13,675,941
Paul Ferguson (6)(7) Chief Financial Officer	2015	66,250	1,302,500	Nil	235,000	Nil	5,585	1,574,335
Maxwell Lof (6) Former Chief Financial Officer	2015	131,932	Nil	Nil	Nil	Nil	12,583	144,515
	2014	266,000	1,465,000	Nil	290,000	Nil	25,504	2,046,504
	2013	251,750	1,246,000	Nil	137,500	Nil	19,152	1,654,402
Rod Monden(6) Controller and Interim Chief Financial Officer	2015	201,500	253,000	Nil	Nil	Nil	19,471	473,971

Name and Position	Year	Salary ($)	Share-Based Awards ($)[1]	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($) Annual Incentive Plans[3]	Non-Equity Incentive Plan Compensation ($) Long-Term Incentive Plans	All Other Compensation[4] ($)	Total Compensation ($)
Daniel C. Brown Chief Operating Officer	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
	2013	261,750	1,277,150	Nil	140,000	Nil	19,280	1,698,180
Margaret Elekes Vice President, Land	2015	240,000	895,000	Nil	160,000	Nil	23,974	1,318,974
	2014	237,000	1,235,000	Nil	244,000	Nil	24,054	1,740,054
	2013	226,000	934,500	Nil	131,000	Nil	17,864	1,309,364
Murray Bye 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
	2013	212,917	872,200	Nil	127,500	Nil	17,231	1,229,848

Notes:

(1) 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 vest as to 50% on August 15, 2016 and 50% on October 7, 2016. For the purposes of the calculations in this table, the Payout Percentage for PSAs is assumed to be 100%. 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.

(2) On December 31, 2015, the value of the 2013 grant of stock based awards was Nil, as: (i) the warrants were all out of the money based on the December 31, 2015 closing price of the Shares on the TSX of $2.11; and (ii) the 2,000,000 SARs had a no value 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, 2015 of $2.12, and the SARs price of $3.24 less dividends paid on the Shares between the date of grant and December 31, 2015. As reported for the year ended December 31, 2013, the stock based awards were comprised of 2,000,000 SARs granted on June 11, 2013, valued based on the grant date fair value of the SARs calculated using the Black-Sholes-Merton Method and 1,400,560 warrants exercisable at a price of $4.46 purchased on June 11, 2013 as part of a private placement of units, value based on the purchase date fair value of the warrants calculated using the Black-Sholes-Merton Method.

(3) Represents the short term incentive paid to the NEO with respect to each of the years presented. For 2015, this is the value of the Shares granted pursuant to the deferred incentive based on the grant date fair value of $3.33 per Share, being the closing trading price of the shares on July 7, 2015.

(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, 2015 in relation to his duties as a director of the Corporation.

(6) Mr. Lof left the organization on June 25, 2015 as Chief Financial Officer. Mr. Ferguson joined the organization as Chief Financial Officer on September 25, 2015 and in the interim Rod Monden, the Corporate Controller, fulfilled certain responsibilities of the Chief Financial Officer.

(7) The value for Mr. Ferguson's annual incentive includes the $200,000 signing bonus. The value issued was $100,000 in cash paid in February 2016 and $100,000 in Shares which will be purchased in the market on or about April 2016.

Outstanding Incentive Plan Awards

The following table outlines for each NEO all PSAs and RSAs outstanding as at December 31, 2015.

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	843,689 PSAs 220,370 RSAs	1,780,184 464,981
Paul Ferguson Chief Financial Officer	187,500 PSAs 187,500 RSAs	395,625 395,625
Maxwell Lof Former Chief Financial Officer	Nil	Nil
Rod Monden Controller and Interim CFO	90,682 PSAs 66,183 RSAs	$191,339 $139,646
Daniel Brown Chief Operating Officer	515,726 PSAs 128,211 RSAs	1,088,182 270,314
Margaret Elekes Vice President, Land	418,429 PSAs 106,211 RSAs	882,885 223,896
Murray Bye Vice President, Production	415,491 PSAs 106,293 RSAs	876,686 224,278

Note:

(1) Calculated based on the closing price of $2.11 per Share on the TSX on December 31, 2015 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%. Not including RSAs issued in respect of the 2015 STIP, which were granted after December 31, 2015.

In addition to the above PSAs and RSAs, 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, 2015, 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, 2015, being $2.12, and the SARs price of $3.24 less dividends paid on the Shares between the date of grant and December 31, 2015, the SARs were valued at $Nil.

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, 2015 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2015.

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	1,356,176	230,000
Maxwell Lof Former Chief Financial Officer	Nil	Nil
Paul Ferguson Chief Financial Officer	Nil	200,000(3)

Name	Incentives – Value Vested During the Year ($)(1)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)(2)
Rod Monden Controller and Interim CFO	94,449	60,000
Daniel Brown Chief Operating Officer	343,462	180,000
Margaret Elekes VP, Land	270,920	160,000
Murray Bye VP, Production	268,955	160,000

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 $2.57 on August 15, 2015 and $3.38 on October 7, 2015. Paul Colborne's amount also includes consideration of SARs that vested June 11, 2015 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, 2015, being $4.05 and the impact of dividends.

(2) Includes the value of the Shares granted as a result of the incentive payment made July 2015 based on $3.33 per Share, being the closing price of the Shares on July 7, 2015 when the Shares were purchased on the TSX.

(3) Includes the $200,000 signing bonus due to Mr. Ferguson. The value issued was $100,000 in cash paid in February 2016 and $100,000 in Shares which will be purchased in the market on or about April 2016.

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, Margaret Elekes in her capacity as Vice President, Land, 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 Margaret Elekes; 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. Two-thirds of the SARs have vested as of December 31, 2015. The remaining SARs would automatically vest upon a change of control.

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, 2015. 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, 2015 of $2.11, 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 accelerated 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, 2015, being $2.12, and the SARs price of $3.24 less dividends paid on the Shares between the date of grant and December 31, 2015.

Name and Position	**Triggering Event**	**Cash Payment**	**Value of Accelerated RSAs, PSAs and SARs (if applicable) ($)**
Paul Colborne	Change of Control and Termination	Nil	2,245,134
President and Chief	Change of Control and Equivalent Employment	Nil	Nil
Executive Officer	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	Nil	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	2,245,134
Paul Ferguson	Change of Control and Termination	574,625	791,250
Chief Financial Officer	Change of Control and Equivalent Employment	574,625	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	574,625	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	791,250
Daniel Brown	Change of Control and Termination	634,550	1,358,496
Chief Operating Officer	Change of Control and Equivalent Employment	634,550	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	634,550	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	1,358,496
Margaret Elekes	Change of Control and Termination	485,000	1,106,782
Vice President, Land	Change of Control and Equivalent Employment	485,000	Nil
	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	485,000	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	1,106,782
Murray Bye	Change of Control and Termination	501,875	1,100,694
Vice President,	Change of Control and Equivalent Employment	501,875	Nil
Production	Termination with Just Cause	Nil	Nil
	Termination without Just Cause	501,875	Nil
	Resignation or Retirement	Nil	Nil
	Death	Nil	1,100,694

DIRECTOR COMPENSATION

Summary of Director Compensation

The directors of the Corporation are James Pasieka (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, other than Mr. Gilbert, had met the minimum threshold as of December 31, 2015. It is anticipated that Mr. Gilbert will have achieved the minimum threshold within the prescribed deadlines.

The following table outlines information concerning the compensation paid to the non-executive Directors for the year ended December 31, 2015.

Name	Fees Earned ($)	Share-Based Awards(1) ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
James Pasieka	55,308	125,000(2)	Nil	Nil	180,308
P. Daniel O'Neil	53,500	75,000	Nil	Nil	128,500
Robert Leach	54,000	75,000	Nil	Nil	129,000
Keith Macdonald	64,500	75,000	Nil	Nil	139,500
Murray Smith	56,000	75,000	Nil	Nil	131,000
Colin Davies	54,000	75,000	Nil	Nil	129,000
Daryl Gilbert	50,000	75,000	Nil	Nil	125,000

Notes:

(1) Comprised of 29,762 RSAs granted to each non-executive director other than Mr. Pasieka who was granted 39,683 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 $2.52 per RSA, being the 20 trading day volume weight adjusted average price of the Shares on August 15, 2015.

(2) On January 6, 2015, Mr. Pasieka was granted 7,788 RSAs pursuant to the Stock Incentive Plan upon his appointment as the Chairman of the Board. The value for RSAs granted is based on the grant date fair value of $3.21 per RSA, being the 5 trading day volume weight adjusted average price of the Shares on January 6, 2015.

Outstanding Incentives

The following table outlines, for each non-executive director, all RSAs outstanding as at December 31, 2015.

Name	Number of RSAs that have not Vested (#)	Market or payout value of RSAs that have not vested ($)(1)
James Pasieka	57,025	120,323
P. Daniel O'Neil	47,978	101,234
Robert Leach	41,912	88,434
Keith Macdonald	41,912	88,434
Murray Smith	41,912	88,434
Colin Davies	41,912	88,434
Daryl Gilbert	35,845	75,633

Note:

(1) Calculated based on the closing price of $2.11 per Share on the TSX on December 31, 2015 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, 2015.

Name	RSAs – Value Vested During the Year ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)
James Pasieka	40,532	Nil
P. Daniel O'Neil	58,399	Nil
Robert Leach	33,545	Nil
Keith Macdonald	33,545	Nil
Murray Smith	33,545	Nil
Colin Davies	33,545	Nil
Daryl Gilbert	8,700	Nil

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

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