

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and may not be offered or sold in the United States (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of these securities within the United States. See “Plan of Distribution”.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at the Corporation’s head office, Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, T2P 3M3, telephone (403) 930-1010, and are also available electronically at www.sedar.com.

FINAL SHORT FORM PROSPECTUS

New Issue

November 9, 2017



\$40,000,000

5.75% Convertible Unsecured Subordinated Debentures Due December 31, 2022

Price: \$1,000 per Debenture

Surge Energy Inc. (“**Surge**” or the “**Corporation**”) is hereby qualifying pursuant to this short form prospectus the distribution (the “**Offering**”) of \$40,000,000 aggregate principal amount of 5.75% convertible unsecured subordinated debentures (the “**Debentures**”).

The Debentures will bear interest at an annual rate of 5.75% payable semi-annually in arrears, on December 31 and June 30 in each year (each an “**Interest Payment Date**”) commencing on June 30, 2018. The June 30, 2018 interest payment will represent accrued interest for the period from and including the Closing Date (as defined herein) up to but excluding June 30, 2018. See “*Details of the Offering – General*”, “*Use of Proceeds*” and “*Consolidated Capitalization*”.

Debenture Conversion Privilege

Each Debenture will be convertible into common shares of the Corporation (“**Common Shares**”) at the option of the holder thereof at any time after the Closing Date but prior to 5:00 p.m. (Calgary time) on the earlier of: (i) the last Business Day (as defined herein) immediately preceding the Maturity Date (as defined herein); and (ii) the last Business Day immediately preceding the Redemption Date (as defined herein), in each case, at a conversion price of \$2.75 per Common Share (the “**Conversion Price**”), representing a conversion rate of approximately 363.6364 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the Indenture (as defined herein). Upon conversion, holders of Debentures receive accrued and unpaid interest thereon from and including the last Interest Payment Date up to, but excluding, the Conversion Date (as defined herein). Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under “*Details of the Offering – Conversion Privilege*”.

The Debentures will not be redeemable by the Corporation before December 31, 2020, except in certain limited circumstances following a Change of Control (as defined herein). On and after December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed by the Corporation, subject to certain restrictions, in whole or in part from time to time, on not more than 60 days’ and not less than 30 days’ prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date (as defined herein), provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2021 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, subject to certain restrictions, in whole or in part from time to time, on not more than 60 days’ and not less than 30 days’ prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date. See “*Details of the Offering – Redemption and Purchase*” and “*Risk Factors – Amendment to Credit Facilities in Connection with the Offering*”.

On the Redemption Date or on the Maturity Date, as applicable, subject to required regulatory approvals and provided that no Event of Default (as defined herein) has occurred and is continuing, the Corporation may, at its option, on not more than 60 days’ and not less than 40 days’ prior notice, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering freely tradeable Common Shares to the holders of the Debentures. Payment for which the Corporation elects to repay in Common Shares would be satisfied by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price of the Common Shares on the Redemption Date or Maturity Date, as applicable. Any accrued and unpaid interest will be paid in cash. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under “*Details of the Offering – Redemption and Purchase*” and “*Details of the Offering – Payment upon Redemption or Maturity*”.

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “SGY”. The TSX has conditionally approved the listing of the Debentures and the Common Shares issuable on the conversion, redemption and maturity of the Debentures or pursuant to the Indenture on the TSX. Listing of the Debentures and such Common Shares is subject to the Corporation’s fulfillment of all the requirements of the TSX on or before January 30, 2018. See “*Risk Factors – Risks Relating to the Offering – Market for Debentures*”.

On October 25, 2017, the last full trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$1.95. On November 8, 2017, the last trading day on the TSX prior to the date of this short form prospectus, the closing price of the Common Shares was \$2.28. See “*Risk Factors – Risks Relating to the Offering – Market for Debentures*”.

This short form prospectus also qualifies the distribution of the Common Shares issuable upon conversion, redemption or maturity of the Debentures.

The terms of the Offering, including the offering price for the Debentures, were determined by negotiation between the Corporation and National Bank Financial Inc., as lead underwriter, on its own behalf and on behalf of Macquarie Capital Markets Canada Ltd., GMP Securities L.P., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., Canaccord Genuity Corp., Cormark Securities Inc., Peters & Co. Limited and Acumen Capital Finance Partners Limited (collectively, the “**Underwriters**”). See “*Plan of Distribution*” and “*Relationship Among the Corporation and Certain Underwriters*”.

	Price to the Public	Underwriters’ Fee⁽¹⁾	Net Proceeds to the Corporation⁽²⁾
Per Debenture	\$1,000	\$40	\$960
Total ⁽³⁾	\$40,000,000	\$1,600,000	\$38,400,000

Notes:

- (1) Pursuant to the terms of the Underwriting Agreement (as defined herein), the Corporation has agreed to pay to the Underwriters a fee (the “**Underwriters’ Fee**”) equal to 4.0% of the gross proceeds of the offering of the Debentures. See “*Details of the Offering*” and “*Plan of Distribution*”.
- (2) Before deducting expenses of the Offering, estimated to be \$450,000, which will be paid from the general funds of the Corporation.
- (3) The Corporation has granted to the Underwriters an option (the “**Over-Allotment Option**”) to purchase up to an additional 4,500 Debentures at a price of \$1,000 per Debenture (plus accrued interest from the Closing Date to the closing date of the Over-Allotment Option), exercisable, at any time and from time to time, in whole or in part, until the date which is 30 days following Closing Date to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total gross proceeds of the Offering, the Underwriters’ Fee and the net proceeds to the Corporation (before deducting expenses of the Offering) will be \$44,500,000, \$1,780,000 and \$42,720,000, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the Debentures issuable upon exercise of the Over-Allotment Option. See “*Plan of Distribution*” and the table below.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices and the liquidity of the Debentures, and the extent of issuer regulation. See “*Risk Factors – Risks Relating to the Offering*”.

The following table sets forth the number of Debentures that may be issued by the Corporation pursuant to the Over-Allotment Option.

Underwriters’ Position	Maximum size or number of securities held	Exercise period	Exercise price
Over-Allotment Option	\$4,500,000 principal amount of Debentures	Exercisable up to 30 days following closing of the Offering	\$1,000 per Debenture

Note:

- (1) Plus accrued interest from the Closing Date to the closing date of the Over-Allotment Option.

A purchaser who acquires Debentures forming part of the Underwriters’ over-allotment position acquires those securities under this short form prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*”. The Offering is subject to the approval of certain legal matters relating to Canadian law on the Corporation’s behalf by McCarthy Tétrault LLP, Calgary, Alberta and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP, Calgary, Alberta.

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is anticipated to occur on or about November 15, 2017 or such other date as may be agreed upon by the Corporation and the Underwriters (the “**Closing Date**”), but in any event not later than December 15, 2017. Except in certain limited circumstances, including without limitation, with respect to Debentures sold pursuant to Section 4(a)(2) of the U.S. Securities Act, which shall be issued in definitive, fully registered form: (i) the Debentures will be registered and represented electronically through the book entry only system of CDS Clearing and Depository Services Inc. (“**CDS**”); (ii) subject to certain applicable laws, no certificates evidencing the Debentures will be issued; and (iii) purchasers of Debentures will receive only a

customer confirmation or statement from an Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures is purchased. See "*Plan of Distribution*".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Debentures and Common Shares at levels other than those that might otherwise prevail on the open market in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. **The Underwriters propose to offer the Debentures initially at the offering price specified above. After a reasonable effort has been made to sell all the Debentures at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the proceeds received by the Corporation.** See "*Plan of Distribution*".

The Corporation's *pro forma* earnings coverage ratios for the 12 months ended December 31, 2016 and the 12 months ended September 30, 2017 were, respectively, (2.84) and 0.74 times the Corporation's interest requirements for such periods. See "*Earnings Coverage*" in this short form prospectus.

National Bank Financial Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc. and CIBC World Markets Inc. are direct or indirect wholly-owned subsidiaries of certain Canadian chartered banks which are lenders to the Corporation and to which the Corporation is presently indebted. Consequently, the Corporation may be considered to be a connected issuer of these Underwriters under applicable Canadian securities laws. All of the net proceeds of the Offering will be used by the Corporation to repay a portion of its outstanding indebtedness to such banks. See "*Relationship Among the Corporation and Certain Underwriters*", "*Use of Proceeds*" and "*Consolidated Capitalization*".

An investment in the Debentures is speculative and involves a high degree of risk, including risks inherent in the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. The risk factors identified under the headings "*Risk Factors*" in the Annual Information Form (as defined herein) and in this short form prospectus and "*Forward-Looking Information*" in this short form prospectus should be carefully reviewed and evaluated by prospective purchasers before purchasing any Debentures. An investment in the Debentures is suitable for only those investors who are willing to risk a loss of their entire investment.

The Debentures may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Debentures in any jurisdiction where it is unlawful. Closing of the Offering is also subject to a number of conditions, including the approval of the TSX and, among other things, completion of a formal amending agreement in respect of the Credit Facilities (as defined herein). See "*Risk Factors – Risk relating to the Credit Facilities and other Senior Indebtedness*", "*Risk Factors – Amendment to Credit Facilities in Connection with the Offering*" and "*Risk Factors – Market for the Debentures*".

Mr. Robert Leach, a director of the Corporation, resides outside of Canada. Mr. Leach has appointed McCarthy Tétrault LLP, 4000, 421 – 7th Avenue S.W., Calgary, Alberta T2P 4K9 as his agent for service of process in Alberta. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against a person that resides outside of Canada, even if the party has appointed an agent for service of process.

The Corporation's head and registered office is located at Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 3M3.

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SELECTED DEFINITIONS

In this short form prospectus, the abbreviations and terms set forth below have the following meanings:

"Applicable Period" means any period announced by the Board of Directors as a period of time for which a cash dividend or distribution will be declared and paid by the Corporation to the holders of all or substantially all of the outstanding Common Shares;

"Annual Information Form" means the annual information form of the Corporation for the year ended December 31, 2016 dated March 15, 2017;

"Board of Directors" or **"Board"** means the board of directors of the Corporation;

"Business Day" means a day, other than a Saturday or Sunday, or a statutory holiday, on which major Canadian chartered banks are generally open for business in Calgary, Alberta;

"CDS" means CDS Clearing and Depository Services Inc.;

"Change of Control" has the meaning attributed thereto under *"Details of the Offering – Repurchase Upon a Change of Control"*;

"Change of Control Offer Price" has the meaning attributed thereto under *"Details of the Offering – Repurchase upon a Change of Control"*;

"Closing Date" means the date of the closing of the Offering, which is expected to occur on or about November 15, 2017 or such other date as the Corporation and the Underwriters may mutually agree, but in any event, no later than the date that is 42 days after the date of this short form prospectus;

"Common Share" means a common share in the capital of the Corporation;

"Common Share Interest Payment Election" has the meaning attributed thereto under *"Details of the Offering – Interest Payment Election"*;

"Conversion Date" means the date on which a Debenture is surrendered for conversion when the register of the Debenture Trustee is open and in accordance with the provisions of the Indenture or, in the case of a Debenture Certificate, on the date on which it is received by the Debenture Trustee in accordance with the provisions of the Indenture; provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the date on which such registers are next reopened;

"Conversion Price" means \$2.75 per Common Share, subject to adjustment in accordance with the Indenture;

"Corporation" means Surge Energy Inc.;

"CRA" means the Canada Revenue Agency;

"Credit Facilities" has the meaning set out in Note (4) to the table under *"Consolidated Capitalization"*;

"Current Market Price" has the meaning attributed thereto under *"Details of the Offering – Conversion Privilege"*;

"Debenture Beneficial Owner" has the meaning attributed thereto under *"Details of the Offering – Book Entry Only Debentures"*;

"Debenture Certificate" means a certificate evidencing Debentures issued pursuant to the Indenture;

"Debenture Offer" has the meaning attributed thereto under *"Details of the Offering – Repurchase Upon a Change of Control"*;

"Debenture Trustee" means Computershare Trust Company of Canada;

"Debentures" means the 5.75% convertible unsecured subordinated debentures of the Corporation offered pursuant to the Offering;

"Effective Date" has the meaning attributed thereto under *"Details of the Offering – Make Whole Change of Control"*;

"Event of Default" has the meaning attributed thereto under *"Details of the Offering – Events of Default"*;

"IFRS" means the International Financial Reporting Standards issued by the International Accounting Standards Board for publicly accountable enterprises, or such other generally accepted accounting principles and practices applied in Canada from time to time;

"Indenture" means the indenture to be dated the Closing Date between the Corporation and the Debenture Trustee under which the Debentures will be issued;

"Interest Obligation" means the Corporation's obligation to pay interest on the Debentures in accordance with the Indenture;

"Interest Payment Date" means December 31 and June 30 in each year in which the interest borne by the Debentures is payable at an annual rate of 5.75%;

"Lead Underwriter" means National Bank Financial Inc., the lead underwriter for the Offering;

"Lenders" means certain Canadian chartered banks who are lenders to the Corporation pursuant to the Credit Facilities;

"Make-Whole Premium" has the meaning attributed thereto under *"Details of the Offering – Make Whole Change of Control"*;

"Maturity Date" means December 31, 2022;

"Offering" means the offering of \$40,000,000 aggregate principal amount of 5.75% Debentures at a price of \$1,000 per Debenture pursuant to this short form prospectus and, where the context requires, includes the offering of up to an additional \$4,500,000 aggregate principal amount of Debentures pursuant to the Over-Allotment Option;

"Options" means options to acquire Common Shares granted pursuant to the Corporation's stock option plan.

"Over-Allotment Option" means the option granted to the Underwriters to purchase up to an additional 4,500 Debentures on the same terms and conditions as the Offering, exercisable in whole or in part, at any time and from time to time, for a period commencing on the closing of the Offering and ending on the date which is 30 days following closing of the Offering, to cover over-allotments, if any and for market stabilization purposes;

"Performance Share Award" means a performance share award granted pursuant to the Corporation's stock incentive plan;

"Redemption Date" means the date set for the redemption of the Debentures;

"Redemption Price" means, in respect of a Debenture, the amount including accrued and unpaid interest up to (but excluding) the Redemption Date fixed for such Debenture, payable on the Redemption Date, the principal portion of which may be payable by the issuance of the Common Share qualified hereunder;

"Resident Holder" is a holder of Debentures who, for purposes of the Tax Act, is resident in Canada;

"Restricted Share Award" means a restricted share award granted pursuant to the Corporation's stock incentive plan;

"Senior Indebtedness" has the meaning attributed thereto under *"Details of the Offering – Subordination"*;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time;

"TSX" means the Toronto Stock Exchange;

"Underwriters" means, collectively, National Bank Financial Inc., Macquarie Capital Markets Canada Ltd., GMP Securities L.P., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., Canaccord Genuity Corp., Cormark Securities Inc., Peters & Co. Limited and Acumen Capital Finance Partners Limited;

"Underwriters' Fee" means 4.0% of the gross proceeds of the Offering;

"Underwriting Agreement" means the agreement dated effective as of October 26, 2017 among the Corporation and the Underwriters in respect of the Offering;

"United States" or **"U.S."** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; and

"U.S. Securities Act" means the *United States Securities Act of 1933*, as amended.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

FORWARD-LOOKING INFORMATION

This short form prospectus and certain of the documents incorporated by reference herein contain certain statements or disclosures that constitute forward-looking information under applicable Canadian securities laws. Forward-looking information includes, but is not limited to, information with respect to prospective results of operations, financial position or cash flows. All statements and disclosures, other than those of historical fact, about possible events, conditions, results of operations, activities, events, outcomes, results or developments based on assumptions about future economic conditions and courses of action that the Corporation anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should” or “believe”. In particular, this short form prospectus, and the documents incorporated by reference herein, contain or may contain forward-looking information pertaining to the following:

- the closing of the Offering and the use of proceeds from the Offering;
- the terms of the Offering;
- the timing of any regulatory approvals and consents in connection with the Offering;
- the timing of any amendments to the Credit Facilities;
- the interest payable on the Debentures;
- the Corporation's exploration and development plans and opportunities;
- the performance characteristics of the Corporation's oil and natural gas properties;
- oil and natural gas production levels;
- the size of the oil and natural gas reserves of the Corporation and anticipated future cash flows from such reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- plans to expand recovery from certain of the Corporation's properties;
- the Corporation's business acquisition strategy, the criteria to be considered in connection therewith and the benefits expected to be derived therefrom;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- recovery factors;
- reserve life indexes;
- the Corporation's dividend policy and the amount and timing of dividends;
- treatment under governmental regulatory regimes and royalty laws;
- expectations regarding forfeiture rates of Restricted Share Awards and Performance Share Awards and payout multipliers for performance share awards under Surge's stock incentive plan;
- tax horizon;
- timing of development of undeveloped reserves;
- estimated abandonment and reclamation costs and the timing thereof;
- expected land expiries and plans with respect thereto;
- plans to implement enhanced recovery; and
- capital expenditure programs and the timing thereof.

Various factors or assumptions are typically applied by the Corporation in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking information based on information currently available to the Corporation. These factors and assumptions include, but are not limited to:

- the timely receipt of required regulatory approvals for the Offering;

- the timely receipt of an amendment to the Credit Facilities to permit the Offering of the Debentures and the execution of the Indenture;
- the satisfaction of all conditions to closing for the Offering;
- oil and gas production levels;
- the success of the Corporation's operations and exploration and development activities;
- the availability of capital to finance the Corporation's current and future exploration, development and operations;
- the availability of capital to fund the Corporation's financial obligations in respect of the Debentures and pursuant to the Indenture;
- prevailing weather conditions, commodity prices and exchange rates;
- the availability of capital to fund planned expenditures;
- the availability of labour, services and drilling equipment;
- the timing of and the estimated costs to abandon and reclaim the Corporation's assets;
- timing and amount of capital expenditures;
- general economic and financial market conditions;
- the success, nature and timing of waterflood activities;
- prevailing regulatory, royalty, tax and environmental laws and regulations; and
- the ability of the Corporation to secure necessary personnel, equipment and services.

Actual results, performance or achievements of the Corporation may differ materially from those contemplated in the forward-looking information. Factors and risks that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things:

- failure to receive regulatory or stock exchange approvals or otherwise satisfy the conditions to the closing of the Offering;
- volatility in market prices for oil and natural gas;
- volatility in exchange rates;
- risks and liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- inability to secure financing, labour, services or equipment on a timely basis or on favourable terms;
- fluctuations in the costs of borrowing;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- unfavourable weather conditions;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- results of waterflood responses;
- failure to realize the anticipated benefits of acquisitions and the Offering;
- the outcome of litigation and regulatory proceedings that may be brought against the Corporation or other disputes involving the Corporation;
- adverse regulatory rulings, orders and decisions;
- cyber-security issues;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and

- the other factors set out under “*Risk Factors*” in this short form prospectus and in the Annual Information Form or set out in the management’s discussion and analysis of financial position and results of operations accompanying the financial statements of the Corporation and incorporated by reference herein.

Statements relating to “reserves” or “resources” are deemed to constitute forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors and risks are not exhaustive. The forward-looking information contained in this short form prospectus and the documents incorporated by reference herein is expressly qualified by this cautionary statement. The forward-looking information contained in this short form prospectus or in any of the documents incorporated by reference herein are made as of the date of the respective document and was provided for the purpose of describing the anticipated effects of the Offering on the Corporation’s business operations. The Corporation does not undertake any obligation to publicly update or revise any forward-looking information except as required under applicable securities laws and does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws.

NON-IFRS MEASURES

In this short form prospectus and in certain of the documents incorporated by reference into this short form prospectus, the Corporation uses the terms “adjusted funds from operations”, “adjusted funds from operations per share”, “net debt” and “netback”. These measures are not recognized by IFRS, which comprise Canadian generally accepted accounting principles for publicly accountable enterprises in Canada, and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to performance measures presented by others.

Surge determines adjusted 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. Adjusted funds from operations per share is calculated using the same weighted average basic and diluted shares used in calculating income per share. Operating netbacks excluding hedging activity represent the Corporation’s revenue, excluding realized and unrealized gains or losses on financial contracts, less royalties and operating and transportation expenses. Operating netbacks including hedging activity represent the Corporation’s operating netback adjusted for realized gains or losses on financial contracts. Corporate netbacks represent the Corporation’s operating netbacks, less general and administrative and interest expenses, in order to determine the amount of funds generated by production. The Corporation defines net debt as outstanding bank debt plus or minus working capital and dividends payable, and excluding the fair value of financial contracts, accrued share appreciation rights within accounts payable and other current obligations. Management of the Corporation believes that, in addition to net income, funds from operations, netback and net debt are useful supplemental measures as they provide an indication of the Corporation’s principal business activities before the consideration of how those activities are financed or how the results are taxed. Readers should be cautioned, however, that these measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Corporation’s performance.

OIL AND GAS EQUIVALENCY

The term “BOE” means a barrel of oil equivalent on the basis of 6 thousand cubic feet (“Mcf”) of natural gas to 1 barrel (“Bbl”) of oil. The term “Mcf” means a thousand cubic feet of gas equivalent on the basis of 1 Bbl of oil to 6 Mcf of natural gas. BOEs and Mcfs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl or an Mcf conversion ratio of 1 Bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at the Corporation’s head office, Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, T2P 3M3, telephone (403) 930-1010, and are also available electronically at www.sedar.com.

The following documents of the Corporation, which have been filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Information Form;

- (b) the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2016 and 2015, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of the financial position and results of operations of the Corporation for the years ended December 31, 2016 and 2015;
- (d) the unaudited condensed consolidated interim financial statements of the Corporation as at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016, together with the notes thereto;
- (e) management's discussion and analysis of the financial position and results of operations of the Corporation for the three and nine months ended September 30, 2017 and 2016;
- (f) the material change report of the Corporation dated October 31, 2017 concerning the Offering;
- (g) the management information circular- proxy statement of the Corporation dated March 31, 2017 in respect of the annual general and special meeting of shareholders of the Corporation held on May 16, 2017; and
- (h) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements*) of the term sheet for the Offering dated October 26, 2017, with English and French versions filed on SEDAR on October 30, 2017 and October 31, 2017, respectively.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial conditions and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by the Corporation after the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at the Corporation's head office, Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, T2P 3M3, telephone (403) 930-1010, and are also available electronically at www.sedar.com.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) prepared in connection with the Offering is not a part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering after the date of this short form prospectus but prior to the termination of the distribution of the securities under this short form prospectus (including any amendments to, or an amended version of, any template version of marketing materials) is deemed to be incorporated by reference in this short form prospectus. The marketing materials may be viewed under the Corporation's profile on www.sedar.com.

SUMMARY OF THE OFFERING

The following is a brief summary of certain of the terms of the Offering. For a more complete description of the terms of the Debentures, see “*Details of the Offering*”.

Issue:	\$40,000,000 aggregate principal amount of 5.75% convertible unsecured subordinated debentures.
Issue Price:	\$1,000 per Debenture.
Closing Date:	On or about November 15, 2017.
Over-Allotment Option:	The Underwriters have been granted the Over-Allotment Option to purchase up to an additional \$4,500,000 aggregate principal amount of Debentures at the issue price of \$1,000 per Debenture (plus accrued interest from the Closing Date to the closing date of the Over-Allotment Option), exercisable at any time and from time to time, in whole or in part, until the date which is 30 days following from the Closing Date, to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.
Use of Proceeds:	The estimated net proceeds from the Offering, after deducting the Underwriters' Fee, but prior to deducting the estimated expenses of the Offering payable by the Corporation, will be approximately \$38,400,000 (\$42,720,000 if the Over-Allotment Option is exercised in full). The net proceeds of the Offering will be used to repay a portion of the Corporation's outstanding indebtedness under the Credit Facilities. See “ <i>Use of Proceeds</i> ”.
Interest:	The Debentures will bear interest at an annual rate of 5.75% payable semi-annually in arrears, on the Interest Payment Dates, commencing on June 30, 2018. The first payment will represent accrued interest for the period from the Closing Date up to, but excluding June 30, 2018.
Maturity Date:	December 31, 2022.
Rank and Subordination:	The Debentures will be the Corporation's direct, unsecured obligations and will be fully subordinated to all existing and future Senior Indebtedness (including the Credit Facilities). The Debentures will rank equally with one another and will rank <i>pari passu</i> with all of the Corporation's other existing and future unsecured subordinated indebtedness to the extent subordinated on the same terms, as more particularly described under “<i>Details of the Offering – Subordination</i>”. The Indenture will not restrict the Corporation's ability to incur additional indebtedness, including Senior Indebtedness, or to mortgage, pledge or charge the Corporation's properties to secure any indebtedness or liabilities, including Senior Indebtedness. See “<i>Details of the Offering – Rank</i>”. The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated and postponed, and subject in right of payment in the circumstances referred to below and more particularly as set forth in the Indenture, to the full and final payment of all of the Corporation's Senior Indebtedness. The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to the Corporation's property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the Corporation's assets and liabilities, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon excluding the issuance of Common Shares on conversion, redemption or maturity of the Debentures. The Indenture will also

provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; or (ii) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness and the notice of such default, event of default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full. See “*Details of the Offering – Subordination*”.

Conversion Privilege:

Each Debenture will be convertible into Common Shares at the option of the holder thereof at any time after the Closing Date but prior to 5:00 p.m. (Calgary time) on the earlier of: (i) the last Business Day immediately preceding the Maturity Date; and (ii) the last Business Day immediately preceding any Redemption Date, in each case, at the Conversion Price, representing a conversion rate of approximately 363.6364 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the Indenture. If the holder elects to convert its Debentures in connection with a Change of Control that occurs prior to the Maturity Date, the holder will be entitled to receive additional Common Shares as a Make-Whole Premium on conversion in certain circumstances. See “*Details of the Offering – Change of Control*”.

Upon conversion of any Debentures, holders thereof will receive accrued and unpaid interest thereon from and including the last Interest Payment Date up to, but excluding, the Conversion Date. Holders converting their Debentures will become holders of record of Common Shares on the Conversion Date provided that, if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person entitled to receive Common Shares shall become the holder of record of such Common Shares as at the date on which such register is next reopened. Notwithstanding the foregoing, no Debentures may be converted on an Interest Payment Date or during the five Business Days preceding an Interest Payment Date in each year, commencing June 30, 2018, as the registers of the Debenture Trustee will be closed during such periods. The Conversion Price is subject to adjustment in certain circumstances. See “*Details of the Offering – Conversion Privilege*”.

Redemption and Purchase:

The Debentures will not be redeemable by the Corporation before December 31, 2020, except in certain limited circumstances following a Change of Control. See “*Details of the Offering – Repurchase upon a Change of Control*”. On or after December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed by the Corporation, subject to certain restrictions, in whole or in part from time to time, at the Corporation’s option on not more than 60 days’ and not less than 30 days’ prior written notice, at the Redemption Price, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2021 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, subject to certain restrictions, in whole or in part from time to time, on not more than 60 days’ and not less than 30 days’ prior written notice, at the Redemption Price. See “*Plan of Distribution*” and “*Risk Factors – Risk relating to the Credit Facilities and other Senior Indebtedness*”.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX (or such other recognized exchange on which the Debentures may be listed).

Surge will have the right to purchase Debentures for cancellation in the market, by tender or by private contract, at any time, subject to regulatory requirements. See “*Details of the Offering – Redemption and Purchase*”.

Change of Control:

Within 30 days following the occurrence of a Change of Control, the Corporation will be required to make a Debenture Offer at the Change of Control Offer Price. See *"Details of the Offering – Repurchase upon a Change of Control"*.

In addition to the requirement for the Corporation to make a Debenture Offer, and subject to regulatory approval, in the event of a Change of Control in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights); (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, holders of Debentures may elect to convert their Debentures and, subject to certain limitations, receive, subject to and upon completion of the Change of Control, in addition to the number of Common Shares they would otherwise be entitled to receive as set out under *"Details of the Offering – Conversion Privilege"*, an additional number of Common Shares per \$1,000 principal amount of Debentures as set out in the Indenture. See *"Details of the Offering – Make Whole Change of Control"*.

Interest Payment Election:

Surge may elect, from time to time, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, to satisfy the Corporation's Interest Obligation, on an Interest Payment Date occurring after the Closing Date: (i) in cash; (ii) by delivering sufficient Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or (iii) any combination of (i) and (ii) above. See *"Details of the Offering – Interest Payment Election"*.

Payment upon Redemption or Maturity:

On any Redemption Date or on the Maturity Date, as applicable, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date, or the Maturity Date, as applicable.

On any Redemption Date or on the Maturity Date, as applicable, the Corporation may, at the Corporation's option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, elect to satisfy the Corporation's obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. Payment for such Debentures subject to the election would be satisfied by delivering that number of freely tradeable Common Shares obtained by dividing the principal amount of the Debentures subject to the election which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash. In the event a holder of Debentures exercises its conversion rights following delivery of a notice of redemption by the Corporation, such holder shall be entitled to receive the applicable number of Common Shares to be received on conversion on the Business Day immediately preceding the Conversion Date, plus any accrued and unpaid interest for the period from and including the latest Interest Payment Date up to but excluding the Conversion Date. No fractional Common Shares will be issued upon redemption or maturity of the Debentures; in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole Common Share. See *"Details of the Offering – Debentures – Payment upon Redemption or Maturity"*.

Restrictions on Share Redemption or Maturity Right:

Surge will not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the right to issue Common Shares on redemption or maturity of the Debentures; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Corporation's right to issue Common Shares on redemption or maturity of the Debentures.

Events of Default:

The Indenture will provide that an Event of Default will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 30 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any (whether by payment in cash or delivery of Common Shares), on the Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration, including any Make-Whole Premium (as defined herein), payable upon conversion with respect to the Debentures, which default continues for 15 days; (iv) default in the observance or performance of any covenant or condition of the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% of the aggregate principal amount of the Debentures specifying such default and requiring the Corporation to rectify or obtain a waiver for same; and (v) certain events of bankruptcy, insolvency or reorganization of the Corporation or any material subsidiary under bankruptcy or insolvency laws; and (vi) if an event of default occurs or exists under any indenture, agreement or other instrument evidencing or governing indebtedness for borrowed money of Surge and as a result of such event of default: (A) indebtedness for borrowed money thereunder in excess of \$10,000,000 (or the equivalent amount in any other currency) has become due and payable before the date it would otherwise have been due and payable; and (B) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors' remedies to collect such indebtedness.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon the request of holders of not less than 25% in principal amount of the then-outstanding Debentures, declare the principal of (and premium thereon, if any) and interest on all outstanding Debentures to be immediately due and payable. See "*Details of the Offering – Events of Default*".

Risk Factors:

See "*Risk Factors*" and other information included or incorporated by reference in this short form prospectus for a discussion of the factors that should be carefully considered before making a decision to invest in the Debentures.

Listing and Trading:

The TSX has conditionally approved the listing of the Debentures and the Common Shares issuable upon conversion, redemption and maturity of the Debentures on the TSX. Listing of such securities is subject to the Corporation's fulfillment of all the requirements of the TSX on or before January 30, 2018. See "*Risk Factors – Risks Relating to the Offering – Market for Debentures*".

Third Party Approvals:

Pursuant to the terms of the Underwriting Agreement, completion of the Offering is subject to (among other things): (i) the consent of the Lenders to the Offering and to the Corporation's entering into of the Indenture; and (ii) the Lenders'

agreement to amend the Credit Facilities to permit the Offering and the entering into by the Corporation of the Indenture. It is anticipated that such amendment will, among other things, restrict the ability of the Corporation to make any payments of principal, interest, fees or otherwise in respect of the Debentures other than the payment of regularly scheduled interest and the payment of the principal amount at the Maturity Date, provided that at the time of such payment no default, event of default or borrowing base shortfall under the Credit Facilities has occurred and is continuing or would result, or reasonably be expected to result, therefrom. In addition, it is anticipated that such amendment will restrict the ability of the Corporation to make any prepayments of principal under the Debentures without the consent of the Lenders. See “*Risk Factors – Risk relating to the Credit Facilities and other Senior Indebtedness*”, “*Risk Factors – Amendment to Credit Facilities in Connection with the Offering*” and “*Risk Factors – Market for the Debentures*”.

Following the Closing Date, such amendment will be available under the Corporation’s profile on SEDAR at www.sedar.com.

Governing Law:

The Indenture and the Debentures will be governed and construed in accordance with the laws of the Province of Alberta.

SURGE ENERGY INC.

The Corporation is a Calgary, Alberta based oil and gas company amalgamated under the *Business Corporations Act* (Alberta). It is engaged in the acquisition of interests in petroleum and natural gas rights, and the exploration, development, production and marketing of petroleum and natural gas reserves primarily in Western Canada. The Corporation has one wholly-owned subsidiary, 1413942 Alberta Ltd. The Corporation and 1413942 Alberta Ltd. are the only partners of Surge General Partnership.

The head office of the Corporation is located at Suite 2100, 635 – 8th Avenue S.W., Calgary, Alberta, T2P 3M3. The registered office of the Corporation is located at Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

The Corporation is building a moderate growth, dividend paying oil and gas company with focused, operated light and medium gravity crude oil assets. The Corporation focuses on assets with the following criteria: large oil in place with low recovery factors, available infrastructure, high working interest, operatorship, all-season access and drilling inventory, waterflood opportunities and other upside that provides a definable high rate of return.

Surge’s business model is to grow, cost effectively, on a reserves, production and cash flow per share basis, to provide a sustainable annual dividend to shareholders, payable monthly, and to provide additional growth through accretive acquisitions of large oil in place assets with low recovery factors.

Surge has a high quality light and medium gravity crude oil reserve, production and cash flow base. The Corporation has operated properties characterized by large oil in place crude oil reservoirs with low recovery factors. The Corporation has a significant inventory of low risk development drilling locations, several successful waterflood projects, and a strong balance sheet. Management has initiated a risk management/hedging program designed to protect cash flows, fund capital expenditures, and to pay dividends.

Management of the Corporation believes in controlling the timing and costs of its projects wherever possible. Accordingly, the Corporation seeks to become the operator of its properties. Further, to minimize competition within its geographic areas of interest, the Corporation strives to maximize its working interest ownership in its properties where reasonably possible.

For further information on the Corporation and its business, see the Annual Information Form, which is incorporated by reference herein.

RECENT DEVELOPMENTS

In December of 2016 the Corporation completed a \$15 million tuck-in acquisition in its Valhalla field. This acquisition is directly adjacent to the Northwest portion of Surge’s Valhalla acreage. In addition to providing up to 12 Montney light oil drilling locations, the Corporation acquired a two percent working interest in a large sour gas processing plant in the area.

On April 12, 2017, the Corporation completed the acquisition of assets producing 745 BOE/d (97% crude oil) in its core Sparky area of Central Alberta for a purchase price of \$37 million, paid in cash.

On September 1, 2017, the Corporation completed a non-brokered private placement offering of an aggregate of 4,211,794 Common Shares issued on a “flow-through basis” for purposes of the Tax Act, for gross proceeds of

approximately \$9.2 million, including 2,604,651 Common Shares (in respect of Canadian development expenses) at \$2.15 per Common Share and 1,607,143 Common Shares (in respect of Canadian exploration expenses) at \$2.24 per Common Share.

On September 8, 2017, the Corporation completed the acquisition of assets producing 780 BOE/d (95% crude oil) in its core Sparky area of Central Alberta for a purchase price of \$37.2 million, paid in cash.

ONGOING ACQUISITIONS, DISPOSITIONS AND FINANCING ACTIVITIES

Surge continues to evaluate potential acquisitions with a view to its stated corporate objectives, including the acquisitions of all types of petroleum and natural gas assets as part of its on-going asset portfolio management program. Additionally, Surge continues to evaluate potential dispositions of non-core assets and potential farm-out opportunities with other industry participants in respect of its petroleum and natural gas assets in circumstances where Surge believes it is prudent to do so based on, among other things, its capital program, development plan timelines and the risk profile of such assets. Surge is normally in the process of evaluating several potential acquisitions and dispositions at any one time which individually or in the aggregate could be material although Surge cannot predict, as of the date hereof, whether any current or future opportunities will result in one or more acquisitions or dispositions for the Corporation.

Additionally, Surge continuously evaluates its capital structure, liquidity and capital resources, and financing opportunities that arise from time to time. Surge may in the future complete financings of Common Shares or debt (which may be convertible into Common Shares) for purposes that may include the financing of acquisitions, the financing of Surge's operations and capital expenditures, and the repayment of indebtedness. As of the date hereof, except for the Offering, Surge has not reached a binding agreement on the pricing or terms of any potential material financing. Surge cannot predict whether any current or future financing opportunity will result in one or more material financings being completed.

USE OF PROCEEDS

The following table sets forth the principal purposes for which the Corporation proposes to use the net proceeds available to it upon the completion of the Offering:

	Without including the exercise of the Over-Allotment Option	Including the exercise of the Over-Allotment Option
Gross proceeds raised pursuant to the Offering	\$40,000,000	\$44,500,000
Underwriters' Fee	(\$1,600,000)	(\$1,780,000)
Expenses and costs relating to the Offering	(\$450,000)	(\$450,000)
Total estimated net proceeds pursuant to the Offering	\$37,950,000	\$42,270,000

The net proceeds of the Offering will be used to repay a portion of the Corporation's outstanding indebtedness under the Credit Facilities. The Corporation anticipates that the amending agreement to the Credit Facilities to permit the Offering and the entering into by the Corporation of the Indenture will include a covenant on the part of the Corporation that it will apply the net proceeds of the Offering for such purpose. See "*Plan of Distribution*" and "*Risk Factors – Amendment to Credit Facilities in Connection with the Offering*".

While the Corporation intends to use the net proceeds of the Offering and the exercise of the Over-Allotment Option, if any, as stated above, there may be circumstances that are not known at this time, including potential future corporate or asset acquisition opportunities, where a reallocation of such proceeds may be advisable for business reasons that management believes are in Surge's best interests. Following completion of the Offering, there is no particular significant event or milestone that must occur for the Corporation's business objectives to be accomplished. While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "Risk Factors" herein and in the Annual Information Form.

Surge's current indebtedness under the Credit Facilities has been incurred in the normal course of business and operations in connection with asset acquisitions, capital and other expenditures made by the Corporation. See "*Recent Developments*" for more information regarding acquisitions completed during the two-year period preceding the date of this short form prospectus, in respect of which indebtedness was incurred by the Corporation in connection with the payment of all or a portion of the purchase price.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation under IFRS as at September 30, 2017: (i) before giving effect to the Offering; and (ii) after giving effect to the Offering, assuming the Over-Allotment Option is not exercised. Other than as described below, there has not been any material change in the share or loan capital of the Corporation, on a consolidated basis, since September 30, 2017.

Designation	Outstanding as at September 30, 2017 before giving effect to the Offering (unaudited)	Outstanding as at September 30, 2017 after giving effect to the Offering (unaudited) ⁽¹⁾⁽²⁾
Shareholder Equity		
Share Capital		
Common Shares ⁽³⁾ (unlimited)	\$1,295,851,000 (232,920,477 shares)	\$1,295,851,000 (232,920,477 shares)
Debentures – Equity ⁽⁵⁾	N/A	\$3,190,000 (40,000 debentures)
Debt		
Credit Facilities		
Authorized ⁽⁴⁾	\$285,000,000	\$285,000,000
Amount Drawn	\$247,774,000	\$209,824,000
Debentures - Liability ⁽⁵⁾	N/A	\$33,493,000

Notes:

- (1) The Debentures may be converted, at the option of the holder, into Common Shares. See “*Details of the Offering – Conversion Privilege*”.
- (2) After deducting the estimated expenses of the Offering of \$450,000 and the Underwriters’ Fee of \$1,600,000 and assuming the Over-Allotment Option is not exercised.
- (3) Does not include Common Shares issuable upon vesting of the aggregate of 4,213,446 Restricted Share Awards, the aggregate of 6,783,910 Performance Share Awards, 7,500 Options to purchase an equivalent number of Common Shares at a weighted average exercise price of \$3.63 per share and 1,400,560 Common Share purchase warrants outstanding as at the date hereof.
- (4) The Corporation has a \$285,000,000 extendible, revolving term facility with a syndicate of Canadian banks bearing interest at bank rates (the “**Credit Facilities**”). The amount authorized under the Credit Facilities is dependent on the borrowing base determined by the Lenders. The borrowing base is subject to redetermination by the Lenders on a semi-annual basis in May and November of each year or as soon as reasonably practical at the request of the Corporation. The maturity date of the Credit Facilities is May 28, 2019. The Corporation can apply each year for a 364-day extension of the Credit Facilities, however, there is no certainty that the Lenders will grant such extension. The Corporation is required to comply with covenants under the Credit Facilities which include (among other things) the prohibition on the incurrence by the Corporation of certain non-permitted indebtedness. Pursuant to the terms of the Underwriting Agreement, completion of the Offering is subject to (among other things): (i) the consent of the Lenders to the Offering and to the Corporation’s entering into of the Indenture; and (ii) the Lenders’ agreement to amend the Credit Facilities to permit the Offering and the entering into by the Corporation of the Indenture. It is anticipated that such amendment will, among other things, restrict the ability of the Corporation to make any payments of principal, interest, fees or otherwise in respect of the Debentures other than the payment of regularly scheduled interest and the payment of the principal amount at the Maturity Date, provided that at the time of such payment no default, event of default or borrowing base shortfall under the Credit Facilities has occurred and is continuing or would result, or reasonably be expected to result, therefrom. In addition, it is anticipated that such amendment will restrict the ability of the Corporation to make any prepayments of principal under the Debentures without the consent of the Lenders. See “*Use of Proceeds*”, “*Risk Factors – Risk relating to the Credit Facilities and other Senior Indebtedness*” and “*Risk Factors – Market for the Debentures*”.
- (5) Represents the face value of the Debentures without fair value adjustments determined in accordance with IFRS. Under IFRS, the Debentures will be included as a liability measured initially at their fair value and subsequently at amortized cost, net of issue costs, with the remainder (representing the value of the conversion feature) included as equity. The equity portion is \$4.7 million before issue costs allocated to the equity component of \$0.2 million and deferred tax effect of \$1.3 million. For accounting purposes, the portion of the Debentures classified as a liability will be accreted over the term of the Debentures to increase the carrying value of the liability up to the principal balance of the outstanding Debentures at the Maturity Date with the accretion recognized as interest expense.

EARNINGS COVERAGE

After giving effect to the issuance of the Debentures to be distributed under this short form prospectus, but not including the Debentures issued pursuant to exercise of the Over-Allotment Option, subsequent to the respective calculation period as if the issuance and changes had occurred at the beginning of the calculation period, and all servicing costs that have been, or are expected to be, incurred in connection therewith and after giving effect to the Offering, the Corporation's *pro forma* interest requirements (including accretion associated with the portion of the principal amount of the Debentures classified as equity pursuant to IFRS) for the 12 months ended December 31, 2016 and the 12 months ended September 30, 2017 was \$8.8 million and \$10.9 million, respectively, and the Corporation's net earnings (loss) before deducting interest and income taxes for such periods was \$(25.1) million and \$7.9 million, respectively, being approximately (2.84) times and 0.73 times the Corporation's *pro forma* interest requirements for such periods, respectively.

The earnings coverage ratio for the 12 months ended December 31, 2016 is less than one-to-one. The Corporation would have required an increase of \$33.9 million in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for such period.

The earnings coverage ratio for the 12 months ended September 30, 2017 is less than one-to-one. The Corporation would have required an increase of \$3.0 million in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for such period.

Under IFRS, the Debentures will be included on the Corporation's balance sheet as a liability, with a portion allocated to equity related to the conversion feature and with the related interest expensed as incurred and financing charges amortized, using the effective interest method.

The following table sets out the earnings coverage ratios discussed above in accordance with IFRS.

(\$000s, except in Earnings Coverage Ratios)

	For the 12 months ended December 31, 2016	For the 12 months ended September 30, 2017
Interest Expense ⁽¹⁾⁽²⁾	\$8,817	\$10,901
Denominator For Earnings Coverage Ratio⁽³⁾	\$8,817	\$10,901
Net Income (Loss) and Comprehensive Income (Loss)	\$(30,421)	\$(8,411)
Income Tax Expense (Recovery)	\$(1,108)	\$7,663
Interest Expense	\$6,468	\$8,671
Numerator for Earnings Coverage Ratio	\$(25,061)	\$7,923
Earnings Coverage Ratio	(2.84)	0.73

Notes:

- (1) Includes a full 12 months of interest expense under IFRS as if the Debentures were issued at the beginning of the calculation period.
- (2) Interest expense included in the earnings coverage ratios include accretion relating to the portion of the Debentures reflected in equity and the amortization of deferred financing charges.
- (3) The denominator for the earnings coverage ratio has been adjusted for: (i) the Offering; (ii) the repayment of a portion of the outstanding indebtedness under the Credit Facilities with the net proceeds of the Offering; and (iii) the issuance by the Corporation of financial liabilities since December 31, 2016 and September 30, 2017, respectively.

DETAILS OF THE OFFERING

The Debentures will be issued under the Indenture between the Corporation and the Debenture Trustee. The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Indenture, which, following the Closing Date, may be viewed under the Corporation's profile on SEDAR at www.sedar.com.

General

The Debentures will be issued under and pursuant to the provisions of the Indenture to be entered into between the Corporation and the Debenture Trustee. The Debentures will be limited to an aggregate principal amount of up to \$44,500,000, including the Debentures issued upon exercise of the Over-Allotment Option. The Corporation may, however, from time to time, without the consent of the holders of any outstanding Debentures, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof.

Surge may elect, from time to time, subject to applicable regulatory approval and provided an Event of Default has not occurred and is continuing, to satisfy its obligation to pay the Interest Obligation on an Interest Payment Date occurring after the Closing Date: (i) in cash; (ii) by delivering sufficient Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or (iii) any combination of (i) and (ii) above. See “*Details of the Offering – Interest Payment Election*” below.

The Debentures will be issued in electronic form as book entry only in the name of CDS or its nominee, and purchasers of Debentures hereunder will receive customer confirmations of purchase from the Underwriter or registered dealer from which the applicable Debentures are purchased. Holders of beneficial interests in the Debentures will have the limited right to receive physical certificates evidencing their ownership of Debentures pursuant to the specific circumstances described under “*Details of the Offering – Book Entry Only Debentures*”.

Notwithstanding the foregoing, Debentures sold pursuant to Section 4(a)(2) of the U.S. Securities Act of 1933 will be issued in definitive, fully registered form.

The Debentures will bear interest from the date of issue at 5.75% per annum, which will be payable semi-annually on December 31 and June 30 in each year, commencing on June 30, 2018, computed on the basis of a 365-day year. The June 30, 2018 interest payment will represent accrued interest for the period from and including the Closing Date up to, but excluding, June 30, 2018. Interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture.

The Indenture will not contain a requirement for the Corporation to increase the amount of interest or other payments to holders of Debentures should the Corporation become required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts.

Principal on the Debentures will be payable in lawful money of Canada or, at the Corporation's option and subject to applicable regulatory approval and after the Closing Date and provided no Event of Default has occurred and is continuing, by delivery of Common Shares to satisfy, in whole or in part, the Corporation's obligation to repay principal under the Debentures, as further described under “*Details of the Offering – Redemption and Purchase*” and “*Details of the Offering – Payment upon Redemption or Maturity*”.

The Debentures will be the Corporation's direct obligations and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to the Senior Indebtedness, including without limitation, the Credit Facilities, as described under “*Details of the Offering – Subordination*”. The Indenture will not restrict the Corporation's ability to incur additional indebtedness, including Senior Indebtedness, or to mortgage, pledge or charge the Corporation's properties to secure any indebtedness or liabilities, including Senior Indebtedness.

Original purchasers of Debentures are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult a legal advisor. Under the Indenture, original purchasers of Debentures under the Offering will have a contractual right of rescission against the Corporation following the issuance of Common Shares to such purchaser upon the conversion of the Debentures to receive the amount paid for the Debentures if this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering. This contractual right of rescission will be consistent with the statutory right of rescission described under the heading “Purchasers' Statutory and Contractual Rights” in this short form prospectus and in addition to any right or remedy available to original purchasers under the securities legislation of certain provinces of Canada or otherwise at law.

The Debentures will be transferable and may be presented for conversion at the principal offices of the Debenture Trustee in Calgary, Alberta and Toronto, Ontario.

Conversion Privilege

Each Debenture will be convertible at any time after the Closing Date at the option of the holder thereof into fully paid and non-assessable Common Shares but prior to 5:00 p.m. (Calgary time) on the earliest of: (i) the last Business Day immediately preceding the Maturity Date; and (ii) the last Business Day immediately preceding the Redemption Date, in each case, at the Conversion Price, representing a conversion rate of approximately 363.6364 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the Indenture.

If a holder elects to convert its Debentures in connection with a Change of Control that occurs prior to the Maturity Date, the holder will be entitled to receive additional Common Shares as a Make-Whole Premium on conversion in certain circumstances. See “*Details of the Offering – Debentures – Make Whole Change of Control*”.

Upon conversion of any Debentures, the holder thereof will be eligible to receive accrued and unpaid interest thereon from and including the last Interest Payment Date up to, but excluding, the Conversion Date.

Holders converting their Debentures will become holders of record of Common Shares on the Conversion Date provided that, if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person entitled to receive Common Shares shall become the holder of record of such Common Shares as at the date on which such register is next reopened. Notwithstanding the foregoing, no Debentures may be converted on an Interest Payment Date or during the five Business Days preceding December 31 and June 30 in each year, commencing June 30, 2018 as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issuance of Common Shares or securities convertible into Common Shares by way of stock dividend or otherwise; (iii) the payment of a cash dividend or distribution to all or substantially all of the holders of Common Shares in excess of \$0.007917 per Common Share per Applicable Period; (iv) the issuance of options, rights or warrants to all or substantially all the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price of the Common Shares; (v) the distribution to all holders of Common Shares of any securities or assets (other than securities or assets in respect of any event described in (ii), (iii), (iv) or (v)); and (vi) the payment to all holders of Common Shares in respect of an issuer bid for Common Shares by the Corporation to the extent that the market value of the payment exceeds 95% of the then Current Market Price of the Common Shares on the date of expiry of the bid.

Provided the Common Shares are then listed on the TSX (or such other recognized stock exchange), the term **"Current Market Price"** will be defined in the Indenture to mean, on any day, the volume weighted average trading price of the Common Shares on the TSX (or such other recognized stock exchange) for the 20 consecutive trading days ending on the fifth trading day preceding such date.

Subject to prior regulatory approval, if required, there will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii), (iv) or (v) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. Surge will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. However, any adjustments that are less than 1% of the Conversion Price will be carried forward and taken into account when determining subsequent adjustments.

In the case of: (i) any reclassification, capital reorganization or change (other than a change resulting only from consolidation or subdivision) of the Common Shares; (ii) the Corporation's amalgamation, arrangement, consolidation or merger with or into any other entity; (iii) any sale, transfer or other disposition of the Corporation's properties and assets as, or substantially as, an entirety to any other entity; or (iv) the Corporation's liquidation, dissolution or winding-up, the terms of the conversion privilege will be adjusted so that each Debenture will, subject to the Change of Control provisions, after such reclassification, capital reorganization, change, amalgamation, arrangement, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding-up, be exercisable for the kind and amount of the Corporation's securities or property, or of such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, change, amalgamation, arrangement, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding-up if on the effective date thereof it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date thereof.

No fractional Common Shares will be issued upon conversion of the Debentures. In lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole Common Share. Upon conversion, the Corporation may offer, and the converting holder may agree to the delivery of, cash for all or a portion of the Debentures surrendered in lieu of Common Shares.

Redemption and Purchase

The Debentures will not be redeemable by the Corporation before December 31, 2020 (except in certain limited circumstances following a Change of Control. See *"Details of the Offering – Repurchase upon a Change of Control"* below). On or after December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, at the Corporation's option on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount plus accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2021 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon. Notwithstanding the foregoing, the Corporation expects that the Credit Facilities, once amended, will require the Lenders to consent to any such redemption prior to the Maturity Date.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX (or such other recognized exchange on which the Common Shares may be listed).

The Corporation will have the right to purchase Debentures for cancellation in the market, by tender or by private contract, at any time, subject to regulatory requirements.

Payment upon Redemption or Maturity

On any Redemption Date or on the Maturity Date, as applicable, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date or the Maturity Date.

On any Redemption Date or on the Maturity Date, as applicable, the Corporation may, at the Corporation's option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, provided that no Event of Default has occurred and is continuing, elect to satisfy the Corporation's obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. Payment for such Debentures which the Corporation elects to repay in Common Shares would be satisfied by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price of the Common Shares on the Redemption Date or Maturity Date, as applicable. In the event a holder of Debentures exercises their conversion right following delivery of a notice of redemption by the Corporation, such holder shall be entitled to receive the applicable number of Common Shares to be received on conversion on the Business Day immediately preceding the Conversion Date, plus any accrued and unpaid interest for the period from and including the latest Interest Payment Date to but excluding the Conversion Date. Any accrued and unpaid interest will be paid in cash.

No fractional Common Shares will be issued upon redemption or maturity of the Debentures; in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole Common Share.

Cancellation

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

Rank

The Debentures will be direct, unsecured obligations of the Corporation and will be fully subordinated to all Senior Indebtedness, including, without limitation, the Credit Facilities. The Debentures will rank equally with one another and, will rank *pari passu* with all of the Corporation's other existing and future unsecured subordinated indebtedness to the extent that it is subordinated on the same terms, as more particularly described below under "*Subordination*".

The Indenture will not restrict the Corporation's ability from incurring additional indebtedness, including Senior Indebtedness, or from mortgaging, pledging or charging their respective properties to secure any indebtedness or liabilities, including Senior Indebtedness.

Subordination

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated and postponed, and subject in right of payment to the full and final payment of all of the Corporation's Senior Indebtedness. "Senior Indebtedness" will be defined in the Indenture as "all existing and future obligations, liabilities and indebtedness of the Corporation which would, in accordance with IFRS, be classified upon a consolidated balance sheet of the Corporation as liabilities of the Corporation and, whether or not so classified, shall include (without duplication) all existing and future: (i) indebtedness of the Corporation or its subsidiaries for borrowed money; (ii) obligations of the Corporation or its subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (iii) obligations of the Corporation or its subsidiaries arising pursuant to or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (iv) obligations of the Corporation or its subsidiaries under any swap, hedging or other similar contracts or arrangements; (v) obligations of the Corporation or its subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (vi) all indebtedness of the Corporation or its subsidiaries representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (vii) accounts payable to trade creditors of the Corporation or its subsidiaries; (viii) all renewals, extensions and refinancing of any of the foregoing; (ix) all accrued and unpaid interest, fees and other amounts in respect of any of the foregoing; and (x) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same. "Senior

Indebtedness" shall not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Debentures."

For further clarity, "Senior Indebtedness" shall include, without limitation, indebtedness under the Credit Facilities, accounts payables to trade creditors of the Corporation, severance obligations of the Corporation and other indebtedness the principal of and premium, if any, and interest on and other amounts in respect of all such indebtedness of the Corporation (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future indebtedness or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to the Corporation's property or assets, or in the event of any proceedings for the Corporation's voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the Corporation's assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon excluding the issuance of Common Shares on conversion, redemption or maturity of the Debentures. The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; or (b) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness and the notice of such default, event of default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full.

The Debenture Trustee and the Corporation will also be authorized (and obligated upon a request from Surge) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

Repurchase upon a Change of Control

Within 30 days following the occurrence of a Change of Control, the Corporation will be required to make a cash offer to purchase all of the Debentures (the "**Debenture Offer**") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon (the "**Change of Control Offer Price**"). A Change of Control shall include the acquisition of voting control over 50% or more of the then outstanding Common Shares, or the sale or other transfer of all or substantially all of the Corporation's consolidated assets, excluding a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting control in such merged, reorganized or other continuing entity (each a "**Change of Control**"). Notwithstanding the foregoing, the Corporation expects that the Credit Facilities, once amended, will require the Lenders to consent to any such repayment and Change of Control.

The Indenture will contain notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control at least 15 days prior to the anticipated effective date of an occurrence of a Change of Control together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all outstanding Debentures.

If Debentures representing 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control are tendered for purchase following a Change of Control (other than Debentures held at the date of the take-over bid by or on behalf of the offeror, associates or affiliates of the offeror or any one acting jointly or in concert with the offeror), the Corporation will have the right to redeem all remaining Debentures in cash on the purchase date at the Change of Control Offer Price. Notice of such redemption must be given to the Debenture Trustee by the Corporation within ten days following expiry of the right of the holders of the Debentures to require repurchase after the Change of Control and, as soon as possible thereafter, by the Debenture Trustee to the holders of Debentures not tendered for purchase.

Make Whole Change of Control

In addition to the requirement for the Corporation to make a Debenture Offer in the event of a Change of Control, if a Change of Control occurs on or before the Maturity Date in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights); (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized

stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, holders of Debentures will be entitled to convert their Debentures, subject to certain limitations, and receive, in addition to the number of Common Shares they would otherwise be entitled to receive as set out under “*Details of the Offering – Conversion Privilege*” above, an additional number of Common Shares per \$1,000 principal amount of Debentures as set out below (in each case, a “**Make-Whole Premium**”).

The number of additional Common Shares per \$1,000 principal amount of Debentures constituting the relevant Make-Whole Premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the “**Effective Date**”) and the Change of Control Offer Price paid per Common Share in the transaction constituting the Change of Control. If holders of Common Shares receive (or are entitled and able in all circumstances to receive), only cash in the transaction, the Change of Control Offer Price will be the cash amount paid per Common Share. Otherwise, the Change of Control Offer Price will be equal to the Current Market Price of the Common Shares immediately preceding the Effective Date of such transaction.

The following table shows what the Make-Whole Premium would be for each hypothetical Change of Control Offer Price and Effective Date set out below, expressed as additional Common Shares per \$1,000 principal amount of Debentures. For greater certainty, the Corporation will not be obliged to pay the Make-Whole Premium other than by issuance of Common Shares upon conversion, subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under “*Details of the Offering – Conversion Privilege*” above.

Make-Whole Premium Upon a Change of Control
(Number of Additional Common Shares per \$1,000 Debenture)

Change of Control Offer Price	Effective Date					
	<u>15-Nov-17</u>	<u>31-Dec-17</u>	<u>31-Dec-18</u>	<u>31-Dec-19</u>	<u>31-Dec-20</u>	<u>31-Dec-21</u>
\$1.96	146.5700	146.5700	146.5700	146.5700	146.5700	146.5700
\$2.25	111.9022	111.4356	106.6178	98.7733	87.4178	69.5378
\$2.35	102.4298	101.9149	96.3234	87.5745	75.0894	52.9617
\$2.50	90.0640	89.4920	82.9800	73.1640	59.3880	31.1600
\$2.75	73.3855	72.7564	65.2036	54.2909	39.1164	8.9273
\$3.00	60.4600	59.8000	51.6700	40.3367	24.2633	1.6000
\$3.50	42.2429	41.5771	33.1657	22.3314	4.9343	0.0143
\$4.25	26.2424	25.6306	17.8565	9.2329	0.0753	-
\$5.00	17.3480	16.8120	10.0500	3.7520	-	-
\$10.00	2.7590	2.5740	0.3130	-	-	-

The actual Change of Control Offer Price and Effective Date may not be set out in the table, in which case:

- (a) if the actual Change of Control Offer Price on the Effective Date is between two Change of Control Offer Prices in the table or the actual Effective Date is between two Effective Dates in the table, the Make-Whole Premium will be determined by a straight-line interpolation between the Make-Whole Premiums set out for the two Change of Control Offer Prices and the two Effective Dates in the table based on a 365-day year, as applicable;
- (b) if the Change of Control Offer Price on the Effective Date exceeds \$10.00 per Common Share, subject to adjustment as described below, the Make-Whole Premium will be zero; and
- (c) if the Change of Control Offer Price on the Effective Date is less than \$1.96 per Common Share, subject to adjustment as described below, the Make-Whole Premium will be zero.

The Change of Control Offer Prices set out in the table above will be adjusted as of any date on which the Conversion Price of the Debentures is adjusted. The adjusted Change of Control Offer Prices will equal the Change of Control Offer Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of

which is the Conversion Price as so adjusted and the denominator of which is the Conversion Price immediately prior to the adjustment giving rise to the Change of Control Offer Price adjustment. The number of additional Common Shares set out in the table above will be adjusted in the same manner as the Conversion Price as set out above under “*Details of the Offering – Conversion Privilege*”, other than by operation of an adjustment to the Conversion Price by adding the Make-Whole Premium as described above.

Interest Payment Election

Surge may elect, from time to time, subject to applicable regulatory approval and provided that no Event of Default has occurred and is continuing, to satisfy the Corporation's obligation to pay the Interest Obligation, on an Interest Payment Date occurring after the Closing Date, (i) in cash; (ii) by delivering sufficient Common Shares to the Debenture Trustee for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares (a “**Common Share Interest Payment Election**”); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the Corporation making a Common Share Interest Payment Election, the Debenture Trustee will: (i) accept delivery from the Corporation of Common Shares; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in the Corporation's absolute discretion through investment banks, brokers or dealers identified by the Corporation; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date; (iv) use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the Corporation, to satisfy the Interest Obligation; and (v) perform any other action necessarily incidental thereto.

The Indenture will set out the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of holders of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Common Shares in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Corporation in respect of the Interest Obligation.

Notwithstanding the foregoing, neither the making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will: (i) result in the holders of the Debentures not being entitled to receive, on the applicable Interest Payment Date, cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (ii) entitle or require such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Restrictions on Share Redemption or Maturity Right

Surge will not, directly or indirectly (through a subsidiary or otherwise), undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the right to issue Common Shares on redemption or maturity of the Debentures; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Corporation's right to issue Common Shares on redemption or maturity of the Debentures.

Modification

The rights of the holders of Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which make binding on all holders of outstanding Debentures, resolutions passed at meetings of the holders of outstanding Debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the then-outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the then-outstanding Debentures. Under the Indenture, certain amendments of a technical nature or which are not prejudicial to the rights of the holders of the Debentures may be made to the Indenture without the consent of the holders of the Debentures.

Consolidation, Mergers or Sales of Assets

The Indenture will provide that the Corporation may not, without the consent of the holders of the Debentures, consolidate or amalgamate with or merge into any person or sell, convey, transfer or lease all or substantially all of the Corporation's properties and assets to another person (other than the Corporation's direct or indirect wholly-owned subsidiaries) unless:

- (a) the resulting, surviving, continuing or transferee person expressly assumes all of the Corporation's obligations under the Debentures and Indenture;
- (b) the Debentures will be valid and binding obligations of the resulting, surviving, continuing or transferee person entitling the holders thereof, as against such person, to all the rights of holders of Debentures under the Indenture;
- (c) after giving effect to the transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, will occur; and
- (d) such other conditions as may be described in the Indenture are met.

Although such transactions are permitted under the Indenture, certain of the foregoing transactions could constitute a Change of Control, which would require the Corporation to offer to purchase the Debentures as described above.

Events of Default

The Indenture will provide that an event of default in respect of the Debentures (an "**Event of Default**") will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 30 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any (whether by payment in cash or delivery of Common Shares), on the Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration, including any Make-Whole Premium, payable upon conversion with respect to the Debentures, which default continues for 15 days; (iv) default in the observance or performance of any covenant or condition of the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% of the aggregate principal amount of the Debentures specifying such default and requiring the Corporation to rectify or obtain a waiver for same; (v) certain events of bankruptcy, insolvency or reorganization of the Corporation or any material subsidiary under bankruptcy or insolvency laws; and (vi) if an event of default occurs or exists under any indenture, agreement or other instrument evidencing or governing indebtedness for borrowed money (other than non-recourse debt) of Surge and as a result of such event of default: (a) indebtedness for borrowed money thereunder in excess of \$10,000,000 (or the equivalent amount in any other currency) has become due and payable before the date it would otherwise have been due and payable; and (b) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors' remedies to collect such indebtedness.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of National Instrument 62-104 – Take-Over Bids and Issuer Bids if the Debentures were considered equity securities, and not less than 90% of the principal amount of the then outstanding Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by those who did not accept the offer on the terms offered by the offeror.

Book Entry Only Debentures

The Debentures issuable under the Offering will be issued in electronic form as book entry only and must be purchased or transferred through a CDS participant. On the Closing Date, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. Unless the book-based system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Debenture Beneficial Owner**"), will only be entitled, pursuant to the *Business Corporations Act* (Alberta), to receive a certificate for Debentures or the Common Shares issuable on the conversion, redemption or maturity of the Debentures, if requested and withdrawn from the CDS book-based system. Such request will need to be made through the CDS

participant through whom the beneficial interest in the securities are held at the time of the request. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a CDS participant. Beneficial interests in Debentures will be represented solely through the book-based system and such interests will be evidenced by customer confirmations of purchase from the Underwriter or registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer.

In addition, registration of interests in and transfers of the Debentures will be made only through the depository service of CDS. As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security. The Debentures issuable under the Offering will be issued to Beneficial Owners thereof in fully registered and certificated form only if: (a) required to do so by applicable law; (b) requested by a Debenture Beneficial Owner in accordance with the agreements and policies between CDS and the CDS participants; (c) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Corporation is unable or does not wish to locate a qualified successor; or (d) the Corporation, at the Corporation's option, with the consent of the Lead Underwriter, decides to terminate the book-based system through CDS in accordance with the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of CDS participants and Debenture Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of definitive Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as holders of Debentures under the Indenture. Interest on the Debentures will be paid directly to CDS and subsequently disbursed while the book-based system is in effect. If Debenture Certificates are issued, the Corporation will pay interest, either directly or through the Debenture Trustee or any agent of the Debenture Trustee, by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Debenture Trustee. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS and subsequently disbursed while the book-based system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares, if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

Neither the Corporation, the Debenture Trustee nor the Underwriters will assume any liability for: (a) any aspect of the electronic records maintained by CDS relating to any ownership interests or any other interests in the Debentures or the depository system maintained by CDS, or payments made on account of any ownership interest or any other interest of any person in any Debenture represented by an electronic position in the book entry only system administered by CDS (other than CDS or its nominee); (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules and regulations governing CDS or any action to be taken by CDS on its own direction or at the direction of a CDS participant. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and Beneficial Owners must look solely to CDS participants for any payments relating to the Debentures, paid by or on behalf of the Corporation to CDS.

Discharge of the Indenture

Surge may satisfy and discharge the Corporation's obligations under the Indenture in certain circumstances, including by delivering to the Debenture Trustee for cancellation all outstanding Debentures or by depositing with the Debenture Trustee, or the paying agent, if applicable, after the Debentures have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or as a result of a Change of Control, or upon conversion or otherwise, cash or Common Shares (as applicable under the terms of the Indenture) sufficient to pay all of the outstanding Debentures and paying all other sums payable under the Indenture. Despite such discharge, the holders of Debentures and the Corporation shall continue to have and be subject to their respective rights, duties and obligations under certain provisions of the Indenture, including the provisions relating to conversion and redemption.

Governing Laws

The Indenture and Debentures will be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the Underwriting Agreement among the Corporation and each of the Underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed to purchase on the Closing Date, \$40,000,000 aggregate principal amount of Debentures payable in cash to the Debenture Trustee against delivery of such Debentures, subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement. The Underwriting Agreement provides that the Corporation will pay the Underwriters' Fee of \$40 per Debenture. The Conversion Price and Change of Control Offer Price of the Debentures were determined by negotiation between the Corporation and the Lead Underwriter on its own behalf and on behalf of the other Underwriters. Pursuant to the terms of the Underwriting Agreement, completion of the Offering is subject to (among other things): (i) the consent of the Lenders to the Offering and to the Corporation's entering into of the Indenture; and (ii) the Lenders' agreement to amend the Credit Facilities to permit the Offering and the entering into by the Corporation of the Indenture. It is anticipated that such amendment will, among other things, restrict the ability of the Corporation to make any payments of principal, interest, fees or otherwise in respect of the Debentures other than the payment of regularly scheduled interest and the payment of the principal amount at the Maturity Date, provided that at the time of such payment no default, event of default or borrowing base shortfall under the Credit Facilities has occurred and is continuing or would result, or reasonably be expected to result, therefrom. In addition, it is anticipated that such amendment will restrict the ability of the Corporation to make any prepayments of principal under the Debentures without the consent of the Lenders. See "Use of Proceeds", "Risk Factors – Risk relating to the Credit Facilities and other Senior Indebtedness" and "Risk Factors – Market for the Debentures".

The Corporation has granted the Underwriters the Over-Allotment Option to purchase up to an additional 4,500 Debentures at a price of \$1,000 per Debenture (plus accrued interest from the Closing Date to the closing date of the Over-Allotment Option), exercisable, at any time and from time to time, in whole or in part, until the date which is 30 days following Closing Date, to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Offering, the Underwriters' Fee and the net proceeds to the Corporation (before deducting expenses of the Offering) will be \$44,500,000, \$1,780,000 and \$42,720,000, respectively.

The obligations of the Underwriters under the Underwriting Agreement are several not joint and not joint and several, and may be terminated at their discretion upon the occurrence of certain stated events. Such events include, but are not limited to: (a) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Debentures, is made or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the TSX or by any other competent authority, and has not been rescinded, revoked or withdrawn; (b) any inquiry, action, suit, investigation (whether formal or informal) or other proceeding in relation to the Corporation, or any of its directors or senior officers is announced, commenced or threatened by any federal, provincial, state, municipal, other governmental agency or by any securities commission or similar regulatory authority, the TSX or by any other competent authority, or there is any change of law, regulation or policy or the interpretation or administration thereof, if, in the sole opinion of the Underwriters, or any one of them, acting reasonably, the change, announcement, commencement or threatening thereof, as the case may be, operates or could operate to prevent, suspend, hinder, delay, restrict or otherwise materially adversely affects, or may materially adversely affect the Corporation or, the trading, distribution or market price, value or the marketability of the Debentures or Common Shares issuable upon conversion, maturity or redemption of the Debentures; (c) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence, including any act of terrorism, war or like event, or any law or regulation, or any occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters, or any one of them, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets or the business, operations, affairs or profitability of the Corporation taken as a whole or the market price, value or marketability of the Debentures or any other securities of the Corporation; (d) there should occur any material change, change of a material fact, occurrence, event, fact or circumstance (whether actual, anticipated, proposed, contemplated or threatened) or any development that could result in a material change or change of a material fact which, in the sole opinion and determination of the Underwriters, or any one of them, in their sole discretion, acting reasonably, could reasonably be expected to have a material adverse effect on the business, operations, affairs or profitability of the Corporation (taken as a whole), or the market price, value or the marketability of the Debentures or other securities of the Corporation; (e) the Underwriters, acting reasonably, determine that the Corporation shall be in breach of, default under or non-compliance in any material respect with any material representation, warranty, covenant, term or condition of the engagement letter dated October 26, 2017 between the Lead Underwriting and or the Underwriting Agreement; (f) the Underwriters shall become aware, as a result of their due diligence review, of any adverse material change with respect to the Corporation (taken as a whole, in the sole opinion of the Underwriters, or any one of them, acting reasonably) which had not been publicly disclosed or disclosed to the Underwriters prior to the date hereof or which occurred after the

effective date hereof but prior to the Closing Date and which would have a material adverse effect the market price, value or marketability of the Debentures or any other securities of the Corporation. If one or more Underwriters fails to purchase the Debentures which it has agreed to purchase, the remaining Underwriter(s) may terminate their obligation to purchase their allotment of Debentures, or may, but are not obligated to, purchase the Debentures not purchased by the Underwriter or Underwriters which fail to purchase; provided, however, that in the event that the percentage of the total number of Debentures which one or more Underwriters has failed or refused to purchase is 10.0% or less of the total number of the Debentures which the Underwriters have agreed to purchase, the other Underwriters shall be obligated severally to purchase on a *pro rata* basis the Debentures which would otherwise have been purchased by the one or more Underwriters which failed or refused to purchase. The Underwriters are, however, obligated to take up and pay for all Debentures if any are purchased under the Underwriting Agreement.

The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses. See “*Details of the Offering*”.

Except as otherwise stated herein, the Debentures will be issued in electronic form as book entry only and must be purchased or transferred through a CDS participant. See “*Details of the Offering – Book Entry Only Debentures*”.

Subject to applicable securities laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Debentures at levels other than those that might otherwise prevail on the open market in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Debentures initially at the offering price specified herein. After a reasonable effort has been made to sell all of the Debentures at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. In the event the offering price of the Debentures is reduced, the compensation received by the Underwriters will be decreased by the amount the aggregate price paid by the purchasers for the Debentures is less than the gross proceeds paid by the Underwriters to the Corporation for the Debentures. Any such reduction will not affect the proceeds received by the Corporation.

The Corporation has agreed with the Underwriters that, during the period beginning on the Closing Date and ending on the date that is 90 days after the Closing Date, will not, directly or indirectly, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, issue or sell any Common Shares or other financial instruments convertible or exchangeable into Common Shares other than: (i) to satisfy existing instruments; and (ii) Options, Performance Share Awards, Restricted Share Awards granted in the ordinary course pursuant to the Corporation's equity compensation plans.

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing Date is anticipated to occur on or about November 15, 2017 or such other date as may be agreed upon by the Corporation and the Underwriters, but in any event not later than December 15, 2017.

The Debentures have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters, through their United States registered broker-dealer affiliates, to offer the Debentures to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in the United States for sale directly by the Corporation in transactions exempt from the registration requirements of the U.S. Securities Act provided by Section 4(a)(2) thereof and exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Debentures outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS

National Bank Financial Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc. and CIBC World Markets Inc. are direct or indirect wholly-owned subsidiaries of the Lenders to the Corporation pursuant to the Credit Facilities and are acting as the Underwriters in respect of the Offering and will receive the Underwriters' Fee in connection with the Offering. See Note (4) to the table under the heading "*Consolidated Capitalization*" for a description of the Credit Facilities. The fees payable to these Underwriters may be paid, directly or indirectly, out of the proceeds of the Offering. The net proceeds of the Offering will be used to repay a portion of the Corporation's outstanding indebtedness under the Credit Facilities. Consequently, the Corporation may be considered to be a "connected issuer" of such Underwriters under applicable Canadian securities laws.

As at October 31, 2017, the Corporation had approximately \$249 million owing under the Credit Facilities. The Corporation is in compliance with all terms of the Credit Facilities and none of the Lenders thereunder has waived any breach by the Corporation of any agreements relating thereto since the execution of the Credit Facilities. The Credit Facilities are secured by a general assignment of book debts, debenture of \$1,500,000,000 with a floating charge over all of the assets of the Corporation with a negative pledge and undertaking to provide fixed charges on the major producing petroleum and natural gas properties at the request of the Lenders. Under the terms of the Credit Facilities, the Corporation is required to meet certain financial and engineering reporting requirements. Neither the financial position of the Corporation nor the value of the security under the Credit Facilities has changed substantially since the indebtedness of the Corporation under the Credit Facilities was incurred, other than in the ordinary course of the Corporation's business. See "*Use of Proceeds*" and "*Consolidated Capitalization*".

The decision to distribute the Debentures and the determination of the terms of the Offering were made through negotiations between the Corporation and the Lead Underwriter, on its own behalf and on behalf of the other Underwriters. None of the Lenders had any involvement in such decision or determination; however, each of the Lenders has been advised of the issuance and the terms thereof. On completion of the Offering, each of the Underwriters will receive its respective share of the Underwriters' Fees payable by the Corporation to the Underwriters in accordance with the Underwriting Agreement. In addition, each of the Lenders may receive a portion of the net proceeds of the Offering from the Corporation used in connection with the repayment by the Corporation of a portion of the outstanding indebtedness under the Credit Facilities.

Certain of the Underwriters and their respective affiliates, including as discussed above, have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Corporation, for which they received or will receive customary fees.

DESCRIPTION OF THE COMMON SHARES

The authorized capital of the Corporation consists of an unlimited number of Common Shares and preferred shares, issuable in series. As at November 8, 2017, there were 232,920,477 Common Shares and no preferred shares issued and outstanding. Holders of Common Shares are entitled to one vote per Common Share at meetings of shareholders of the Corporation, to receive dividends if, as and when declared by the Board and to receive *pro rata* the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares as to the right to receive such remaining property and assets of the Corporation.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the trading symbol "SGY". The following table sets forth the reported market price ranges and the trading volumes for the Common Shares for the periods indicated, as reported by the TSX.

Period	Price Range (\$)			Trading Volume
	High	Low	Close	
<u>2016</u>				
October	3.13	2.62	2.74	25,731,294
November	2.87	2.48	2.80	24,794,208
December	3.38	2.825	3.31	24,384,250
<u>2017</u>				
January	3.45	2.80	2.82	22,281,553
February	2.91	2.48	2.65	22,926,939

Period	Price Range (\$)			Trading Volume
	High	Low	Close	
March	2.73	2.30	2.60	25,220,279
April	2.91	2.44	2.54	33,383,408
May	2.65	2.21	2.24	20,219,643
June	2.33	1.91	2.09	39,073,031
July	2.25	1.94	2.17	11,924,057
August	2.22	1.91	1.99	10,777,698
September	2.37	1.96	2.26	12,898,164
October	2.24	1.92	2.16	11,320,051
November 1 st to 8 th	2.39	2.18	2.28	5,292,714

On October 25, 2017 being the last day on which the Common Shares traded prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$1.95. On November 8, 2017, being the last day on which the Common Shares traded prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$2.28.

PRIOR SALES

The Corporation has issued the following Common Shares or securities convertible into Common Shares in the twelve-month period preceding the date of this short form prospectus:

Type of Security	Date	Number of Securities Sold	Price per Security
Performance Share Awards	January 1, 2017	100,000	N/A
Restricted Share Awards	January 1, 2017	100,000	N/A
Restricted Share Awards	January 11, 2017	2,109	N/A
Restricted Share Awards	June 1, 2017	6,000	N/A
Restricted Share Awards	July 10, 2017	6,000	N/A
Restricted Share Awards	July 31, 2017	6,000	N/A
Restricted Share Awards	August 15, 2017	2,100,992	N/A
Performance Share Awards	August 15, 2017	2,452,996	N/A
Restricted Share Awards	August 28, 2017	7,500	N/A
Restricted Share Awards	September 1, 2017	46,500	N/A
Performance Share Awards	September 1, 2017	15,500	N/A
Common Shares ⁽¹⁾	September 1, 2017	2,604,651	\$2.15
Common Shares ⁽¹⁾	September 1, 2017	1,607,143	\$2.24
Performance Share Awards	October 2, 2017	15,000	N/A
Restricted Share Awards	October 2, 2017	45,000	N/A

Notes:

- (1) On September 1, 2017, the Corporation completed a non-brokered private placement offering of an aggregate of 4,211,794 Common Shares issued on a "flow-through basis" for purposes of the Tax Act, for gross proceeds of approximately \$9.2 million, including 2,604,651 Common Shares (in respect of Canadian development expenses) at \$2.15 per Common Share and 1,607,143 Common Shares (in respect of Canadian exploration expenses) at \$2.24 per Common Share.

In addition, during the twelve-month period preceding the date of this short form prospectus (a) an aggregate of 2,955,174 Common Shares were issued pursuant to the vesting of previously issued Restricted Share Awards and

Performance Share Awards; and (b) an aggregate of 134,489 Restricted Share Awards and 189,875 Performance Share Awards were issued pursuant to the reinvestment of cash dividends paid on the Common Shares.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters (collectively, “**Counsel**”), the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a person (each, a “**Holder**”): (i) who acquires the Debentures pursuant to this Offering as the beneficial owner; (ii) who, for purposes of the Tax Act and at all relevant times, holds the Debentures as capital property; (iii) who, for purposes of the Tax Act and at all relevant times, deals at arm’s length and is not affiliated with the Corporation; and (iv) is not exempt from tax under the Tax Act. Generally, the Debentures and Common Shares will be considered to be capital property to a Holder provided the Holder does not hold the Debentures or Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders resident in Canada who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have their Debentures and Common Shares and every other “Canadian security” as defined in the Tax Act treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to: (i) a Holder that is a “financial institution”, as defined in the Tax Act for purposes of certain rules applicable to “mark-to-market-property” and “specified debt obligations” as defined in the Tax Act; (ii) a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iii) a Holder that is a “specified financial institution” as defined in the Tax Act; (iv) a Holder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada; (v) a Holder that has or will enter into a “derivative forward agreement” as defined in the Tax Act, in respect of the Debentures or Common Shares; or (vi) a Holder that is a corporation resident in Canada and is, or becomes, as a part of a transaction or event or series of transactions or events that includes the acquisition of the Debentures or Common Shares, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in Section 212.3 of the Tax Act. **Any such Holder should consult its own tax advisor with respect to an investment in the Debentures or Common Shares.**

This summary is based upon the provisions of the Tax Act in force as of the date hereof and Counsel’s understanding of the current published administrative and assessing practices of the CRA. Except for specifically proposed amendments to the Tax Act that have been publicly announced by the federal Minister of Finance prior to the date hereof, this summary does not take into account or anticipate changes in the income tax law, whether by legislative, governmental or judicial action, nor any changes in the administrative or assessing practices of the CRA. This summary does not take into account or anticipate provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary also does not take into account the consultation paper released on July 18, 2017, by the Minister of Finance (Canada) proposing that the tax treatment of passive investment income (such as interest, dividends and capital gains) earned through a private corporation be changed, which proposals may eliminate the potential benefits of earning passive investment income through a private corporation. On October 18, 2017 the Government of Canada announced its intention to move forward with passive investment income measures, which are expected to be introduced in the 2018 Federal Budget.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Debentures or Common Shares, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made.

Prospective investors should be aware that the purchase of Debentures and Common Shares has tax consequences which may not be described in this short form prospectus. Accordingly, prospective investors are advised to consult their own tax advisors with respect to the tax aspects of investing in, holding and disposing of the Debentures and Common Shares.

Holders Resident in Canada

The following portion of the summary is applicable to a Holder of Debentures and Common Shares who, for purposes of the Tax Act, is resident in Canada (a “**Resident Holder**”).

Taxation of Interest on Debentures

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year, or (ii) that has become receivable by or is received by the Resident Holder before the end of that taxation year, including on conversion, redemption or maturity of the Debentures, except to the extent that such interest was included in computing the Resident Holder’s income for a preceding taxation year.

Any other Resident Holder (including an individual, other than certain trusts) will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder should be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Resident Holder's income for that year or a preceding taxation year.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including interest income.

Surge may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to a cash payment from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation was to satisfy an Interest Obligation in this manner, the Canadian federal income tax consequences to a Resident Holder would not differ from those described above.

Exercise of the Conversion Privilege

A Resident Holder of Debentures that converts a Debenture into Common Shares (or Common Shares and cash in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture, and accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion.

Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or a capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Common Shares acquired upon exercise of such holder's right to convert a Debenture generally should be equal to the aggregate of the adjusted cost base to the Resident Holder of the Debenture immediately before the conversion, minus any reduction of adjusted cost base for cash received in lieu of fractional shares as discussed above. Generally, the adjusted cost base to a Resident Holder of Common Shares at any time should be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at such time.

Upon conversion of a Debenture, interest thereon should be included in computing the income of the Resident Holder as described above under "*Holders Resident in Canada – Taxation of Interest on Debentures*".

Other Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation (but not including by the conversion of a Debenture into Common Shares pursuant to the Resident Holder's conversion privilege as described above), generally should result in the Resident Holder realizing a capital gain (or, subject to certain rules in the Tax Act, a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) should be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received, but not including amounts in respect of interest, as described below. The Resident Holder's adjusted cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. For the purposes of determining the adjusted cost base to a Resident Holder of Common Shares so received at any time, the cost of such Common Shares will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Upon a disposition or deemed disposition of a Debenture, interest thereon should be included in computing the income of the Resident Holder as described above under "*Holders Resident in Canada – Taxation of Interest on Debentures*", and should be excluded in computing the Resident Holder's proceeds of disposition of the Debenture.

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Resident Holder (except to the Corporation, other than a purchase by the Corporation in the open market if the Corporation acquired the Common Shares in the manner in which shares would normally be purchased by any member of the public in the open market) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceeds (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in the Resident Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Resident Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay a refundable tax on certain investment income, including taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

Receipts of Dividends on Common Shares

Dividends received or deemed to be received on Common Shares held by a Resident Holder will be included in the Resident Holder’s income for the purposes of the Tax Act.

Such dividends received by a Resident Holder that is an individual (including most trusts) should be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Corporation as “eligible dividends”.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. **Resident Holders who are individuals should consult their own tax advisors in this regard.**

A Resident Holder that is a corporation is required to include such dividends in computing its income and generally should be entitled to deduct the amount of such dividends in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a holder that is a corporation as proceeds of a disposition or as a capital gain. The Tax Act imposes a refundable tax on dividends received (or deemed to be received) in a taxation year by Resident Holders that are either “private corporations” or “subject corporations”. Resident Holders that are either “private corporations” or “subject corporations” should consult their tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary applies to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention (i) is neither resident nor deemed to be resident in Canada, (ii) does not, and is not deemed to, use or hold the Debentures or Common Shares, in carrying on a business in Canada, (iii) is entitled to receive all payments (including interest and principal) in respect of a Debenture, and (iv) deals at arm’s length with any transferee that is resident in Canada and to whom the Holder disposes of a Debenture (a “**Non-Resident Holder**”). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act).

The following portion of this summary is also not applicable to a Non-Resident Holder that is at any time a “specified shareholder” (as defined in subsection 18(5) of the Tax Act) of the Corporation or that does not at any time deal at

arm's length for purposes of the Tax Act with a "specified shareholder" of the Corporation. Generally, for this purpose, a "specified shareholder" is a person that owns, has a right to acquire or is otherwise deemed to own, either alone or together with persons with whom such person does not deal at arm's length for purposes of the Tax Act, shares of the Corporation's capital stock that either: (i) give the holders of such shares 25% or more of the votes that could be cast at an annual meeting of the shareholders of the Corporation; or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the Corporation's capital stock. Such Non-Resident Holders should consult their own tax advisors.

Taxation of Interest on Debentures

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures.

However, a Non-Resident Holder who transfers or is deemed to transfer a Debenture to a holder resident or deemed to be resident in Canada for purposes of the Tax Act should consult its own tax advisor for advice with respect to the tax consequences of such transfer. See *"Risk Factors – Debentures may be Subject to Withholding Tax and Participating Debt Interest."*

Exercise of Conversion Privilege

Generally, the conversion of a Debenture into only Common Shares on the exercise of a conversion privilege by a Non-Resident Holder will be deemed not to constitute a disposition of the Debenture, and, accordingly, a Non-Resident Holder will not recognize a gain or loss on such conversion (even if the Debenture constitutes "taxable Canadian Property" of the Non-Resident Holder at the time of the conversion). On the conversion of a Debenture by a Non-Resident Holder into Common Shares and cash in lieu of a fraction of such Common Shares, if such Common Shares constitute "taxable Canadian property" to the Non-Resident Holder, as discussed below, and if the value of such cash does not exceed \$200, under the current administrative practice of the CRA, the Non-Resident Holder may choose to (i) treat this amount as proceeds of disposition and calculate and report a gain or loss and pay tax in Canada subject to relief under the Tax Treaty, or (ii) reduce, by the amount of cash received, the adjusted cost of such Common Shares received.

However, a Non-Resident Holder who transfers or is deemed to transfer a Debenture to a holder resident or deemed to be resident in Canada for purposes of the Tax Act should consult its own tax advisor for advice with respect to the tax consequences of such transfer. See *"Risk Factors – Debentures may be Subject to Withholding Tax and Participating Debt Interest."*

Disposition of Debentures and Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture or Common Share unless the Non-Resident Holder's Debentures or Common Shares, as the case may be, are, or are deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. See the section below entitled *"Taxable Canadian Property"*.

Receipt of Dividends on Common Shares

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence. For instance, where the Non-Resident Holder is a resident of the United States that is entitled to benefits under the Canada-United States Income Tax Convention (1980) as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends generally should be reduced to 15%.

Taxable Canadian Property

Provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition, the Debentures and Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period preceding the disposition, (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder, partnerships in which the Non-Resident Holder or any such person holds an interest directly by or through one or more partnerships, or the Non-Resident Holder together with all such persons and partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) "Canadian resource properties"; (c) "timber resource properties"; and (d) options in respect of, or interests in or rights in property described in (a) to (c) (as such terms are defined in the Tax Act).

Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Debentures and Common Shares which are not otherwise taxable Canadian property could be deemed to be taxable Canadian property. A Non-Resident Holder whose Debentures or Common Shares are taxable Canadian property should consult their own tax advisors with respect to the consequences of disposing of such securities.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSX) on the Closing Date, the Debentures acquired pursuant to the Offering will be, and the Common Shares issuable on the conversion, redemption or maturity of the Debentures, if issued on the date hereof, would be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), deferred profit sharing plan (except in the case of Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm’s length with the Corporation, has made a contribution), registered education savings plan (“RESP”), registered disability savings plan (“RDSP”) and tax-free savings account (“TFSA” and collectively, “Deferred Plans”).

Notwithstanding that the Debentures and Common Shares may be a “qualified investment”, individuals who hold the Debentures or Common Shares through a trust governed by a TFSA, RRSP or RRIF, will be subject to a penalty tax if the Debentures or Common Shares are a “prohibited investment” within the meaning of the Tax Act for that TFSA, RRSP or RRIF, as the case may be. The Debentures or Common Shares will generally not be a “prohibited investment” provided the individual: (i) deals at arm’s length with the Corporation for purposes of the Tax Act; and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Corporation. Pursuant to certain proposed amendments to the Tax Act, the prohibited investment rules discussed herein would be extended to RDSPs and RESPs. Purchasers who may wish to hold their Debentures or Common Shares in a trust governed by a TFSA, RRSP, RRIF, RESP and RDSP are advised to consult their own tax advisors regarding the “prohibited investment” rules having regard to their own particular circumstances.

RISK FACTORS

An investment in the Debentures is subject to a number of risks. In addition to the risk factors set forth below, additional risk factors relating to the Corporation’s business are discussed in the Corporation’s Annual Information Form, the Corporation’s Annual MD&A and certain other documents incorporated by reference or deemed to be incorporated by reference herein, which risk factors are incorporated herein by reference. Prospective purchasers of the Debentures should consider carefully the risk factors set forth below, as well as the other information contained in and incorporated by reference in this short form prospectus before purchasing the Debentures. If any event arising from these risks occurs, the Corporation’s business, prospects, financial condition, results of operations or cash flows, or your investment in the Debentures could be materially adversely affected.

Risks relating to the Corporation’s Business

Risk relating to the Credit Facilities and other Senior Indebtedness

The amount authorized under the Credit Facilities is dependent on the borrowing base determined by the Lenders. The borrowing base is subject to redetermination by the Lenders on a semi-annual basis in May and November of each year. Any reduction in the borrowing base or the availability under the Credit Facilities as a result of such redetermination could result in a curtailment of the Corporation’s planned activities. In addition, any reduction which results in the Corporation’s borrowing base being lower than the amount outstanding under the Credit Facilities may result in a requirement that the Corporation pay such excess amounts immediately or within a short period of time. There is no certainty that the Corporation would be able to obtain the necessary financing to repay such excess portion of indebtedness when and if the Corporation is required to do so. Any failure to repay any portions of the Corporation’s indebtedness in excess of the borrowing base when and if due may result in the Lenders proceeding to realize upon the collateral granted to them to secure the indebtedness under the Credit Facilities.

The maturity date of the Credit Facilities is May 28, 2019 and although the Corporation can apply each year for a 364-day extension of the Credit Facilities, there is no certainty that the Lenders will grant such extension. There is also no certainty that the Corporation will be able to secure alternate financing to replace and repay the Credit Facilities on or before the maturity date of the Credit Facilities. If no extension to the maturity date of the Credit Facilities is granted and the Corporation is not able to secure alternative financing or otherwise repay the amounts owing under the Credit Facilities, the Lenders may proceed to realize upon the collateral granted to them to secure the indebtedness under the Credit Facilities.

The acceleration of the Corporation’s indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions.

Amendment to Credit Facilities in Connection with the Offering

The Corporation is required to comply with covenants under the Credit Facilities which include (among other things), the prohibition on the incurrence by the Corporation of certain non-permitted indebtedness. Pursuant to the terms of the Underwriting Agreement, completion of the Offering is subject to (among other things): (i) the consent of the Lenders to the Offering and to the Corporation's entering into of the Indenture; and (ii) the Lenders' agreement to amend the Credit Facilities to permit the Offering and the entering into by the Corporation of the Indenture. It is anticipated that such amendment will, among other things, restrict the ability of the Corporation to make any payments of principal, interest, fees or otherwise in respect of the Debentures other than the payment of regularly scheduled interest and the payment of the principal amount at the Maturity Date, provided that at the time of such payment no default, event of default or borrowing base shortfall under the Credit Facilities has occurred and is continuing or would result, or reasonably be expected to result, therefrom. In addition, it is anticipated that such amendment will restrict the ability of the Corporation to make any prepayments of principal under the Debentures without the consent of the Lenders."

The Corporation has had discussions with the Lenders respecting the necessary amendments to the Credit Facilities to permit the Offering of the Debentures and the Corporation anticipates such amendments will become effective on or prior to the Closing Date. There is a risk that the Corporation may not be able to receive the consent of the Lenders and/or finalize the necessary amendments to its Credit Facilities as currently anticipated, or on terms acceptable to it or the Underwriters, or at all. There also can be no assurances that as a result of such proposed amendments and/or consents, the borrowing base of the Credit Facilities will maintain at current levels or that no additional condition or covenants will be imposed by the Lenders. Any reduction in the borrowing base of the Credit Facilities could have a material adverse effect on the Corporation's ability to fund continued growth and operations and could result in a portion, or all, of the Corporation's bank indebtedness to be required to be repaid.

Risks relating to Acquisitions and Dispositions

Any acquisitions or dispositions that the Corporation may undertake are subject to normal commercial risks that such transactions may not be completed on the terms negotiated or at all. Closing of such transactions will be subject to customary and other closing conditions. If any of the acquisitions or dispositions that are currently contemplated do not close as anticipated the Corporation will not realize the anticipated benefits of such transactions. In addition, to the extent such acquisitions or dispositions do not close, it may negatively affect the Corporation's ability to repay amounts outstanding under the Credit Facilities when due.

The Offering May be Dilutive on Holders of Common Shares

Surge may issue Common Shares upon conversion, redemption or maturity of the Debentures. Additionally, the Corporation may issue Common Shares in connection with the payment of interest on the Debentures. Accordingly, holders of Common Shares may suffer dilution in connection with the Offering.

Future Sales of Common Shares by the Corporation

The Corporation may issue additional equity or debt in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of preferred and the price and the terms of issue of further issuances of Common Shares.

Risk relating to the Corporation's dividend payments

Notwithstanding anything contained in this Prospectus, the payment of the amount of dividends declared, if any, will be subject to the discretion of the Board and will depend on the Board's assessment of the Corporation's outlook for growth, capital expenditure requirements, funds from operations, potential opportunities, debt position and other conditions that the Board may consider relevant at such future time, including applicable restrictions that may be imposed under the Credit Facilities on the ability of the Corporation to pay dividends. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens and foreign exchange rates. In addition the market value of the Common Shares may decline if the Corporation's cash dividends decline in the future, and that market decline may be material.

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Forward-looking Information and FOFI May Prove Inaccurate

While the Corporation believes there is a reasonable basis for the forward-looking information and future-oriented financial information (“**FOFI**”) contained in this short form prospectus, including the documents incorporated by reference herein, purchasers are cautioned not to place undue reliance on the forward looking information or FOFI. By their nature, forward-looking information and FOFI involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information and FOFI or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. FOFI presented in this short form prospectus is based upon the completion of the Offering and if the Offering is not completed or not completed on the terms or timelines contemplated, this will impact the forward-looking information and FOFI provided herein and such impact may be material. Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading “*Forward-Looking Information*”.

Risks Relating to the Offering

Market for the Debentures

The TSX has conditionally approved the listing of the Debentures and the Common Shares issuable upon conversion, redemption or maturity of the Debentures on the TSX. Listing of such Debentures and Common Shares is subject to the Corporation's fulfillment of all the requirements of the TSX on or before January 30, 2018. However, there is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and the availability of trading prices and the liquidity of the securities. There can be no assurance that an active trading market will develop for the Debentures after completion of the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

Debentures will be Subordinate to Senior Indebtedness

The Debentures will be subordinate to the Corporation's Senior Indebtedness including, without limitation, the Credit Facilities, accounts payables to trade creditors of the Corporation and all existing and future obligations, liabilities and indebtedness of the Corporation which would, in accordance with IFRS, be classified upon a consolidated balance sheet of the Corporation as liabilities of the Corporation (including, if applicable, severance amounts payable by the Corporation). The Debentures will also be effectively subordinate to claims of creditors of the Corporation's subsidiaries, except to the extent that the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such creditors. In the event of the Corporation's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, the Corporation's assets would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay the Corporation's obligations to the holders of the Debentures. Accordingly, all or a substantial portion of the Corporation's assets could be unavailable to satisfy the claims of the holders of the Debentures.

Surge's ability to meet the Corporation's debt-service requirements will depend on the Corporation's ability to generate cash in the future, which depends on many factors, including the Corporation's financial performance, debt-service obligations, the Corporation's ability to complete acquisitions, dispositions or other transactions, working capital and future capital-expenditure requirements. In addition, the Corporation's ability to borrow funds in the future and to make payments on outstanding debt, including, but not limited to, in respect of the Debentures, will depend on the satisfaction of covenants in then existing credit agreements and other agreements, including the credit agreement governing the Credit Facilities as such agreements shall be amended as described herein. A failure to comply with any covenants or obligations under the Corporation's consolidated indebtedness could result in a default, which, if not cured or waived, could result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Corporation's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Corporation will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

Debentures may be repaid in Common Shares

Surge may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. The Corporation may, at the Corporation's option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy the Corporation's obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Debentures. There is no guarantee that the Corporation will be able to repay the outstanding principal amount in cash upon maturity of the Debentures.

Prevailing yields on similar securities

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Redemption on a Change of Control

The Corporation will be required to offer to purchase for cash all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “*Details of the Offering – Repurchase upon a Change of Control*”. In addition, the Corporation’s ability to purchase the Debentures in such an event may be limited by law, by the Indenture, by the terms of other present or future agreements relating to indebtedness, and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation’s future debt. The Credit Facilities, as amended, future credit agreements or other agreements may contain provisions that could prohibit the purchase of the Debentures by the Corporation in certain circumstances, without the consent of the Lenders. The Corporation’s failure to purchase the Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the Corporation’s other indebtedness at that time.

If a holder of Debentures converts its Debentures in connection with a Change of Control, the Corporation may, in certain circumstances, be required to increase the conversion rate, as described under “*Details of the Offering – Make Whole Change of Control*”. While the increased conversion rate is designed, among other things, to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described under “*Details of the Offering – Make Whole Change of Control*”, no adjustment will be made.

Indenture will not Contain Certain Covenant Protections

The Indenture will not restrict the Corporation from incurring additional indebtedness or from mortgaging, pledging or charging the Corporation’s assets to secure any indebtedness. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation.

Debentures may be Redeemed prior to Maturity

The Debentures may be redeemed, in certain circumstances, on or after December 31, 2020 and prior to the Maturity Date at any time and from time to time, at the redemption prices set forth in this short form prospectus, together with any accrued and unpaid interest. See “*Details of the Offering – Redemption and Purchase*”. Holders of Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the Corporation’s interest to redeem the Debentures.

Right Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of Common Shares in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation was acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on future prospects and other factors. See “*Details of the Offering – Conversion Privilege*”.

Debentures are Subject to Credit Risk

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the Corporation’s financial health and creditworthiness at the time of such payments.

Coverage Ratios

See “*Earnings Coverage Ratios*”, which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Debentures when due.

Tax Laws Relating to Withholding May Change

The Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, no amount is required to be withheld from such payments to holders of Debentures under the circumstances discussed under the heading “*Certain Canadian Federal Income Tax Considerations*”, but no assurance can be given that, in the future, applicable

income tax laws or treaties will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

Debentures may be Subject to Withholding Tax and Participating Debt Interest

The Tax Act generally provides that withholding tax is not payable on interest paid or credited to non-residents of Canada who deal at arm's length with the payor. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on May 10, 2010) and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Debentures should generally meet the criteria set forth in the CRA's statement. However, the application of the CRA's published guidance to the Debentures is uncertain and there is a risk that CRA could take the position that amounts paid or payable to a non-resident holder of Debentures on account of interest or any excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). As noted under "*Tax laws relating to withholding may change*" above, the Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that it is required to withhold Canadian withholding tax on payment of interest (including any excess that may be considered to be participating debt interest).

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon by McCarthy Tétrault LLP, Calgary, Alberta on behalf of the Corporation and by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, on behalf of the Underwriters.

INTEREST OF EXPERTS

As at the date hereof, McCarthy Tétrault LLP and the designated professionals of McCarthy Tétrault LLP as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares. Mr. James Pasioka, a director of the Corporation, is a partner of McCarthy Tétrault LLP, which law firm renders legal services to the Corporation. As at the date hereof, Burnet, Duckworth & Palmer LLP and the designated professionals of Burnet, Duckworth & Palmer LLP as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

The reserve estimates contained in the Corporation's documents incorporated by reference herein have been prepared by Sproule Associates Limited. As of the date hereof, Sproule Associates Limited and the designated professionals of Sproule Associates Limited, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Corporation under all relevant United States professional and regulatory standards.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Mr. Robert Leach, a director of the Corporation, resides outside of Canada. Mr. Leach has appointed McCarthy Tétrault LLP, 4000, 421 – 7th Avenue S.W., Calgary, Alberta T2P 4K9 as his agent for service of process in Alberta. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against a person that resides outside of Canada, even if the party has appointed an agent for service of process.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

Under the Indenture, an original purchaser of Debentures under the Offering will have a contractual right of action against the Corporation for rescission upon the conversion by such purchaser of the principal amount of such Debentures into Common Shares in accordance with the terms of the Indenture to receive the amount paid for the Debentures if this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of the closing of the Offering. This contractual right of rescission will be consistent with the statutory right of recession described above and in addition to any right or remedy available to original purchasers under the securities legislation of certain provinces of Canada or otherwise at law. See "*Details of the Offering*".

CERTIFICATE OF THE CORPORATION

Dated: November 9, 2017

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

SURGE ENERGY INC.

(signed) "Paul Colborne"
Paul Colborne
President and
Chief Executive Officer

(signed) "Paul Ferguson"
Paul Ferguson
Chief Financial Officer

On behalf of the Board of Directors

(signed) "Keith MacDonald"
Keith MacDonald
Director

(signed) "P. Daniel O'Neil"
P. Daniel O'Neil
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 9, 2017

To the best of the Corporation's knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

NATIONAL BANK FINANCIAL INC.

(signed) "Ian Charles"
By: Director

MACQUARIE CAPITAL MARKETS CANADA LTD.

(signed) "Sandy L. Edmonstone"
By: Executive Director

GMP SECURITIES L.P.

(signed) "Kevin Overstrom"
By: Vice Chairman, Co-Head of
Energy Investment Banking

SCOTIA CAPITAL INC.

(signed) "Ian Huston"
By: Director

TD SECURITIES INC.

(signed) "Scott Barron"
By: Managing Director

BMO NESBITT BURNS INC.

(signed) "Shane C. Fildes"
By: Head, Global Energy Group

CIBC WORLD MARKETS INC.

(signed) "John Peltier"
By: Executive Director

CANACCORD GENUITY CORP.

(signed) "Trevor Anderson"
By: Managing Director, Head of
Energy - Canada

CORMARK SECURITIES INC.

(signed) "Ryan Mooney"
By: Managing Director

PETERS & CO. LIMITED

(signed) "J.G. (Jeff) Lawson"
By: Principal and Director

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

(signed) "Shawn Ostrow"
By: Vice President