

FINANCIAL AND OPERATING SUMMARY

(\$000s except per share amounts)

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|---------|-----------------|---------------------------------|---------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Financial highlights | | | | | | |
| Oil and NGL sales | 83,146 | 39,481 | 111 % | 183,987 | 132,457 | 39 % |
| Natural gas sales | 3,674 | 3,733 | (2)% | 14,371 | 10,719 | 34 % |
| Other revenue | 8 | 29 | (72)% | 56 | 54 | 4 % |
| Total oil, natural gas, and NGL revenue | 86,828 | 43,243 | 101 % | 198,414 | 143,230 | 39 % |
| Funds from Operations ¹ | 44,455 | 19,849 | 124 % | 96,504 | 68,171 | 42 % |
| Per share basic (\$) | 0.37 | 0.28 | 32 % | 1.10 | 0.96 | 15 % |
| Per share diluted (\$) | 0.37 | 0.28 | 32 % | 1.10 | 0.95 | 16 % |
| Net income (loss) | 9,319 | (986) | nm ⁴ | (7,039) | 14,944 | nm |
| Per share basic (\$) | 0.08 | (0.01) | nm | (0.08) | 0.21 | nm |
| Per share diluted (\$) | 0.08 | (0.01) | nm | (0.08) | 0.21 | nm |
| Capital expenditures - petroleum & gas properties ² | 19,997 | 53,133 | (62)% | 85,228 | 135,739 | (37)% |
| Capital expenditures - acquisitions & dispositions ² | 218,439 | 1,354 | nm | 202,255 | 112,391 | 80 % |
| Total capital expenditures ² | 238,436 | 54,487 | 338 % | 287,483 | 248,130 | 16 % |
| Net debt at end of period ³ | 188,179 | 202,746 | (7)% | 188,179 | 202,746 | (7)% |
| Operating highlights | | | | | | |
| Production: | | | | | | |
| Oil and NGL (bbls per day) | 9,725 | 5,651 | 72 % | 7,861 | 6,108 | 29 % |
| Natural gas (mcf per day) | 13,696 | 15,846 | (14)% | 14,933 | 16,494 | (9)% |
| Total (boe per day) (6:1) | 12,008 | 8,292 | 45 % | 10,350 | 8,857 | 17 % |
| Average realized price (excluding hedges): | | | | | | |
| Oil and NGL (\$per bbl) | 92.93 | 75.94 | 22 % | 85.73 | 79.15 | 8 % |
| Natural gas (\$ per mcf) | 2.92 | 2.56 | 14 % | 3.53 | 2.37 | 49 % |
| Realized loss on financial contracts (\$ per boe) | (4.32) | (0.06) | nm | (2.47) | (0.44) | nm |
| Net back (excluding hedges) (\$ per boe) | | | | | | |
| Oil, natural gas and NGL sales | 78.60 | 56.70 | 39 % | 70.22 | 59.02 | 19 % |
| Royalties | (14.55) | (9.96) | 46 % | (12.83) | (10.63) | 21 % |
| Operating expenses | (12.94) | (11.48) | 13 % | (12.54) | (11.25) | 11 % |
| Transportation expenses | (2.01) | (2.07) | (3)% | (2.22) | (2.15) | 3 % |
| Operating netback | 49.10 | 33.19 | 48 % | 42.63 | 34.99 | 22 % |
| G&A expenses | (2.56) | (3.12) | (18)% | (3.46) | (3.42) | 1 % |
| Interest expense | (2.04) | (2.23) | (9)% | (2.43) | (1.94) | 25 % |
| Corporate netback | 44.50 | 27.84 | 60 % | 36.74 | 29.63 | 24 % |
| Common shares (000s) | | | | | | |
| Common shares outstanding, end of period | 121,864 | 71,143 | 71 % | 121,864 | 71,143 | 71 % |
| Weighted average basic shares outstanding | 119,878 | 71,117 | 69 % | 87,663 | 70,884 | 24 % |
| Stock option dilution (treasury method) | 248 | — | 100 % | — | 1,249 | (100)% |
| Weighted average diluted shares outstanding | 120,126 | 71,117 | 69 % | 87,663 | 72,133 | 22 % |

1 Management uses funds from operations (cash flow from operating activities before changes in non-cash working capital, legal settlement expenses, transaction costs and current tax on disposition) to analyze operating performance and leverage. Funds from operations as presented does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures for other entities.

2 Please see capital expenditures note.

3 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.

4 The Corporation views this change calculation as not meaningful, or "nm".

Acquisition of Elite, Large OOIP, Crude Oil Asset and \$247.5 Million Equity Financing

On July 3, 2013, Surge closed the accretive acquisition of an operated, medium gravity crude oil producing asset in the Southwest area of Saskatchewan (the "Acquisition") with original oil in place ("OOIP")⁵ of more than 250 million barrels and a recovery factor of less than 1.5 percent, for net consideration of \$242.4 million. In conjunction with the Acquisition, Surge entered into a \$247.5 million bought deal equity financing.

At this time Surge's Board of Directors also announced an increase in the Company's anticipated annual dividend from \$0.30 per share per year to \$0.40 per share per year.

Operational Success Leads to Five Percent Dividend Increase

On August 7, 2013 Surge's Board of Directors (the "Board") approved an increase in the Company's annual dividend by five percent from \$0.40 per share (\$0.0333 per share per month) to \$0.42 per share (\$0.035 per share per month) prior to the first dividend being paid.

This dividend increase was based upon: 1) better than anticipated drilling results at Valhalla, Silver and Nipisi South; 2) better than anticipated early waterflood response at Nipisi; 3) significantly better than forecasted North American crude oil prices; and 4) continued execution of Surge's ongoing hedging/risk management program.

First Dividend Payment

On September 16, 2013, Surge paid the Company's first dividend of \$0.035 per share (\$0.42 per share per year) in respect of August 2013 production.

Subsequent Event - Surge Announced Two High Quality, Light Oil Acquisitions, an Upward Revision to 2013/14 Guidance, and a 19 Percent Increase in Dividend.

Subsequent to the third quarter, on October 22, 2013, Surge announced two strategic, high quality light oil acquisitions. The first acquisition involves the \$147 million purchase of all of the shares of a Calgary based private oil and gas company (the "Privateco"), with high netback, operated, producing light oil assets focused in the Steelman area of SE Saskatchewan, and the Dodslan area of SW Saskatchewan (the "Privateco Assets"). The consideration to be paid to the shareholders of Privateco is comprised of between 15.7 and 20.7 million shares of Surge, subject to the cash consideration elected by Privateco shareholders to a maximum of \$30 million, plus the assumption of \$23 million of debt (the "Privateco Acquisition").

Additionally, Surge announced that it has entered into an agreement to acquire high quality, high netback, operated, producing light oil assets primarily located in the SW area of Manitoba (the "Manitoba Assets"). Total consideration of \$135 million to be paid to the vendor of the Manitoba Assets is comprised of 14.2 million shares of Surge, and \$50 million of cash (the "Asset Acquisition").

Based upon the Privateco Acquisition and the Asset Acquisition (collectively the "Acquisitions"), Surge again upwardly revised the Company's 2013 exit guidance, and its 2014 full year guidance.

Furthermore, as a result of these highly accretive Acquisitions, together with better than anticipated operational and drilling results, Surge announced that the Company will be increasing the Company's dividend 19 percent from \$0.42 per year (\$0.035 per share per month), to \$0.50 per share per year (\$0.04166 per share per month) commencing November 2013 .

The closing of the Acquisitions is expected to occur on or about November 15th, 2013 (the "Closing").

As a result of the structure of the Acquisitions, post Closing Surge will maintain the Company's excellent balance sheet and debt to forward cash flow ratio, with over \$120 million of credit availability on the Company's bank line. In addition, pro-forma the Acquisitions, there is no change in Surge's very low, "all-in" sustainability ratio of 93 percent.

⁵ Original Oil in Place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this press release. DPIIP is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be commercially viable to produce any portion of the resources. A recovery project cannot be defined for this volume of DPIIP at this time, and as such it cannot be further sub-categorized.

Highlights for the quarter include:

- **Increased production by 45 percent** to 12,008 boe per day for the third quarter of 2013 as compared to 8,292 in the third quarter of 2012.
- **Increased Oil & NGL production by 72 percent** in the third quarter of 2013 as compared to the third quarter of 2012
- **Revenue more than doubled** in the third quarter of 2013 as compared to the third quarter of 2012.
- **Increased operating netback by 48 percent** to \$49.10 per boe for the third quarter of 2013 as compared to \$33.19 in the third quarter of 2012 (excluding risk management activity).
- **Increased corporate netback by 60 percent** to \$44.50 per boe for the third quarter of 2013 as compared to \$27.84 in the third quarter of 2012 (excluding risk management activity).
- **Funds from operations increased 124 percent** to \$44.5 million during the third quarter of 2013 from \$19.8 million during the same period of 2012.
- **Funds from operations per fully diluted share increased 32 percent** during the third quarter of 2013 to \$0.37 compared to \$0.28 the same period in 2012.
- **Net income per fully diluted share increased** to \$0.08 compared to a loss of \$0.01 the same period in 2012.
- **Reduced general and administrative expenses per boe by 18 percent** in the third quarter of 2013 as compared to the third quarter of 2012.
- **Maintained balance sheet with debt to annualized third quarter funds from operations of 1.1 times.**
- **Achieved a 100 percent drilling success rate** investing a total of \$20.0 million of capital in the third quarter, \$14.0 million of which was allocated to drilling 5 gross (5 net) oil wells.
- **Surge realized an 81 percent** oil and natural gas liquids production weighting in the third quarter of 2013.
- **96 percent of Surge's revenue resulted from oil and natural gas liquids production**, in the third quarter of 2013 with four percent derived from natural gas production.
- **Maintained consistent risk management program** which supports the protection of Surge's balance sheet. The Corporation has 52 percent of its third quarter average oil and NGL (after royalties) production hedged for the remainder of 2013, with an average WTI floor price of approximately \$95.79 CAD per barrel and approximately 45 percent of its current oil and NGL (after royalties) production hedged for 2014, at an average WTI floor price of more than \$95.37 CAD per barrel.

Netback Comparison

| | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 |
|----------------------------------|-----------------|----------|----------|----------|----------|
| Average production (boe per day) | 12,008 | 9,373 | 9,636 | 8,919 | 8,292 |
| Revenue | \$ 78.60 | \$ 68.00 | \$ 61.78 | \$ 60.24 | \$ 56.70 |
| Royalties | (14.55) | (12.56) | (10.93) | (11.36) | (9.96) |
| Operating costs | (12.94) | (11.97) | (12.58) | (12.68) | (11.48) |
| Transportation costs | (2.01) | (2.46) | (2.25) | (2.56) | (2.07) |
| Operating netback | \$ 49.10 | \$ 41.01 | \$ 36.02 | \$ 33.64 | \$ 33.19 |
| G&A expenses | (2.56) | (4.88) | (3.20) | (3.08) | (3.12) |
| Interest expense | (2.04) | (2.62) | (2.72) | (2.56) | (2.23) |
| Corporate netback | \$ 44.50 | \$ 33.51 | \$ 30.10 | \$ 28.00 | \$ 27.84 |

This Management's Discussion and Analysis (MD&A) of the interim condensed consolidated financial position and results of operations of Surge Energy Inc. ("Surge" or the "Corporation"), which includes its subsidiaries and partnership arrangements, is for the three and nine months ended September 30, 2013 and 2012. For a full understanding of the financial position and results of operations of the Corporation, the MD&A should be read in conjunction with the documents filed on SEDAR, including historical financial statements, MD&A and the Annual Information Form (AIF). These documents are available at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements.

More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the Acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the Acquisitions, (ii) potential development opportunities and drilling locations associated with the Acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the Acquisitions, (iii) the timing and amount of future dividend payments, (iv) oil & natural gas production growth during 2013 and 2014, (v) debt and bank facilities, (vi) capital expenditures, (vii) primary and secondary recovery potentials and implementation thereof, (viii) decline rates, (ix) funds from operations, (x) operating and cash flow netbacks, (xi) operating expenses, (xii) general and administrative expenses, and (xiii) realization of anticipated benefits of acquisitions.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, cash flow and capital expenditures, the application of regulatory and royalty regimes, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Surge's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labour and services, and the creditworthiness of industry partners.

Although Surge believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Surge can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors' and in Surge's Annual Information Form dated March 19, 2013 which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this MD&A are made as of the date hereof and Surge undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

BOE PRESENTATION

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

NON-IFRS MEASURES

The terms "funds from operations", "funds from operations per share", and "netback" used in this discussion are not recognized

measures under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, funds from operations and netback are useful supplemental measures as they provide an indication of the results generated by the Corporation's principal business activities before the consideration of how those activities are financed or how the results are taxed. Investors are cautioned, however, that these measures should not be construed as alternatives to net income determined in accordance with IFRS, as an indication of Surge's performance.

Surge's method of calculating funds from operations may differ from that of other companies, and, accordingly, may not be comparable to measures used by other companies. Surge determines funds from operations as cash flow from operating activities before changes in non-cash working capital, legal settlement expense, transaction costs, and current tax on disposition as follows:

| Funds from Operations (\$000s) | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash flow from operating activities | \$ 17,107 | \$ 24,703 | \$ 24,989 | \$ 23,116 | \$ 24,483 |
| Change in non-cash working capital | 22,597 | (3,019) | 250 | 945 | (4,634) |
| Legal settlement expense | — | 3,550 | — | — | — |
| Transaction costs | 4,751 | 139 | — | — | — |
| Current tax on disposition | — | 1,439 | — | — | — |
| Funds from operations | \$ 44,455 | \$ 26,812 | \$ 25,239 | \$ 24,061 | \$ 19,849 |

Funds from operations per share is calculated using the same weighted average basic and diluted shares used in calculating income per share. Operating and corporate netbacks are also presented. Operating netbacks excluding hedging activity represent Surge'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 Surge's operating netback adjusted for realized gains or losses on financial contracts. Corporate netbacks represent Surge's operating netback, less general and administrative and interest expenses, in order to determine the amount of funds generated by production. Operating and corporate netbacks have been presented on a per barrels of oil equivalent ("boe") basis. This reconciliation is shown within the MD&A.

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

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.

Surge's Board of Directors and Audit Committee have reviewed and approved the condensed consolidated interim financial statements and MD&A. This MD&A is dated November 4, 2013.

OPERATIONS

Drilling

| | Drilling | | Success rate (%) gross | Working interest (%) |
|--------------|--------------|--------------|---------------------------|----------------------|
| | Gross | Net | | |
| Q1 2013 | 15.00 | 10.95 | 93% | 73% |
| Q2 2013 | 6.00 | 5.47 | 100% | 91% |
| Q3 2013 | 5.00 | 5.00 | 100% | 100% |
| Total | 26.00 | 21.42 | 98% | 82% |

Surge achieved a 100 percent success rate during the quarter ended September 30, 2013, drilling 5 gross (5.00 net) wells. The five gross wells drilled during the quarter include three wells in Eyehill and two wells in Valhalla.

Production

| | Q3 2013 | Q2 2013 | Q1 2103 | Q4 2012 | Q3 2012 |
|----------------------------|---------|---------|---------|---------|---------|
| Oil and NGL (bbls per day) | 9,725 | 6,966 | 6,854 | 6,398 | 5,651 |
| Natural gas (mcf per day) | 13,696 | 14,442 | 16,689 | 15,129 | 15,846 |
| Total (boe per day) (6:1) | 12,008 | 9,373 | 9,636 | 8,919 | 8,292 |
| % Oil and NGL | 81% | 74% | 71% | 72% | 68% |

Surge achieved an average production rate of 12,008 boe per day in the third quarter of 2013, a 45 percent increase from an average production rate of 8,292 boe per day in the same period of 2012, and a 28 percent increase as compared to an average production rate of 9,373 for the second quarter of 2013. The increase in the production volumes as compared to 2012 was primarily due to the results of the 2012 and 2013 drilling programs, as well as the Shaunavon Acquisition in the third quarter of 2013 which added approximately 3,500 bbl/d of production to third quarter results.

Surge realized a 81 percent oil and natural gas liquids production weighting in the third quarter of 2013. Surge realized average oil and natural gas liquids production of 9,725 bbls per day for the third quarter of 2013.

OIL, NATURAL GAS AND NGL, FINANCIAL CONTRACTS AND OTHER REVENUES

In the third quarter of 2013, 96 percent of Surge's revenue resulted from oil and natural gas liquids production, with four percent derived from natural gas.

A 39 percent increase in revenue per boe, combined with a 45 percent increase in production, resulted in revenues of \$86.8 million in the third quarter of 2013, up 101 percent from \$43.2 million in the same period of 2012.

Surge had certain financial contracts in place as of September 30, 2013. Surge recognized an unrealized loss of \$0.2 million and a realized loss of \$4.8 million on its financial contracts for the three months ended September 30, 2013. This compares to an unrealized loss of \$5.0 million and a realized loss of \$0.05 million on its financial contracts for the three months ended September 30, 2012.

The realized losses on financial contracts resulted in a decrease of \$4.32 per boe to average revenue per boe during the three months ended September 30, 2013.

During the nine months of 2013, 93 percent of Surge's revenue resulted from oil and natural gas liquids production, with seven percent derived from natural gas.

A 19 percent increase in revenue per boe, combined with a 17 percent increase in production, resulted in revenues of \$198.4 million in the nine months of 2013, up 39 percent from \$143.2 million in the same period of 2012.

Surge sells 27% of its volumes to a third party marketer that an Officer/Director of the Company has a significant ownership interest in.

Surge had certain financial contracts in place as of September 30, 2013. Surge recognized an unrealized loss of \$7.9 million and a realized loss of \$7.0 million on its financial contracts in the first nine months of 2013. This compares to an unrealized gain of \$5.1 million and a realized loss of \$1.1 million on its financial contracts in the first nine months of 2012.

The realized losses on financial contracts resulted in a decrease of \$2.47 per boe to average revenue per boe during the nine months of 2013.

Please refer to the "Financial Instruments" section of this MD&A and the financial statements for further details on these commodity contracts, interest rate, and foreign exchange swaps.

Prices

The Corporation realized average revenue of \$78.60 per boe in the third quarter of 2013, before realized financial contract

losses, an increase of 39 percent from the \$56.70 per boe recorded in the same period of 2012.

The Corporation realized an average of \$92.93 per bbl of oil and natural gas liquids in the third quarter of 2013, an increase of 22 percent from the \$75.94 per bbl realized in the same period of 2012. This compares to an average Edmonton Light Sweet price of \$104.76 per bbl for the quarter, which increased 24 percent per barrel from the \$84.33 per bbl during the same period of 2012. The increase in Surge's realized oil and natural gas liquids price is consistent with the increase in benchmark prices.

The Corporation realized an average natural gas price of \$2.92 per mcf in the third quarter of 2013, a 14 percent increase from the \$2.56 per mcf averaged in the same period of 2012. This compares to an average AECO Daily Index reference price of \$2.44 per mcf in the quarter, which increased by seven percent from the \$2.29 per mcf in the same period of 2012. The increase in realized natural gas prices is relatively consistent with the increase in benchmark prices, after giving affect to the higher heat content in Surge's gas versus the benchmark.

Realized losses on financial contracts resulted in a decrease of \$4.32 per boe to the average revenue per boe in the third quarter of 2013.

The Corporation realized average revenue of \$70.22 per boe in the first nine months of 2013, before realized financial contract losses, an increase of 19 percent from the \$59.02 per boe recorded in the same period of 2012.

The Corporation realized an average of \$85.73 per bbl of oil and natural gas liquids in the nine months of 2013, an eight percent increase from the \$79.15 per bbl realized in the same period of 2012. This compares to an average Edmonton Light Sweet price of \$95.15 per bbl during the first nine months of 2013, which increased 10 percent per barrel from the \$86.83 per bbl during the same period of 2012. The increase in Surge's realized oil and natural gas liquids price is relatively consistent with the increase in benchmark prices.

The Corporation realized an average natural gas price of \$3.53 per mcf in the nine months of 2013, a 49 percent increase from the \$2.37 per mcf averaged in the same period of 2012. This compares to an average Alberta Plant Gate reference price of \$3.06 per mcf in the first nine months of 2013, which increased by 45 percent from the \$2.11 per mcf in the same period of 2012. The increase in realized natural gas prices is relatively consistent when compared to the increase in average Alberta Plant Gate reference pricing.

Realized losses on financial contracts resulted in a decrease of \$2.47 per boe to the average revenue per boe in the first nine months of 2013.

Revenue and Realized Prices

| (\$000s except per amount) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|--------|----------|---------------------------------|---------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Oil and NGL | 83,146 | 39,481 | 111 % | 183,987 | 132,457 | 39% |
| Natural gas | 3,674 | 3,733 | (2)% | 14,371 | 10,719 | 34% |
| Processing and other | 8 | 29 | (72)% | 56 | 54 | 4% |
| Total oil, natural gas and NGL revenue | 86,828 | 43,243 | 101 % | 198,414 | 143,230 | 39% |
| Oil and NGL (\$ per bbl) | 92.93 | 75.94 | 22 % | 85.73 | 79.15 | 8% |
| Natural gas (\$ per mcf) | 2.92 | 2.56 | 14 % | 3.53 | 2.37 | 49% |
| Total oil, natural gas and NGL revenue (\$ per boe) | 78.60 | 56.70 | 39 % | 70.22 | 59.02 | 19% |
| Realized loss on commodity contracts (\$ per boe) | (4.32) | (0.06) | nm | (2.47) | (0.44) | nm |
| Total oil, natural gas, and NGL revenue after realized commodity contracts (\$ per boe) | 74.28 | 56.64 | 31 % | 67.75 | 58.58 | 16% |
| Reference Prices | | | | | | |
| Edmonton Light Sweet (\$ per bbl) | 104.76 | 84.33 | 24 % | 95.15 | 86.83 | 10% |
| AECO Daily Index (\$ per mcf) | 2.44 | 2.29 | 7 % | 3.06 | 2.11 | 45% |

Benchmark prices

| | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 | Q2 2012 |
|---|----------------|---------|---------|---------|---------|---------|
| (\$ per bbl) | | | | | | |
| Benchmark - WTI (US\$) | 105.82 | 94.22 | 94.37 | 88.18 | 92.22 | 93.49 |
| Difference - WTI realized to Edmonton Light Sweet (C\$) | (1.06) | (1.74) | (6.15) | (4.19) | (7.89) | (9.55) |
| % Difference | (1)% | (2)% | (7)% | (5)% | (9)% | (10)% |
| Benchmark - Edmonton Light Sweet (C\$) | 104.76 | 92.48 | 88.22 | 83.99 | 84.33 | 83.94 |
| Difference - Edmonton Light Sweet to Surge realized (C\$) | (11.83) | (9.47) | (10.04) | (9.21) | (8.39) | (7.63) |
| % Difference | (11)% | (10)% | (11)% | (11)% | (10)% | (9)% |
| Surge realized prices (C\$) | 92.93 | 83.01 | 78.18 | 74.78 | 75.94 | 76.31 |
| (C\$ per mcf) | | | | | | |
| Benchmark - AECO Daily Index | 2.44 | 3.53 | 3.20 | 3.22 | 2.29 | 1.90 |
| Surge realized prices | 2.92 | 4.06 | 3.57 | 2.73 | 2.56 | 2.24 |
| Difference | 0.48 | 0.53 | 0.37 | (0.49) | 0.27 | 0.34 |
| % Difference | 20% | 15% | 11% | (15)% | 12% | 18% |

ROYALTIES

Surge realized royalty expenses of \$16.1 million or 19 percent of revenue in the third quarter of 2013, as compared to \$7.6 million or 18 percent of revenue in the same period of 2012. During the first nine months of 2013, Surge realized royalty expenses of \$36.3 million or 18 percent of revenue, as compared to \$25.8 million or 18 percent of revenue in the same period of 2012. Royalties increased slightly as a percentage of revenue during the third quarter of 2013, in comparison to the same period in 2012, due to increased production that was no longer eligible for reduced royalty rates under the Alberta government's royalty incentive program, which allows for reduced royalties on newly drilled horizontal wells.

As royalties under the Alberta Royalty Framework (ARF) are sensitive to both commodity prices and production levels, the estimated ARF and corporate royalty rates will fluctuate with commodity prices, well production rates, production decline of existing wells, and performance and location of new wells drilled.

Royalties

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|-------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Royalties | 16,070 | 7,596 | 112% | 36,262 | 25,795 | 41% |
| % of Revenue | 19% | 18% | 6% | 18% | 18% | — |
| \$ per boe | 14.55 | 9.96 | 46% | 12.83 | 10.63 | 21% |

OPERATING EXPENSES

Operating expenses per boe in the third quarter of 2013 were 13 percent higher than the same period in 2012, at \$12.94 per boe as compared to \$11.48 per boe in the same period of 2012. Operating expenses per boe in the first nine months of 2013 were 11 percent higher than the same period in 2012, at \$12.54 per boe as compared to \$11.25 per boe in the same period of 2012.

Operating expenses per boe during the three and nine months ended September 30, 2013 increased mainly due to poor weather conditions and increased utility costs combined with site repairs and maintenance costs, as compared to the three and nine month periods ended September 30, 2012.

Surge has implemented a company wide operating cost reduction initiative and management expects to see reductions in per boe operating costs beginning in the fourth quarter of 2013 and continuing in 2014.

Operating Expenses

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|-------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Operating expenses | 14,292 | 8,758 | 63% | 35,417 | 27,290 | 30% |
| \$ per boe | 12.94 | 11.48 | 13% | 12.54 | 11.25 | 11% |

TRANSPORTATION EXPENSES

Transportation expenses per boe decreased by three percent to \$2.01 per boe in the third quarter of 2013, as compared to \$2.07 per boe in the same period of 2012. The decrease for the three months ended September 30, 2013 is primarily due to additional production volumes from pipeline connected production areas.

Transportation expenses per boe increased by three percent in the first nine months of 2013, to \$2.22 per boe, as compared to \$2.15 per boe in the first nine months of 2012. The increase for the first nine months ended September 30, 2013 is primarily due to additional production volumes that were trucked from pipeline connected areas that experienced pipeline interruptions during the second quarter of 2013.

Transportation Expenses

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|-------|----------|---------------------------------|-------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Transportation expenses | 2,220 | 1,582 | 40 % | 6,270 | 5,228 | 20% |
| \$ per boe | 2.01 | 2.07 | (3)% | 2.22 | 2.15 | 3% |

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

Net G&A expenses per boe for the third quarter of 2013 decreased 18 percent to \$2.56 per boe as compared to \$3.12 per boe in the same period of 2012. G&A expenses for the third quarter of 2013, net of recoveries and capitalized amounts of \$2.1 million, were \$2.8 million, compared to \$2.4 million in the same period of 2012, after recoveries and capitalized amounts of \$1.3 million.

Net G&A expenses per boe for the first nine months of 2013 were consistent at \$3.46 per boe as compared to \$3.42 in the same period of 2012. G&A expenses for the first nine months of 2013, net of recoveries and capitalized amounts of \$5.7 million, were \$9.8 million, compared to \$8.3 million in the same period of 2012, after recoveries and capitalized amounts of \$5.8 million.

Overall G&A expenses are higher than the comparative periods due to non-recurring severance payments made in the second and third quarter of 2013.

Surge has implemented a company wide G&A cost reduction initiative the results of which have begun to be realized in the third quarter. Management expects to see continued reductions in per boe G&A costs in the fourth quarter of 2013 and continuing in 2014.

G&A Expenses

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------------------------|----------------------------------|---------|----------|---------------------------------|---------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| G&A expenses | 4,940 | 3,705 | 33 % | 15,452 | 14,066 | 10 % |
| Recoveries and capitalized amounts | (2,111) | (1,322) | 60 % | (5,689) | (5,759) | (1)% |
| Net G&A expenses | 2,829 | 2,383 | 19 % | 9,763 | 8,307 | 18 % |
| Net G&A expenses \$ per boe | 2.56 | 3.12 | (18)% | 3.46 | 3.42 | 1 % |

TRANSACTION COSTS

In the third quarter of 2013, the Corporation incurred transaction costs of \$4.8 million or \$4.30 per boe, primarily related to the Shaunavon property acquisition that was completed during the third quarter of 2013. This is compared to \$0.05 million or \$0.06 per boe during the same period of 2012.

In the first nine months of 2013, the Corporation incurred transaction costs of \$4.9 million or \$1.73 per boe related to evaluation and review of business and property acquisitions, particularly the Shaunavon acquisition. This is compared to \$0.7 million or \$0.06 per boe during the same period of 2012.

Transaction Costs

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|------|----------|---------------------------------|------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Transaction costs | 4,751 | 46 | nm | 4,890 | 658 | nm |
| \$ per boe | 4.30 | 0.06 | nm | 1.73 | 0.06 | nm |

FINANCE EXPENSES

During the quarter ended September 30, 2013, Surge incurred interest expense of \$2.3 million or \$2.04 per boe as compared to \$1.7 million or \$2.23 per boe in the same period of 2012. Surge incurred interest expense of \$6.9 million or \$2.43 per boe in the first nine months of 2013 as compared to \$4.7 million or \$1.94 per boe in the same period of 2012. The increased interest expense during the three and nine months ended September 30, 2013 is primarily due to higher debt levels as compared to the same period of 2012.

Accretion represents the change in the time value of the decommissioning liability. Accretion expense per boe increased for the three and nine months ended September 30, 2013 compared to the same periods of 2012 primarily due to the change in estimate recorded and the acquisition in the first nine months of 2013. The underlying liability may increase over a period of time, based on new obligations incurred from drilling wells, constructing facilities, acquiring operations or adjusting future estimates of timing or amounts. Similarly, this future obligation can be reduced as a result of abandonment work undertaken.

Finance Expenses

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|-------|----------|---------------------------------|-------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Interest expense | 2,255 | 1,699 | 33 % | 6,855 | 4,708 | 46% |
| \$ per boe | 2.04 | 2.23 | (9)% | 2.43 | 1.94 | 25% |
| Accretion expense | 432 | 261 | 66 % | 1,077 | 775 | 39% |
| \$ per boe | 0.39 | 0.34 | 15 % | 0.38 | 0.32 | 19% |
| Finance expenses | 2,687 | 1,960 | 37 % | 7,932 | 5,483 | 45% |
| \$ per boe | 2.43 | 2.57 | (5)% | 2.81 | 2.26 | 24% |

NETBACKS

Surge's operating netback (defined as revenue excluding realized and unrealized gains or losses on financial contracts per boe less royalties, operating and transportation expenses on a per boe) was \$49.10 for the third quarter of 2013, a 48 percent increase from the \$33.19 recorded during the same period of 2012. The increase in operating netback was attributable to a 39 percent increase in revenue per boe and a three percent decrease in transportation costs per boe, partially offset by a 46 percent increase in royalties per boe and a 13 percent increase in operating costs per boe. The increase in corporate netback was impacted by a 18 percent decrease in G&A expense per boe and a nine percent decrease in interest expense per boe, as compared to the same period of 2012.

Surge's operating netback (defined as revenue excluding realized and unrealized gains or losses on financial contracts per boe less royalties, operating and transportation expenses on a per boe) was \$42.63 for the first nine months of 2013, a 22 percent increase from the \$34.99 recorded during the same period of 2012. The increase in operating netback was attributable to a 19 percent increase in revenue per boe, partially offset by an 11 percent increase in operating costs per boe, a three percent increase in transportation costs per boe, and a 21 percent increase in royalties per boe. The increase in corporate netback was impacted by a one percent increase in G&A expense per boe and a 25 percent increase in interest expense per boe, as compared to the same period of 2012.

Netbacks, Excluding Hedging Activity

| (\$ per boe, except production) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|----------------------------------|----------------------------------|---------|----------|---------------------------------|---------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Average production (boe per day) | 12,008 | 8,292 | 45 % | 10,350 | 8,857 | 17% |
| Revenue | 78.60 | 56.70 | 39 % | 70.22 | 59.02 | 19% |
| Royalties | (14.55) | (9.96) | 46 % | (12.83) | (10.63) | 21% |
| Operating costs | (12.94) | (11.48) | 13 % | (12.54) | (11.25) | 11% |
| Transportation costs | (2.01) | (2.07) | (3)% | (2.22) | (2.15) | 3% |
| Operating netback | 49.10 | 33.19 | 48 % | 42.63 | 34.99 | 22% |
| G&A expense | (2.56) | (3.12) | (18)% | (3.46) | (3.42) | 1% |
| Interest expense | (2.04) | (2.23) | (9)% | (2.43) | (1.94) | 25% |
| Corporate netback | 44.50 | 27.84 | 60 % | 36.74 | 29.63 | 24% |

Netbacks, Including Hedging Activity

| (\$ per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|--------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Operating netback | 49.10 | 33.19 | 48 % | 42.63 | 34.99 | 22% |
| Realized gain (loss) on commodity contracts | (4.32) | (0.06) | nm | (2.47) | (0.44) | nm |
| Operating netback, net of hedging activity | 44.78 | 33.13 | 35 % | 40.16 | 34.55 | 16% |
| G&A expense | (2.56) | (3.12) | (18)% | (3.46) | (3.42) | 1% |
| Interest expense | (2.04) | (2.23) | (9)% | (2.43) | (1.94) | 25% |
| Corporate netback, net of hedging activity | 40.18 | 27.78 | 45 % | 34.27 | 29.19 | 17% |

FUNDS FROM OPERATIONS AND CASH FLOW FROM OPERATIONS

Funds from operations increased 124 percent to \$44.5 million in the third quarter of 2013 compared to \$19.8 million in the same period of 2012. On a per share basis, funds from operations increased 32 percent, to \$0.37 per basic share from \$0.28 per basic share in the same period of 2012.

Funds from operations increased 42 percent to \$96.5 million in the nine months of 2013 compared to \$68.2 million in the same period of 2012. On a per share basis, funds from operations increased 15 percent, to \$1.10 per basic share from \$0.96 per basic share in the same period of 2012.

Cash flow from operating activities differs from funds from operations principally due to the inclusion of changes in non-cash working capital. Cash flow from operations was \$17.1 million for the third quarter of 2013 as compared to \$24.5 million in the same period of 2012.

Cash flow from operating activities differs from funds from operations principally due to the inclusion of changes in non-cash working capital. Cash flow from operations was \$66.8 million for the first nine months of 2013 as compared to \$69.7 million in the same period of 2012.

Included in cash flow from operations is an increase in non-cash working capital of \$22.6 million in the third quarter of 2013 and an increase of \$19.8 million for the nine months ended September 30, 2013.

Funds from Operations

| (\$000s except per share and per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---------------------------------------|----------------------------------|--------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Funds from operations | 44,455 | 19,849 | 124 % | 96,504 | 68,171 | 42 % |
| Per share - basic (\$) | 0.37 | 0.28 | 32 % | 1.10 | 0.96 | 15 % |
| Per share - diluted (\$) | 0.37 | 0.28 | 32 % | 1.10 | 0.95 | 16 % |
| \$ per boe | 40.24 | 26.02 | 55 % | 34.16 | 28.09 | 22 % |
| Cash flow from operating activities | 17,107 | 24,483 | (30)% | 66,797 | 69,745 | (4)% |

STOCK-BASED COMPENSATION

Surge recorded net stock-based compensation expense of \$2.5 million during the third quarter of 2013, compared to \$0.9 million for the same period of 2012. The fair value of the options granted was calculated using the Black-Scholes option-pricing model. The increase in stock-based compensation for this period was due to the forfeiture of stock options during the quarter and the associated option cancellation accounting, whereby the remaining expense of \$1.7 million was booked in the period of cancellation.

Surge recorded net stock-based compensation expense of \$7.6 million during the nine months of 2013, compared to \$2.5 million for the same period of 2012. The fair value of the options granted was calculated using the Black-Scholes option-pricing model. The increase in stock-based compensation for this period was primarily due to immediate recognition of \$3.5 million related to warrants issued through a private placement to the CEO of the Corporation during the third quarter of 2013 that were considered compensatory and \$1.7 million associated with the options cancelled.

During the first nine months of 2013, 74,500 options were issued at a weighted average exercise price of \$4.05 per option, 1,526,358 options were forfeited at a weighted average exercise price of \$7.37 per option and 4,624,727 options were cancelled at a weighted average price of \$7.73 per option. There were 251,667 options exercised at a weighted average price of \$5.19.

During the three months ended September 30, 2013, 107,000 stock options at a price of \$5.31 were expensed on a cashless basis and 21,809 shares were issued.

The following assumptions were used to calculate the fair value of options granted in 2013: zero dividend yield; expected volatility of 69 percent; risk free rate of two percent; forfeiture rate of zero and expected life of five years.

During the first nine months of 2013, the Corporation in conjunction with the private placement issued 1,400,560 warrants exercisable at a price of \$4.46. The warrants will become exercisable based on certain time based and performance based conditions. Specifically with respect to time they are exercisable up to one third on each anniversary from the date of the grant, and with respect to performance up to one half when the market price of the Corporation reaches \$6.30 and the other half when it reaches \$8.40. The warrants expire in June 2018. There are no warrants exercisable as at September 30, 2013.

The following assumptions were used to calculate stock-based compensation recognized on warrants in the period: zero dividend yield; expected volatility of 66 percent; risk free rate of one percent; forfeiture rate of zero percent and expected life of five years.

During the first nine months of 2013, the Corporation issued 2.0 million stock appreciation rights ("SAR's") exercisable at a

price of \$3.24 per SAR. The SAR's vest up to one third on each anniversary from the date of grant and expire in June 2018. The exercise price is downward adjusted for dividends paid. The SAR's when exercised are to be cash settled based on the difference between the Corporation's common share price on the date of exercise and the adjusted exercise price. The Corporation has valued the SAR's using a Black Scholes valuation model and will continue to revalue at each reporting period until ultimate cash settlement. The Corporation realized a liability within accounts payable and an offsetting increase to stock based compensation of \$1.2 million.

Stock-based compensation

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|---------|----------|---------------------------------|---------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Stock-based compensation | 4,333 | 2,072 | 109% | 10,925 | 6,150 | 78 % |
| Capitalized stock-based compensation | (1,879) | (1,182) | 59% | (3,280) | (3,611) | (9)% |
| Net stock-based compensation | 2,454 | 890 | 176% | 7,645 | 2,539 | 201 % |
| Net stock-based compensation \$ per boe | 2.22 | 1.17 | 90% | 2.71 | 1.05 | 158 % |

DEPLETION AND DEPRECIATION

Depletion and depreciation are calculated based upon capital expenditures, production rates and proved plus probable reserves. Deducted from the Corporation's depletion and depreciation calculation are costs associated with salvage values of \$40.5 million. Future development costs for proved and probable reserves of \$278.8 million have been included in the depletion calculation.

Surge recorded \$23.1 million or \$20.91 per boe in depletion and depreciation expense during the third quarter of 2013, as compared to \$17.0 million or \$22.23 per boe in depletion and depreciation expense in the same period of 2012. This decrease per boe is due primarily to the impairment recorded in the fourth quarter of 2012.

The depletion and depreciation calculation is based on daily production volumes of 12,008 boed for the third quarter of 2013.

Surge recorded \$53.8 million or \$19.06 per boe in depletion and depreciation expense during the nine months of 2013, as compared to \$52.3 million or \$21.54 per boe in depletion and depreciation expense in the same period of 2012. This decrease per boe is due primarily to the impairment recorded in the fourth quarter of 2012.

Depletion and Depreciation Expense

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------------------------|----------------------------------|--------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Depletion and depreciation expense | 23,104 | 16,959 | 36 % | 53,842 | 52,262 | 3 % |
| \$ per boe | 20.91 | 22.23 | (6)% | 19.06 | 21.54 | (12)% |

IMPAIRMENT

Impairment

| (\$000s except per boe) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|----------------------------------|------|----------|---------------------------------|------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Impairment | — | — | nm | 24,000 | — | nm |
| \$ per boe | — | — | nm | 8.49 | — | nm |

In conjunction with the disposal of the US petroleum and natural gas properties and performance and reserve issues, the Corporation tested the remaining petroleum and natural gas properties in the related CGU for impairment. The estimated recoverable amount of the CGU was estimated as its fair value less costs to sell based on the net present value of before tax cash flows from oil and gas proved plus probable reserves estimated by the Corporation's third party reserve evaluators at a

discount rate of 15%. In determining the appropriate discount rate, the Corporation referenced recent market transactions completed on assets similar to those in the CGU. During the second quarter of 2013, it was determined that the net book value of the CGU exceeded the recoverable amount and the Corporation recorded a \$24.0 million impairment charge.

NET INCOME

The Corporation recorded a net income of \$9.3 million or \$0.08 per basic share for the third quarter of 2013 compared to net loss of \$1.0 million or \$0.01 per basic share for the same period of 2012.

The Corporation recorded a net loss of \$7.0 million or \$0.08 per basic share for the nine months of 2013 compared to net income of \$14.9 million or \$0.21 per basic share for the same period of 2012.

Net Income (Loss)

| (\$000s except per share) | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---------------------------|----------------------------------|--------|----------|---------------------------------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Net Income (Loss) | 9,319 | (986) | nm | (7,039) | 14,944 | nm |
| Per share - basic (\$) | 0.08 | (0.01) | nm | (0.08) | 0.21 | nm |
| Per share - diluted (\$) | 0.08 | (0.01) | nm | (0.08) | 0.21 | nm |

CAPITAL EXPENDITURES

During the third quarter of 2013, Surge invested a total of \$20.0 million prior to acquisitions. Surge invested \$13.9 million to drill 5 gross (5.00 net) wells.

In addition, Surge invested \$2.4 million in facilities, equipment, and pipelines, \$1.9 million in seismic and land acquisitions, and \$1.8 million on other capital items.

Surge has implemented a company wide service cost reduction initiative the results of which have begun to be realized in the third quarter. Management expects to see continued reductions in costs in the fourth quarter of 2013 and continuing in 2014.

Capital Expenditure Summary

| (\$000s) | Q1 2013 | Q2 2013 | Q3 2013 | 2013 YTD | 2012 YTD | Change |
|--|---------|----------|----------------|-----------------|----------|--------|
| Land | 1,975 | 335 | 1,312 | 3,622 | 11,715 | (69)% |
| Seismic | 311 | 61 | 556 | 928 | 2,082 | (55)% |
| Drilling and completions | 27,607 | 17,372 | 13,935 | 58,914 | 90,925 | (35)% |
| Facilities, equipment and pipelines | 8,075 | 5,799 | 2,373 | 16,247 | 25,077 | (35)% |
| Other | 2,097 | 1,599 | 1,821 | 5,517 | 5,940 | (7)% |
| Total exploration and development | 40,065 | 25,166 | 19,997 | 85,228 | 135,739 | (37)% |
| Acquisitions - cash consideration | — | — | 242,439 | 242,439 | 27,847 | nm |
| Acquisitions - debt acquired | — | — | — | — | 14,623 | (100)% |
| Acquisitions - share based consideration | — | — | — | — | 71,275 | (100)% |
| Property dispositions | (807) | (39,377) | — | (40,184) | (1,354) | nm |
| Total acquisitions & dispositions | (807) | (39,377) | 242,439 | 202,255 | 112,391 | 80 % |
| Total capital expenditures | 39,258 | (14,211) | 262,436 | 287,483 | 248,130 | 16 % |

Quarterly Financial Information

| | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 |
|---|---------|----------|---------|----------|
| Oil, Natural gas & NGL sales | 86,828 | 58,004 | 53,582 | 49,430 |
| Net earnings (loss) | 9,319 | (15,004) | (1,354) | (68,187) |
| Net earnings (loss) per share (\$): | | | | |
| Basic | 0.08 | (0.21) | (0.02) | (0.96) |
| Diluted | 0.08 | (0.21) | (0.02) | (0.96) |
| Funds from operations | 44,455 | 26,812 | 25,237 | 24,061 |
| Funds from operations per share (\$): | | | | |
| Basic | 0.37 | 0.38 | 0.35 | 0.34 |
| Diluted | 0.37 | 0.38 | 0.35 | 0.34 |
| Average daily sales | | | | |
| Oil & NGL (bbls/d) | 9,725 | 6,966 | 6,854 | 6,398 |
| Natural gas (mcf/d) | 13,696 | 14,442 | 16,689 | 15,129 |
| Barrels of oil equivalent (boe per day) (6:1) | 12,008 | 9,373 | 9,636 | 8,919 |
| Average sales price | | | | |
| Natural gas (\$/mcf) | 2.92 | 4.06 | 3.57 | 3.89 |
| Oil & NGL (\$/bbl) | 92.93 | 83.01 | 78.18 | 74.78 |
| Barrels of oil equivalent (\$/boe) | 78.60 | 68.00 | 61.78 | 60.24 |

Quarterly Financial Information

| | Q3 2012 | Q2 2012 | Q1 2012 | Q4 2011 |
|---|---------|---------|---------|---------|
| Oil, Natural gas & NGL sales | 43,243 | 48,927 | 51,060 | 42,812 |
| Net earnings (loss) | (986) | 13,273 | 2,657 | (5,531) |
| Net earnings (loss) per share (\$): | | | | |
| Basic | (0.01) | 0.19 | 0.04 | (0.09) |
| Diluted | (0.01) | 0.18 | 0.04 | (0.09) |
| Funds from operations | 19,849 | 24,315 | 24,005 | 22,088 |
| Funds from operations per share (\$): | | | | |
| Basic | 0.28 | 0.34 | 0.34 | 0.36 |
| Diluted | 0.28 | 0.34 | 0.33 | 0.35 |
| Average daily sales | | | | |
| Oil & NGL (bbls/d) | 5,651 | 6,568 | 6,110 | 4,534 |
| Natural gas (mcf/d) | 15,846 | 16,246 | 17,398 | 17,885 |
| Barrels of oil equivalent (boe per day) (6:1) | 8,292 | 9,275 | 9,009 | 7,514 |
| Average sales price | | | | |
| Natural gas (\$/mcf) | 2.56 | 2.24 | 2.32 | 3.49 |
| Oil & NGL (\$/bbl) | 75.94 | 76.31 | 85.19 | 88.60 |
| Barrels of oil equivalent (\$/boe) | 56.70 | 57.97 | 62.28 | 61.93 |

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

The fluctuations in Surge's revenue and net earnings from quarter to quarter are primarily caused by increases in production volumes, changes in realized commodity prices and the related impact on royalties, and realized and unrealized gains or losses on derivative instruments. The increases in production from the third quarter of 2012 through the current quarter are due to Surge's successful drilling program, as well as corporate and asset acquisitions over that period. Please refer to the Financial and Operating Results section and other sections of this MD&A for detailed discussions on variations during the comparative quarters and to Surge's previously issued interim and annual MD&A for changes in prior quarters.

Share Capital and Option Activity

| | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 |
|--|-------------|------------|------------|------------|------------|
| Weighted Common Shares | 119,878,292 | 71,358,171 | 71,217,345 | 71,196,143 | 71,117,390 |
| Stock option dilution (treasury method) ¹ | 248,162 | — | — | — | — |
| Weighted average diluted shares outstanding ¹ | 120,126,454 | 71,358,171 | 71,217,345 | 71,196,143 | 71,117,390 |

¹In computing the net income per diluted share in the current period, nil shares were added to the weighted average number of shares outstanding.

On November 4, 2013 Surge had 121,863,650 common shares, 3,168,283 warrants, 2,000,000 SAR's and 252,449 options outstanding.

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2013, Surge had drawn \$186.2 million on its credit facility with total net debt of \$188.2 million, a reduction in total net debt of 36% as compared to the same date in 2012. Surge has approximately \$162 million of borrowing capacity in relation to the \$350 million credit facility, giving Surge considerable financial flexibility through the balance of 2013.

Surge anticipates that future capital requirements will be funded through a combination of internal cash flow, divestitures, debt and/or equity financing. Furthermore, Surge's flexible capital program and unused bank line further add to Surge's ability to fund future capital requirements. There is no assurance that debt and equity financing will be available on terms acceptable to the Corporation to meet its capital requirements.

The Corporation defines net debt as outstanding bank debt plus or minus cash-based working capital and dividends payable, and excluding the fair value of financial contracts, accrued share appreciation rights within accounts payable and other current obligations as follows:

Net Debt

| (\$000s) | |
|--|---------------------|
| Bank debt | \$ (186,153) |
| Accounts receivable | 47,673 |
| Prepaid expenses and deposits | 2,884 |
| Accounts payable and accrued liabilities | (49,510) |
| Accrued share appreciation rights | 1,192 |
| Dividends payable | (4,265) |
| Total | \$ (188,179) |

As at September 30, 2013, the Corporation had a \$350 million extendible, revolving term credit facility with a syndicate of Canadian banks bearing interest at bank rates. The facility is available on a revolving basis until May 31, 2014. On May 31, 2014, at the Corporation's discretion, the facility is available on a non-revolving basis for a one-year period, at the end of which time the facility would be due and payable. Alternatively, the facilities may be extended for a further 364-day period at the request of the Corporation and subject to the approval of the syndicate. As the available lending limits of the facilities are based on the syndicate's interpretation of the Corporation's reserves and future commodity prices, there can be no assurance that the

amount of the available facilities will not decrease at the next scheduled review. Interest rates vary depending on the ratio of net debt to cash flow. The facility had an effective interest rate of prime plus 1.50 percent as at September 30, 2013 (December 31, 2012 – prime plus 2.0 percent).

Surge's facility is secured by a general assignment of book debts, debentures of \$500.0 million with a floating charge over all assets of the Corporation with a negative pledge and undertaking to provide fixed charges on the major producing petroleum and natural gas properties at the request of the bank.

Under the terms of the agreement, the Corporation must maintain an adjusted working capital ratio of not less than 1.00:1.00 at all times. The working capital ratio is defined under the current credit facility as cash-based current assets, including the undrawn portion of the facility, to cash-based current liabilities, excluding any current bank indebtedness. The Corporation is compliant with this covenant at September 30, 2013.

RELATED-PARTY AND OFF-BALANCE-SHEET TRANSACTIONS

Surge was not involved in any off-balance-sheet transactions or related party transactions during the period ended September 30, 2013.

FINANCIAL INSTRUMENTS

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

The following table summarizes the Corporation's derivatives as at the date of this MD&A by period and by product. Further detail on the individual hedges can be found in the Financial Statements.

Commodity Contracts

WTI-to-Edm Oil Differential Hedges

| Period | Volume Hedged (bbl/d) | Avg Discount to WTI (C\$) |
|---------|-----------------------|---------------------------|
| Q4 2013 | 2,000 | \$ (7.93) |

WTI Oil Hedges

| Period | Volume Hedged (bbl/d) | Avg Floor Price (Surge receives) (C\$ per bbl) |
|---------|-----------------------|--|
| Q4 2013 | 4,100 | \$ 95.79 |
| Q1 2014 | 3,450 | \$ 95.76 |
| Q2 2014 | 3,450 | \$ 95.76 |
| Q3 2014 | 3,450 | \$ 94.98 |
| Q4 2014 | 3,450 | \$ 94.98 |
| Q1 2015 | 1,000 | \$ 93.50 |
| Q2 2015 | 1,000 | \$ 93.50 |
| Q3 2015 | 1,000 | \$ 93.50 |
| Q4 2015 | 1,000 | \$ 93.50 |

AECO Gas Hedges

| Period | Volume Hedged (mcf/d) | Avg Swap Price (Surge receives) (C\$ per mcf) |
|---------|-----------------------|---|
| Q4 2013 | 8,441 | \$ 3.39 |
| Q1 2014 | 4,220 | \$ 3.69 |
| Q2 2014 | 4,220 | \$ 3.69 |
| Q3 2014 | 4,220 | \$ 3.69 |
| Q4 2014 | 4,220 | \$ 3.69 |

Interest Contracts

| Product | Period | Notional (C\$) | Company Fixed Interest Rate (%) ⁽¹⁾ |
|--------------------|----------------------|----------------|--|
| Interest Rate Swap | Calendar 2013 - 2014 | \$50,000,000 | 2.846% |

(1) The interest rate contract is comprised of a range, beginning at 1.439% and escalating quarterly to a maximum of 3.952%.

Foreign Exchange Contracts

| Product | Period | Notional (US\$) | Swap Price (C\$) |
|-----------------------|---------------|-----------------|------------------|
| Foreign Exchange Swap | Calendar 2013 | \$33,762,500 | \$1.005 |
| Foreign Exchange Swap | Calendar 2014 | \$33,361,000 | \$1.005 |

CONTINGENCIES

On May 23, 2013 the Corporation reached a settlement agreement, whereby all third party objections to the Corporation's holding applications at its Valhalla property were withdrawn. The negotiated settlement includes compensation by Surge of \$4.0 million for gas production from the property over the preceding 30 months and included a commercial arrangement which accounts for and compensates the parties for any future gas obligations and the withdrawal of a lawsuit filed by one of the objectors.

SUBSEQUENT EVENTS

On October 22, 2013 the Corporation announced that it had agreed to acquire all the issued and outstanding shares of a Private Canadian oil and gas producer with properties in Saskatchewan, for \$147 million in shares and cash. The consideration to be paid will be comprised of between 15.7 and 20.7 million shares of Surge, subject to the cash consideration elected by the shareholders of the private company to a maximum of \$30 million, plus the assumption of \$23 million of debt. The acquisition is expected to close in November, 2013.

On October 22, 2013 the Corporation also announced that it had agreed to acquire certain working interest in petroleum and natural gas properties in Saskatchewan and Manitoba for \$135 million in shares and cash from a Canadian oil and gas producer. The Corporation paid a deposit of \$13.5 million in October, 2013. The acquisition is expected to close in November, 2013. In the event that the acquisition is not completed due to actions of Surge, the Company is liable to pay a break fee of \$5 million. In the event that the acquisition is not completed due to actions of the counterparty, the deposit of \$13.5 million will be fully refunded to Surge.

CONTROLS AND PROCEDURES

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

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

There were no changes in the Corporation’s ICFR during the period ended September 30, 2013 that materially affected, or are reasonably likely to materially affect, the Corporation’s ICFR.

Disclosure Controls

Disclosure controls and procedures have been designed to ensure that information to be disclosed by the Corporation is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures.

Internal Controls over Financial Reporting

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with IFRS.

CRITICAL ACCOUNTING ESTIMATES

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

Reserves

The process of estimating reserves is critical to several accounting estimates. It requires significant judgments based on available geological, geophysical, engineering and economic data. These estimates may change substantially as data from ongoing development and production activities becomes available, and as economic conditions impacting oil and gas prices, operating costs and royalty burdens change. Reserve estimates impact net income through depletion, the determination of decommissioning liabilities and the application of impairment tests.

Revisions or changes in reserve estimates can have either a positive or a negative impact on net income.

Forecasted Commodity Prices

Management’s estimates of future crude oil and natural gas prices are critical as these prices are used to determine the carrying amount of PP&E, assess impairment and determine the change in fair value of financial contracts. Management’s estimates of prices are based on the price forecast from our reserve engineers and the current forward market.

Business Combinations

Management makes various assumptions in determining the fair values of any acquired company’s assets and liabilities in a business combination. The most significant assumptions and judgments made relate to the estimation of the fair value of the oil and gas properties. To determine the fair value of these properties, we estimate (a) oil and gas reserves in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (“NI 51-101”) and (b) future prices of oil and gas.

Decommissioning Liability

Management calculates the decommissioning liability based on estimated costs to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods. The fair value estimate is capitalized to PP&E as part of the cost of the related asset and amortized over its useful life. There are uncertainties related

to decommissioning liabilities and the impact on the financial statements could be material as the eventual timing and costs for the obligations could differ from our estimates. Factors that could cause our estimates to differ include any changes to laws or regulations, reserve estimates, costs and technology.

Derivative Financial Instruments

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

Stock-based Compensation

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

Deferred Income Taxes

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

CHANGES IN ACCOUNTING POLICIES

On January 1, 2013, the Corporation adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods.

FUTURE ACCOUNTING POLICY CHANGES

In November 2009, the IASB published IFRS 9 – Financial Instruments, which covers the classification and measurement of financial assets as part of its project to replace IAS 39 – Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company’s own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Corporation on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

The Corporation is currently evaluating the impact of adopting all of the newly issued and amended standards.

RISK FACTORS

Additional risk factors can be found under “Risk Factors” in the Corporation’s 2012 Annual Information Form, which can be found on www.sedar.com. Many risks are discussed below and in the 2012 Annual Information Form, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from forecast results.

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

Surge’s principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Corporation’s need for capital is both short-term and long-term in nature. Short-term working capital

will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. Surge anticipates that future capital requirements will be funded through a combination of internal funds from operations, debt and/or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Corporation to meet its capital requirements. If any components of the Corporation's business plan are missing, the Corporation may not be able to execute the entire business plan.

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

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

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

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

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

On October 25, 2007, the Alberta Government announced the New Royalty Framework (NRF) which took effect after January 1, 2009. On March 3, 2009, the Alberta Government announced a drilling royalty credit and new well incentive program that will be in effect from April 1, 2009 to March 31, 2010. On November 29, 2008, the Alberta Government announced that in response to the global economic crisis and a slowdown in oil and natural gas drilling in Alberta, companies drilling certain new

wells after November 19, 2008 have a one-time option of selecting a transitional rate or the NRF rate. All wells drilled between 2009 and 2013 that adopt the transitional rate will be required to shift to the NRF on January 1, 2014. All wells drilled prior to November 19, 2008 moved to the NRF on January 1, 2009.