

# TAB 10



# Lightstream Resources

## Debt exchange alternatives

**Confidential**  
January 2015

PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION

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## Executive summary

### Credit Suisse (“CS”) is pleased to present its views on a potential liability management exercise to Lightstream Resources (“Lightstream”, or the “Company”)

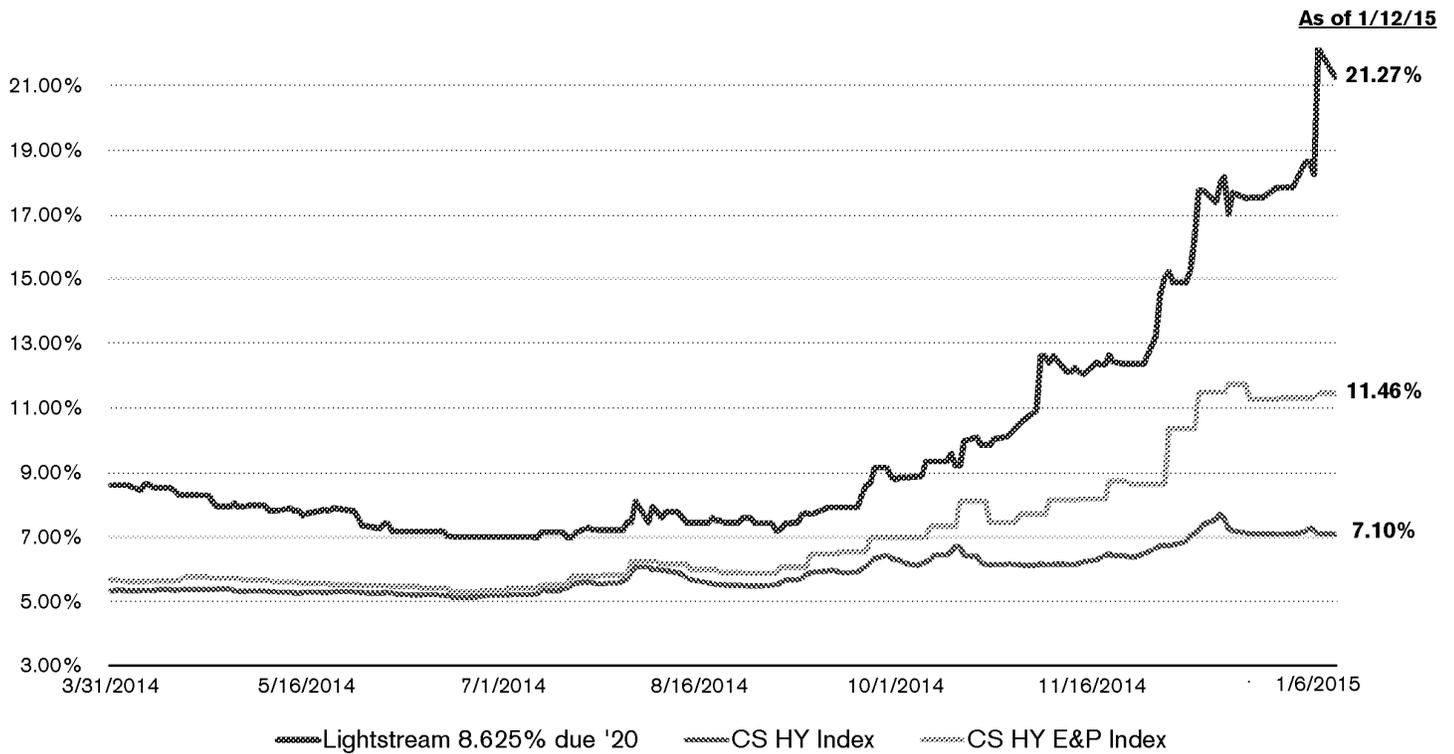
- ※ The high yield and equity markets continue to be volatile against a backdrop of weak oil prices
  - The YTW for the CS High Yield E&P sub-index has widened from a record low of 5.31% in mid-June to 11.46% on 1/8/2015
- ※ Lightstream's existing 8.625% Sr. Notes due 2020 are bid at 62.0 to yield 21.27%
  - This pullback potentially represents an opportunity for an “up-tiering exchange” or “tender in conjunction with new issue” whereby the Company is able to monetize some discount on the existing notes and potentially reduce interest expense burden
  - Any discount captured ultimately accrues to equity
- ※ Based on our review of Lightstream's bond indenture, we believe the Company has meaningful 2<sup>nd</sup> lien debt capacity
  - Indenture permits up to \$1.5 billion in credit facilities as well as a \$50 million general lien basket
  - Taking into account existing \$1.25B billion facility (assuming the accordion feature is exercised), we arrive at total of \$300 million (\$1.5bn less \$1.25bn plus \$50mm)
  - 2<sup>nd</sup> lien debt likely to be structured as a term loan to conform to the definition of Credit Facilities although 2<sup>nd</sup> line note exchange also potentially plausible (but would require clean opinion from both counsels)
  - 2<sup>nd</sup> lien term loan can also be structured as an exchange or, alternatively, as a new money deal with a concurrent tender
- ※ CS believes that Lightstream would be able to successfully exchange \$275 – \$325 million of senior notes by offering a 5 – 8 point premium to current offer level
  - Results in upwards of \$94 million equity gain through debt discount capture assuming ~43% participation<sup>(1)</sup>, net of fees and OID
  - Speed to market is important – if oil prices rise and Lightstream notes rally, the exchange opportunity may no longer be achievable
- ※ However, the discount captured must be carefully weighed against the amount of secured capacity being utilized
  - Reserving 2<sup>nd</sup> lien capacity will be crucial in the event of a prolonged downturn for oil prices and challenging capital markets
  - In addition, potential reductions in PV-10 due to lower price deck may reduce revolver availability and hence liquidity in the future

Credit Suisse is the right partner to help Lightstream evaluate its capital structure alternatives and to implement next steps

(1) Based on the amount of new 2nd lien term loan proceeds available (\$250 million less fees and OID).

## Recent E&P HY performance

### *Lightstream and CS HY E&P Index*



Lightstream's bonds and those of many E&P credits sold off as oil prices continued to fall throughout 4Q14, and yields have gapped higher in recent days as energy markets remain volatile

## Illustrative tender/exchange economics

### 43% tender for 2020 Notes at a 5 point premium

- ✳ An exchange transaction for a portion of Lightstream's existing Senior Notes presents an opportunity to reduce net debt by ~\$94 million
  - Assumes 43% participation in the tender offer at a 5 point premium to current level of 62.0
  - Despite assumed increase in coupon rate on new second lien debt instrument than Lightstream's existing Senior Notes, the transaction could potential reduce cash interest expense, while reducing the Company's total debt load

#### Illustrative tender offer for 43% of Senior notes due 2020 at 5 point premium

(\$ in millions)	Current		Tender offer transaction				Pro forma		
	Face value	Interest	Price	Participation	Par (\$)	Mkt (\$)	Face value	Interest	
8.625% senior notes due 2020	800	69	67	43.0%	344	230	456	39	
New 2nd lien instrument (L+1000, 1% floor)	–	–					250	28	
<b>Total</b>	<b>\$800</b>	<b>\$69</b>					<b>\$706</b>	<b>\$67</b>	
							<b>Change:</b>	<b>(\$94)</b>	<b>(\$2)</b>

#### Debt reduction sensitivity

(\$ in millions)	'20s tender premium (pts)			
	–	2.5	5.0	7.5
37%	(\$93)	(\$86)	(\$78)	(\$71)
40%	(102)	(94)	(86)	(78)
43%	(111)	(103)	(94)	(85)
46%	(120)	(111)	(102)	(93)
49%	(129)	(120)	(110)	(100)

#### Interest increase (reduction) sensitivity

(\$ in millions)	'20s tender premium (pts)			
	–	2.5	5.0	7.5
10.0%	(\$6.4)	(\$5.5)	(\$4.7)	(\$3.8)
10.5%	(5.2)	(4.3)	(3.4)	(2.5)
11.0%	(4.1)	(3.1)	(2.2)	(1.2)
11.5%	(2.9)	(1.9)	(0.9)	0.1
12.0%	(1.7)	(0.7)	0.3	1.4

Note: New 2<sup>nd</sup> lien debt instrument exceeds tender value of senior notes in order to cover expected fees, expenses and OID.

# Sources, uses and pro forma capitalization

## Illustrative 43% tender/exchange

### Pro forma capitalization

(US\$ in millions)	Pro forma 9/30/14	Transaction adjustments	As adjusted 9/30/14
Cash & equivalents	–	–	–
Revolving credit facility due 2017	466	–	466
New second lien instrument	–	250	250
<b>Total secured debt</b>	<b>\$466</b>	<b>\$250</b>	<b>\$716</b>
8.625% senior notes due 2020	800	(344)	456
<b>Total debt</b>	<b>\$1,266</b>	<b>(\$94)</b>	<b>\$1,172</b>
Common equity	1,657	94	1,751
<b>Total book capitalization</b>	<b>\$2,924</b>	<b>–</b>	<b>\$2,924</b>
Fully diluted market capitalization	200	94	294
<b>Enterprise value</b>	<b>\$1,466</b>	<b>–</b>	<b>\$1,466</b>
<b>Operating statistics:</b>			
Borrowing base	\$975	–	\$975
Liquidity	\$508	–	\$508
2015E EBITDAX <sup>(1)</sup>	\$199	–	\$199
2P PV-10 <sup>(2)</sup>	\$1,695	–	\$1,695
2P reserves (MMBoe)	178	–	178
3Q14 production (MBoe/d)	35	–	35
2015E production (MBoe/d)	31	–	31
<b>Credit statistics:</b>			
Secured debt /			
2015E EBITDAX	2.3x		3.6x
2P reserves (\$/Boe)	\$2.62		\$4.02
Pre-tax 2P PV-10 / Secured debt	3.6x		2.4x
Total debt /			
2015E EBITDAX	6.4x		5.9x
2P reserves (\$/Boe)	\$7.11		\$6.58
Pre-tax 2P PV-10 / Total debt	1.3x		1.4x

### Sources & uses

(\$ in millions)	
<b>Sources</b>	
New second lien instrument	\$250
Cash from balance sheet	–
<b>Total sources</b>	<b>\$250</b>
<b>Uses</b>	
Tender offer for 43% of senior notes due 2020 at 67	\$230
OID	13
Fees & expenses	7
<b>Total uses</b>	<b>\$250</b>
<i>Note: Gain on debt extinguishment (before fees/OID)</i>	<i>\$114</i>
<i>Total par amount of bonds tendered</i>	<i>\$344</i>

- ※ Tender for 43% of existing 8.625% senior notes due 2020 at a price of 67
  - Price represents a 5 point premium to current trading levels
  - Issue \$250 million of new 2nd lien exchange debt instrument for tendered bonds
    - Assumed issued at a price of 95.0
- ※ Transaction reduces total debt by \$94 million
  - Total leverage ratio declines 0.5x to 5.9x
- ※ Pro forma for the exchange, secured leverage ratio of 3.6x

## Key considerations for Lightstream and investors

	<b>Advantages</b>	<b>Considerations</b>
<b>Sanchez</b>	<ul style="list-style-type: none"> <li>⌘ Captures significant discount on existing senior unsecured notes</li> <li>⌘ Reduces total debt and leverage</li> <li>⌘ Preserves revolver liquidity by issuing new 2<sup>nd</sup> lien notes</li> <li>⌘ Send positive signal to market</li> </ul>	<ul style="list-style-type: none"> <li>▼ New 2nd Lien exchange debt likely to have higher coupon rate than some or all of the debt it replaces, potentially increasing total interest expense</li> <li>▼ Utilizes secured debt capacity baskets, potentially limiting options in the future</li> <li>▼ Subject to successfully tendering meaningful portion of the existing senior unsecured notes</li> <li>▼ Execution risk given dislocated state of energy capital markets</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>⌘ Accepting exchange offer presents opportunity to gain security on portion of debt position at a similar yield</li> <li>⌘ Higher coupon on new exchange debt allows notes to trade above par if energy markets rebound</li> <li>⌘ Premium on tendered bonds</li> </ul>	<ul style="list-style-type: none"> <li>▼ Should the Company choose to draw its revolver, the newly-created 2nd lien collateral positions would become increasingly subordinated in a distressed context</li> <li>▼ Layering of existing Notes hurts recovery on Notes not exchanged or tendered</li> <li>▼ May be reluctant to exchange or tender at this time given the relatively healthy state of the Company and sufficient near-term liquidity</li> </ul>

## Second Lien Term Loan

### *Summary Indicative Terms*

Borrower:	Lightstream Resources Ltd. ("Lightstream", the "Company" or the "Borrower" and, together with all subsidiaries, the "Credit Group")		
Lead Arrangers:	Credit Suisse ("CS") and a group of financial institutions as may be acceptable to the Lead Arrangers and Borrowers		
Use of proceeds:	Exchange or tender for existing senior unsecured notes		
Facility:	[\$250] million senior second lien term loan (the "2 <sup>nd</sup> Lien Term Loan")		
Tenor:	2020 (inside existing Senior Notes due 2020)		
Availability:	The 2 <sup>nd</sup> Lien Term Loan must be drawn in a single drawing on the Closing Date		
Pricing grid:	Spread:	L + 1,000	
	LIBOR floor:	1.00%	
	OID:	[95]	
	Call protection:	NC1, 103, 102, 101	
Amortization:	1.00% per annum		
Guarantors:	All obligations of the Borrower are unconditionally guaranteed by each existing and subsequently acquired or organized subsidiary of the Borrower on a senior secured basis subject to certain exceptions to be agreed		
Security:	Second priority perfected lien on substantially all assets of the Borrower with exceptions to be agreed		
Mandatory prepayments:	Customary for facilities of this type and including prepayments from the net proceeds of asset sales and the issuance of debt securities		
Hedging requirement:	TBD		
Affirmative covenants:	Customary for facilities of this type		
Negative covenants:	Customary for facilities of this type and including limitations on indebtedness, liens, guarantees, mergers and acquisitions, asset sales, restricted payments, transactions with affiliates, and investments		
Financial covenants:	<ul style="list-style-type: none"> <li>⊗ Ratio of PV-10 of proved reserves to total secured debt test to be agreed</li> <li>⊗ Ratio of PV-10 of proved producing reserves to total secured debt test to be agreed</li> </ul>		
Conditions:	Customary for facilities of this type and including the completion of due diligence – no ratings requirement		

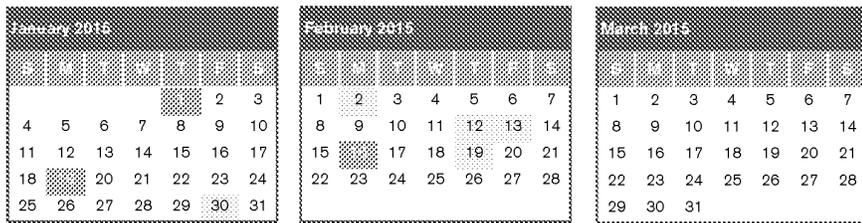
Should it be permitted by existing indenture, the exchange could also be consummated into new 2<sup>nd</sup> lien notes under substantially similar terms (i.e. 12 – 12.5% all-in yield) albeit with more stringent call protection but potentially no maintenance covenants



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# Illustrative tender/exchange timeline



※ By backstopping the 2nd lien term loan through a CS commitment, Lightstream will be able to tender for the HY notes from a position of strength

Key date      Holiday

Week(s) of	General events	Tender timeline	2 <sup>nd</sup> lien term loan timeline
Jan 26	<ul style="list-style-type: none"> <li>※ Organizational meeting</li> <li>※ Begin business, legal and financial due diligence</li> <li>※ Update rating agencies (RA) on refinancing initiatives</li> </ul>	<ul style="list-style-type: none"> <li>※ Retain information agent and depositary agent</li> <li>※ Begin bondholder ID process</li> <li>※ Begin drafting tender documentation:                             <ul style="list-style-type: none"> <li>– Offer to Purchase (OTP)</li> <li>– Dealer Manager Agreement (DMA)</li> <li>– Letter of Transmittal</li> <li>– Press release</li> </ul> </li> <li>※ Finalize OTP, DMA, and press releases</li> <li>※ <b>Announce Tender (1/30/15) via press release</b></li> </ul>	<ul style="list-style-type: none"> <li>※ Negotiate and sign commitment papers and fee letter</li> <li>※ Begin drafting legal and marketing documentation, including:                             <ul style="list-style-type: none"> <li>– Confidential Information Memorandum (CIM)</li> <li>– Lender Presentation (IP)</li> <li>– Credit Agreement (CA)</li> <li>– Press releases</li> </ul> </li> </ul>
Feb 2		<ul style="list-style-type: none"> <li>※ Dealer managers liaise with bondholders to drive participation</li> </ul>	<ul style="list-style-type: none"> <li>※ Finalize legal and marketing documentation</li> <li>※ <b>Announce and launch new 2nd lien term loan with bank meeting (2/2/15)</b></li> <li>※ Respond to investor diligence questions and hold management calls with investors</li> </ul>
Feb 9		<ul style="list-style-type: none"> <li>※ Dealer managers continue to liaise with bondholders to drive participation</li> <li>※ <b>Early Tender Date (T+10, 2/12/15) 5pm EST</b></li> <li>※ <b>Early Tender Settlement Date (2/13/15)</b></li> </ul>	<ul style="list-style-type: none"> <li>※ Continue syndication process</li> <li>※ Comments on credit agreement due</li> <li>※ <b>Price and allocate 2nd lien term loan<sup>(1)</sup> (2/13/15)</b></li> </ul>
Feb 16			<ul style="list-style-type: none"> <li>※ <b>Close and fund<sup>(1)</sup> (2/19/15)</b></li> </ul>
Feb 23		<ul style="list-style-type: none"> <li>※ Tender expiration – outside date (T+20, 2/26/15)</li> <li>※ Tender settlement – outside date (T+21, 2/27/15)</li> </ul>	



(1) Assumes targeted tender threshold is met on Early Tender Date. Otherwise, pricing and closing term loan will be delayed until after the expiration of the tender offer.

## Current notes holders

(\$ in millions)

Holder name	Amount	% of tranche
Apollo Investment Mgmt	\$48.1	6.0%
CI Investments	39.1	4.9%
F5 Energy & Power Fund	31.3	3.9%
Franklin Advisors	30.0	3.8%
ING Advisory	27.4	3.4%
Putnam Investments	27.2	3.4%
Fidelity	25.9	3.2%
Unicredit SPA	24.9	3.1%
Northern Trust Company	24.1	3.0%
First Eagle Investment Mgmt	23.6	3.0%
MacKenzie Financial Corp.	18.5	2.3%
Harbor Capital Advisors	11.7	1.5%
JPMorgan Chase	11.1	1.4%
State Street	10.6	1.3%
Advisorshares Trust	10.4	1.3%
Robeco Asset Mgmt	10.2	1.3%
Advent Capital Mgmt	7.8	1.0%
Oppenheimer Funds	7.4	0.9%
BlackRock	7.3	0.9%
Scotia Asset Mgmt	6.4	0.8%
IG Investment Mgmt	5.7	0.7%
Nuveen Asset Mgmt	5.6	0.7%
ING Group	5.2	0.6%
Aviva Funds	5.0	0.6%
Yorktown Management	4.7	0.6%
<i>Other</i>	<i>370.8</i>	<i>46.3%</i>
	<b>\$800.0</b>	<b>100.0%</b>

※ Top 12 note holders own ~42% of Lightstream's notes

※ Holders listed only represent ~53% of the outstanding notes

Source: Bloomberg. Data is as of fund's latest reporting date, some of which are quarter-ended 9/30, others are more recent monthly reports.

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# TAB 11

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2 COURT FILE NUMBER 1501-07813  
3 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
4 JUDICIAL CENTRE CALGARY  
5 PLAINTIFFS FRONTFOUR CAPITAL CORP.  
FRONTFOUR CAPITAL GROUP LLC  
6 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
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9 COURT FILE NUMBER 1501-08782  
10 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
11 JUDICIAL CENTRE CALGARY  
12 PLAINTIFF MUDRICK CAPITAL MANAGEMENT, LP  
13 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
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16 DOCUMENT Transcript of Oral Questioning of  
17 PETER DAVID SCOTT  
18 HELD AT Norton Rose Fulbright Canada LLP  
19 Calgary, Alberta  
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21 DATE March 9, 2016  
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20 Q. MR. GORMAN: Now, sir, I'm referring you to  
21 what has been designated as an MNPI document, and it  
22 starts at page 680, and do you recognize this document,  
23 sir?

24 A. Yes, I do.

25 Q. And it says debt consideration February 3rd, 2015. Is  
26 it your understanding that is when this document was  
27 prepared?

1 A. Yes, roughly.

2 Q. Okay. And were you the author of this?

3 A. Yes.

4 Q. And was anyone else assisting you in drafting this  
5 memorandum?

6 A. I shared it with Lars Glemser.

7 Q. You shared a draft with him or the final product?

8 A. No, a draft.

9 Q. Okay. And you took some comments from him and  
10 completed this document?

11 A. Correct.

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**LTS Debt Considerations: February 3, 2015****Objectives:**

1. Position LTS with creditors to persevere through this down trend in the commodity cycle.
2. Capitalize on potential opportunities to buyback high yield notes and/or convertible debentures at a significant discount to lower overall debt levels and cash interest costs.

**Current Situation:**

- Banking credit facility:
  - Lending limit is \$1.15 billion, currently drawn about \$625 million
  - Current all-in borrowing cost ~3.5% p.a.
  - Covenant based with June 2017 term
    - Expect to breach trailing total debt/EBITDA covenant in Q3 with current pricing
  - Current annual disposition limit is ~\$90 million (anything over this amount will require lender approval)
    - Under a borrowing base facility dispositions will likely immediately reduce our lending value
  - Facility will be reviewed by the banking group in the March – April 2015 time frame
    - Year-end reserves will reduce the lending value (current high level estimates on 2013 pro-forma reserves post dispositions is \$600 - \$650 million using strip pricing and before any stretch factors)
    - To cure potential covenant breach likely convert to borrowing base loan potentially with semi-annual determination
    - Hedging will provide incremental value above banking price decks
- High yield notes:
  - US\$800 million outstanding due February 2020
    - 2 accounts could own \$US325 million
  - Coupon is 8.625% paid semi-annually (February and August)
  - Recent trading range 55-57 implying ~24% yield to maturity
  - Restricted payments clauses to restrict some cash use within certain baskets
  - Provision to permit secured debt up to \$1.5 billion
  - New debt subject to fixed charge incurrence test of 2.25:1 (currently we meet this test and expect to in 2015)
- Convertible debentures:
  - US\$6.5 million outstanding due January 2016
  - Potential repurchase @80 implying 25% yield
  - Repayment in cash or shares @20 day VWAP prior to issuance
  - 35% secured debt to capitalization covenant not expected to be an issue

**Potential Scenarios:**Aggressive High Yield Note Repurchase;

- Borrow under the credit facility and use funds to repurchase notes
- One-time draw of \$400 million to buy US\$490 of notes @65 and f/x 0.80
  - Net debt reduction of ~\$210 million and cash interest savings of ~\$35 million annually
  - Assumes can acquire virtually all of the notes including some from the 2 main holders
  - Assumes aggressive purchase in the market to avoid bank demand for repayment of funds
- Post draw, the banking group would likely look to restrict cash uses and look for quick pay down scenarios
  - Issue second lien to partially pay down the credit facility possible but likely prohibitive interest
  - Forced dispositions at sub-optimal metrics to meet pay down schedule
- Potential the banking group would try and block the one-time draw when the borrowing notice is given

Non-aggressive High Yield Note Repurchase;

- Use incremental cash sources to periodically repurchase notes
  - Surplus cash from restricted capital – potentially \$25 - \$50 million over time
  - Hedge proceeds – \$5 million monthly, \$65 million through liquidation of hedges
  - Dispositions – timing and valuation issues, bank group would ultimately look for portion of proceeds (particularly with borrowing base loan)
- Use cash sources (mostly hedge proceeds and lower capital) of \$75 million to purchase ~US\$100 million @60 and f/x 0.80
  - Net debt reduction of \$125 million and cash interest savings of ~\$11 million annually
  - Monetized hedge proceeds would be included in reported operating cash flow
- Likely able to manage the bank group through the process though monetizing hedge proceeds will reduce initial ultimate borrowing base

Tender High Yield Note Repurchase;

- Organize 2<sup>nd</sup> lien note option as backstop to tender offer for note repurchase
- 2<sup>nd</sup> lien note size of US\$300 – US\$400 million (potential limit based on reserves)
  - Assume interest rate of 10%, term of 4 years, early pre-payment option
    - Asset coverage covenants likely required
  - Proceeds to be used for buyback and potential liquidity buffer
  - LTS would hold the option to proceed but incur ~\$2 million in fees for backstop
- Use US\$250 million of proceeds to purchase US\$415 million @60
  - Net debt reduction of \$205 million (f/x 0.80) and interest savings of \$13 million annually
- Likely neutral to the banking group with net debt reduction and interest savings offsetting additional secured debt

Convert High Yield Notes to Second Lien

- Work with existing note holders (2 major holders represent US\$325 million) to exchange notes into 2<sup>nd</sup> lien note at a discount
  - Captured discount could be higher than tender with backstop option

- Potential lower fee than tender with backstop option, likely similar interest costs and term
- Might require to be a tender for fairness to all note holders
- Could structure 2<sup>nd</sup> lien to provide a buffer for liquidity as well

Status Quo:

- Reduce bank borrowings as low as possible, live within cash flow or less
  - Shrinking production base will continue to lower borrowing base lending value
- Leave high yield notes outstanding, provides 5 years of financing provided interest payments are made

**Recommendation and Considerations:**

- We have a positive relationship with our banking group and expect them to be constructive in this environment provided we manage them
  - They are watching our current borrowing levels given their pro forma borrowing base numbers
  - Have strongly advised against borrowing on the line to fund high yield repurchases
  - Reserves are a potential concern for a lower borrowing base, hedge values could provide some offset
- 2<sup>nd</sup> lien option could be expensive with additional covenants to manage
  - Important to set-up a workable structure as likely get one shot at it
- Periodic note repurchases and tender arrangement likely mutually exclusive (at least in a short term scenario)
- A 2<sup>nd</sup> lien scenario will trade off term, pricing and covenants in exchange for reducing over debt levels
- Out of the above scenarios, the aggressive repurchase is probably the highest risk with respect to ongoing survivability
- To meet our objectives we should:
  - Pursue the 2<sup>nd</sup> lien scenarios in tandem to find the most constructive financing possible including capturing the biggest note discount
    - Possible as one group through dealer, one through direct holder negotiations
  - Use excess cash proceeds to reduce borrowing levels below \$600 million and then excess cash for note repurchases
    - Discuss up front with our lead bankers to get buy-in
    - Timing of note purchases contingent on 2<sup>nd</sup> lien scenarios

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11 JUDICIAL CENTRE CALGARY  
12 PLAINTIFF MUDRICK CAPITAL MANAGEMENT, LP  
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17 PETER DAVID SCOTT  
18 HELD AT Norton Rose Fulbright Canada LLP  
19 Calgary, Alberta  
20  
21 DATE March 9, 2016  
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**UNDERTAKING NO. 3 - To produce the  
written proposal from Apollo and  
Blackstone or, if same was previously  
produced, to identify it in the  
production - Taken Under Advisement**

Document ID: 0.7.1302.5261

From: Michael Tu <mtu@apolloip.com>  
To: Peter Scott </o=petrobakken/ou=exchange  
administrative group  
(fydibohf23spdlt)/cn=recipients/cn=psscott1>  
Cc: Josh Feyissa <jfeyissa@apolloip.com>;  
Patrick Fleury <patrick.fleury@gsocap.com>  
Bcc:  
Subject: Term sheet  
Date: Sat May 09 2015 22:58:31 EDT  
Attachments: ATT00001.txt  
Lightstream Exchange Term Sheet.pdf

---

Peter - Please see the attached term sheet proposal. Let us know if there is a good time to get on the phone on Monday to discuss. Thanks.

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### **Summary Indicative Terms & Conditions**

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Par Amount of Exchanged 8.625% Notes:	[US\$465 million]
Exchange Price:	\$85.00
Par Amount of New Secured Notes:	[US\$395.25 million]
Issuer:	Lightstream Resources Ltd.
Guarantors:	Each of Borrower's existing and subsequent acquired or formed direct and indirect subsidiaries.
Security:	Fully perfected second priority security interest in substantially all existing and after-acquired assets of each Borrower and Guarantors, including cash.
Maturity:	6/30/2019
Coupon:	9.875% (all-in yield)
Coupon Frequency:	Semi-annual
Call Protection:	NC1, 107.41, 104.94, par
Special Pay Down Provision:	In year 1, New Secured Notes may be retired by proceeds from a sale of the SE Saskatchewan assets at 109.875.
Financial Covenants:	None
Limitations on Secured Debt:	First lien debt limited to the lesser of 1.) an amount allowed under the Borrowing Base of a Conforming RBL (both to be defined), and 2.) [C\$1,000 million].  Second lien debt consisting of the New Secured Notes plus a C\$150 million general basket that is subject to an MFN with a 11.0% cap in favor of the New Secured Notes then outstanding.
Restricted Payments:	None, except for a limited basket to repurchase Senior Notes under certain conditions (to be discussed).
Other Negative/Affirmative Covenants:	Usual and customary for private transactions of this type.
Conditions Precedent:	Payment of fees, costs, and expenses of prospective investors, whether or not transaction closes, including reasonable attorney's fees.  Satisfactory receipt of credit facility amendment.  No Event of Default.

*Confidential Subject to FRE 408 and similar rules*

# TAB 13

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**From:** Bossert, Cameron <cameron.bossert@rbccm.com>  
**Sent:** Tuesday, May 26, 2015 9:51 AM  
**To:** Peter Scott  
**Cc:** Dunford, Curtis; Law, Darrell  
**Subject:** RE: RBC / LTS Discussion on Apollo / GSO Negotiations  
**Attachments:** 15-05-26 LTS - Liquidity Review vF.pdf  
  
**Categories:** Important

Peter,

In advance of our discussion at 8am MT, please find attached the materials we'll be referencing.

Best,

Cameron

**Cameron Bossert, CFA**

Global Investment Banking

RBC Capital Markets

(T) 403.299.5268 | (M) 403.390.3853 | (F) 403.299.6900

#3900, Bankers Hall West | 888 – 3<sup>rd</sup> St SW | Calgary, AB T2P 5C5

-----Original Appointment-----

**From:** Dunford, Curtis

**Sent:** May 25, 15 1:36 PM

**To:** Dunford, Curtis; 'John D. Wright (jwright@lightstreamres.com)'; Peter Scott; Lars Glemser; Annie Belecki; Law, Darrell; Pedone, Steve; Grudzinski, Richard; Bossert, Cameron

**Subject:** RBC / LTS Discussion on Apollo / GSO Negotiations

**When:** May 26, 15 8:00 AM-9:00 AM (UTC-07:00) Mountain Time (US & Canada).

**Where:** LTS Offices (Dial-in: 866-305-1457 pass: 2997193)

---

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# RBC Capital Markets

Liquidity and Apollo Response  
Review

May 26, 2015



STRICTLY PRIVATE AND CONFIDENTIAL



RBC Capital Markets

## Overview of Financial Forecast Provided by Lightstream

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- On May 13, 2015, Lightstream provided two internal corporate models to be used for illustrative liquidity analysis
  - **LTS Base** running US\$60/bbl WTI in 2016 and only baseline capital, with no new drilling through 2016
    - RBC has focused the following analysis on the LTS Base case, revising FX to 0.8141 (from 0.8000) to reflect current spot levels
  - **LTS Upside** running US\$70/bbl WTI in 2016 and reflecting a drilling program on the basis of a price recovery in that range
  
- × Model is only valid for 2015 and 2016; the 2017 corporate plan has not been refined in response to lower commodity prices
  - We recommend that the corporate plan be extended to at least 2017 in order to assess Lightstream's ability to live within proposed limitations on incurrence of secured debt
  
- × Model adjusted to reflect the proposed exchange offer for 2<sup>nd</sup> lien notes, assuming completion on July 1, 2015 (not reflected in model provided by Lightstream)
  - Reflects exchanging US\$465MM principal of 8.625% senior unsecured notes for US\$395.25MM principal of 9.875% 2<sup>nd</sup> lien notes (terms outlined in the indicative term sheet sent May 13, 2015)
  - Exchange on these terms equates to approximately C\$1.3MM in annual interest expense savings (C\$0.34MM per quarter) (subject to MFN provision) versus Lightstream's base model
  
- × Hedge book reflected as-is, with no incremental hedging forecasted in 2016 – Lightstream's hedge book rolls off entirely in 2015, per the Lightstream corporate model
  
- RBC has analyzed Lightstream's base development cases using the price deck (as described above) and strip case provided by Lightstream, which includes tighter oil price realizations relative to WTI than the base case price deck (on both percentage and \$/bbl bases)
  - Also analyzed a flat US\$50/bbl WTI and 0.8000 US\$/C\$ case
  
- RBC has also prepared an illustration of the potential borrowing base implications as of year end 2015 and 2016 under two sets of assumptions:
  - **No new hedges** are put in place (i.e. no hedges in 2016+)
  - **New hedges** are put in place such that 8,900 bbl/d of oil production is hedged in 2016 at US\$64.50/bbl WTI and 3,600 bbl/d of oil production is hedged in 2017 at US\$65.88/bbl WTI

## Liquidity Review

LTS Base Case at US\$60/bbl WTI in 2016 (Revised FX to 0.8141 commencing Q3 2015; assumes exchange offer is effected July 1, 2015)

		2015E				2016E			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Production &amp; Cash Flow Forecast</b>									
Production	boe/d	35,179	30,741	31,126	28,529	26,024	23,620	23,039	21,721
% Liquids	%	76%	73%	73%	72%	72%	72%	72%	72%
WTI	US\$/bbl	\$48.56	\$54.87	\$55.00	\$55.00	\$60.00	\$60.00	\$60.00	\$60.00
FX	US\$/C\$	0.8062	0.8180	0.8141	0.8141	0.8141	0.8141	0.8141	0.8141
<b>Funds from Operations</b>	<b>C\$MM</b>	<b>\$52</b>	<b>\$51</b>	<b>\$39</b>	<b>\$25</b>	<b>\$17</b>	<b>\$12</b>	<b>\$11</b>	<b>\$8</b>
(-) Capex	C\$MM	(49)	(23)	(15)	(9)	(11)	(12)	(10)	(10)
(+/-) Change in Working Capital	C\$MM	(67)	(0)	(19)	24	(26)	24	(22)	20
<b>Free Cash Flow (Pre-LT Financing)</b>	<b>C\$MM</b>	<b>(\$64)</b>	<b>\$28</b>	<b>\$5</b>	<b>\$40</b>	<b>(\$19)</b>	<b>\$23</b>	<b>(\$21)</b>	<b>\$18</b>
(+/-) LT Financing & Fees	C\$MM	(2)	(1)	-	-	(6)	(1)	-	-
<b>Free Cash Flow (Δ Revolver)</b>	<b>C\$MM</b>	<b>(\$66)</b>	<b>\$27</b>	<b>\$5</b>	<b>\$40</b>	<b>(\$25)</b>	<b>\$22</b>	<b>(\$21)</b>	<b>\$18</b>
<b>Liquidity &amp; Net Debt</b>									
Credit Facility Capacity	C\$MM	\$1,150	\$750	\$750	\$750	\$750	\$750	\$750	\$750
(-) Outstanding Revolver	C\$MM	(638)	(611)	(606)	(566)	(591)	(569)	(590)	(572)
<b>Available Liquidity</b>	<b>C\$MM</b>	<b>\$512</b>	<b>\$139</b>	<b>\$144</b>	<b>\$184</b>	<b>\$159</b>	<b>\$181</b>	<b>\$160</b>	<b>\$178</b>
% Drawn	%	55%	81%	81%	75%	79%	76%	79%	76%
<b>Net Debt</b>	<b>C\$MM</b>	<b>\$1,636</b>	<b>\$1,595</b>	<b>\$1,508</b>	<b>\$1,468</b>	<b>\$1,488</b>	<b>\$1,466</b>	<b>\$1,487</b>	<b>\$1,469</b>
<b>Credit Metrics</b>									
Revolver Debt / TTM EBITDA	x	1.1x	1.4x	1.8x	2.0x	2.4x	2.8x	3.3x	3.5x
Secured Debt / TTM EBITDA	x	1.1x	1.4x	3.2x	3.8x	4.4x	5.1x	6.0x	6.5x
Total Debt / TTM EBITDA	x	2.9x	3.6x	4.4x	5.3x	6.1x	7.2x	8.3x	9.0x
TTM Interest Coverage	x	5.0x	4.0x	3.2x	2.5x	2.2x	1.8x	1.6x	1.4x

YE 2015 Liquidity (WTI Price vs. Illustrative Credit Facility Capacity)<sup>(1)</sup>

Cash Flow Case	Illustrative YE 2015 Revolver Capacity		
	LTS Case	No New Hedges	New Hedges
LTS Base @ \$50 WTI	\$750	\$625	\$700
LTS Base @ \$60 WTI	\$179	\$54	\$129
LTS Base @ \$60 WTI	\$184	\$59	\$134
LTS Base @ Strip	\$217	\$92	\$167

YE 2016 Liquidity (WTI Price vs. Illustrative Credit Facility Capacity)<sup>(1)</sup>

Cash Flow Case	Illustrative YE 2016 Revolver Capacity		
	LTS Case	No New Hedges	New Hedges
LTS Base @ \$50 WTI	\$750	\$500	\$525
LTS Base @ \$50 WTI	\$122	(\$128)	(\$46)
LTS Base @ \$60 WTI	\$178	(\$72)	(\$30)
LTS Base @ Strip	\$252	\$2	\$27

(1) New Hedges scenario assumes hedges are put in place such that 8,900 bbl/d of oil production is hedged in 2016 at US\$64.50/bbl WTI and 3,600 bbl/d of oil production is hedged in 2017 at US\$65.88/bbl WTI



## Review of Current Items Being Negotiated

Based on Apollo's response (dated May 22, 2015) to Lightstream's Term Sheet Mark-up (dated May 13, 2015)

	Lightstream's Position	Apollo's Response	Considerations
<b>Secured Debt Capacity</b>	RBL size unlimited, subject to borrowing base, plus new senior secured notes and US\$200MM of incremental 2 <sup>nd</sup> lien debt	C\$1,425MM cap on secured debt, with 2 <sup>nd</sup> lien debt ranking pari passu to the new senior secured notes capped at C\$200MM	<ul style="list-style-type: none"> <li>▸ Secured debt capacity will be critical to securing incremental liquidity</li> <li>▸ Lightstream should seek, at a minimum, to get the same dollar amount of senior secured debt capacity as currently allowed by the unsecured notes</li> <li>▸ There is precedent for a "borrowing base grower" concept (e.g. Halcon / Energy XXI)</li> <li>▸ Retain flexibility to do the RBL capacity and incremental US\$200MM basket as a 1<sup>st</sup> lien last out term loan(s) or bond(s)</li> </ul>
<b>Existing Note Repurchase</b>	Generally sought ability to repurchase existing notes	<p>C\$50MM basket to repurchase existing notes; minimum pro forma liquidity (C\$250MM) and a maximum repurchase price of 75</p> <p>Repurchase would be a dollar-for-dollar deduct to the 2<sup>nd</sup> lien general basket</p>	<ul style="list-style-type: none"> <li>▸ Lightstream should assess value of ability to repurchase notes relative to flexibility to incur incremental secured debt (i.e. enhance liquidity)</li> <li>▸ Lightstream should seek to retain an unlimited ability to repurchase the remaining unsecured notes if funded via equity – cap should only apply if funded via cash / existing liquidity sources</li> <li>▸ Reduction should only be applicable if incremental 2<sup>nd</sup> lien debt is raised via an add-on / new issue or exchange of existing unsecured notes for secured debt</li> <li>▸ <del>Recent precedents (e.g. Halcon, Energy XXI) had larger baskets (US\$250MM) and no maximum bond price</del></li> <li>▸ If Lightstream values flexibility to pursue additional unsecured note exchanges, should push for a junior lien for exchange-only concept (e.g. Halcon)</li> </ul>
<b>Most Favorable Nation</b>	<p>1 year sunset</p> <p>Yield cap of 11%</p>	<p>MFN for life</p> <p>Yield cap of 11%</p>	<ul style="list-style-type: none"> <li>▸ Importance of MFN is driven by Lightstream's view of when and how it raises liquidity</li> <li>▸ Best execution to minimize the MFN provision would be via 1<sup>st</sup> lien term loan / note offering – in this case, MFN constraints would be mitigated</li> <li>▸ Ability to call new 2<sup>nd</sup> lien notes in one year would allow Lightstream to call the bonds rather than allowing the MFN to come into play</li> </ul>

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# TAB 14

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2 COURT FILE NUMBER 1501-07813  
3 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
4 JUDICIAL CENTRE CALGARY  
5 PLAINTIFFS FRONTFOUR CAPITAL CORP.  
FRONTFOUR CAPITAL GROUP LLC  
6 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
7

8

9 COURT FILE NUMBER 1501-08782  
10 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
11 JUDICIAL CENTRE CALGARY  
12 PLAINTIFF MUDRICK CAPITAL MANAGEMENT, LP  
13 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
14

15

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16 DOCUMENT Transcript of Oral Questioning of  
17 PETER DAVID SCOTT  
18 HELD AT Norton Rose Fulbright Canada LLP  
19 Calgary, Alberta  
20

21 DATE March 9, 2016  
22

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12 Q. MR. GORMAN: Okay. If we refer to your  
13 document 1726, it should be a June 2nd e-mail from  
14 yourself to Mr. Wright. All right. And you recognize  
15 this as an e-mail you drafted, sir?

16 A. Yes.

17 Q. It starts: (As read)

18

19 John, I think the call was constructive.  
20 Both GSO (Patrick for part) and Apollo,  
21 Michael, were on the call.

22

23 Do you know what call and who was involved this is  
24 referencing?

25 A. I believe this would have been a call that we had had  
26 with GSO and Apollo regarding the structure of the --  
27 of the transaction.

1 Q. Okay. So by June 2nd, we've had the GS0/Apollo  
2 proposal, we've retained RBC. RBC gave a late May  
3 presentation, and this call was the next step in the  
4 negotiations?

5 A. Correct.

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Q. Okay. You never -- similarly took the position that the requirement of a public tender was a hot button issue, that you wouldn't go ahead with that?

A. Correct.

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I think Annie and Lars took the brunt of  
it yesterday.

What was their worry and what was the brunt that Annie  
and Lars endured?

A. Sorry, can you scroll up just so I can see the date?  
So I was not on the call yesterday. I was actually --  
through part of this transaction, I was not in the  
country.

Q. Okay.

A. So they were on a call, I think, the day before, and I  
think they were -- if I recall correctly, they were  
anxious about making sure we get the transaction  
completed and, with the NDA expiring, wanted to make  
sure we either extended it.

Q. Did they express a concern that Lightstream was looking  
at alternate transactions than the second lien  
transaction with Blackstone and Apollo?

A. I don't know. I wasn't on that call.

1 Q. So do you know why then you wrote the words: "We  
2 re-iterated we are not out shopping this." What caused  
3 you to put those words on the page?

4 A. Sorry, they might have said that, but if that's what I  
5 wrote, that's what -- is the case.

6 Q. Okay, but Lightstream was not out shopping and looking  
7 at alternate transactions at that time?

8 A. No.

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**From:** Peter Scott  
**Sent:** Tuesday, June 02, 2015 2:18 PM  
**To:** John Wright  
**Cc:** Annie Belecki; Lars Glemser; Graham Cooke  
**Subject:** Apollo/GSO Update

**Categories:** Important

John, I think the call was constructive. Both GSO (Patrick for part) and Apollo (Michael) were on the call. Michael will review it with you when you meet at 3:00pm your time. We will likely set-up a call again for Friday when you are back and it will give us a few days to update the board and a couple of banks (RBC and TD?) and GSO/Apollo know we will be doing this. I said we will extend the NDA and I suggest we push it to Monday. Here are their new terms on the points we raised (we have asked for a revised term sheet):

- Greater of concept on 1<sup>st</sup> lien at C\$700 million;
- Interest rate at 10% on exchange and new money of C\$250 million; and
- MFN against 1<sup>st</sup> lien for term of the deal, with their real intent of, if we want to do a first lien then they would like us to approach them first.

A couple of other points, I said we need to go away and think about it but my gut reaction is I want the coupon to be less than 10% (with no OID discount) and shorter MFN. Patrick was off the call but Michael was wondering about shorter MFN with a ROFR on first lien (post call we chatted and think a ROFR is probably too messy and somebody else might own it when we want to do it). They will discuss the MFN term between themselves. Michael also said with new money we use up our repurchase unsecured basket but I think he acknowledged that we haven't actually repurchased any notes and we should still be able to.

I did re-iterate for them that the exchange is just material enough for us to move ahead but as we have gone through and discussed a couple of the different term sheet concepts we have to retain the flexibility of the greater of concept which is why it became more of a hot button issue for us, basically we won't go ahead without it. I think we have all crossed that bridge now and they seemed to have accepted it.

We said we would send a new NDA and I suggest we put Monday June 8 as the deadline and we can always extend it again if the deal is still going forward. Suggest we send that once you have your meeting with Michael. They were worried about the ND&A (though I think Annie and Lars took the brunt of it yesterday) and re-iterated we are not out shopping this. We do get asked about exchanges, 2<sup>nd</sup> lien capital as a concept all the time and we respond generically. They were nervous with RBC's research note this morning talking about those concepts (given that we haven't extended) and I indicated it was probably just generic talk from you at the conference. I also said we weren't sure we had a deal moving forward as of Friday evening. They seemed okay at the end of that discussion but Michael will likely quiz you about yesterday at RBC.

We are trying to have a call with RBC at 2:00pm today to get their thoughts. I would also like to get TD to start thinking about a reduced syndicate and the BB impact but do you want to chat with Drew first?

Good luck this afternoon, happy to chat if you have a window.

PDS

# TAB 15

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2 COURT FILE NUMBER 1501-07813  
3 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
4 JUDICIAL CENTRE CALGARY  
5 PLAINTIFFS FRONTFOUR CAPITAL CORP.  
FRONTFOUR CAPITAL GROUP LLC  
6 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
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8

9 COURT FILE NUMBER 1501-08782  
10 COURT COURT OF QUEEN'S BENCH OF ALBERTA  
11 JUDICIAL CENTRE CALGARY  
12 PLAINTIFF MUDRICK CAPITAL MANAGEMENT, LP  
13 DEFENDANT LIGHTSTREAM RESOURCES LTD.  
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16 DOCUMENT Transcript of Oral Questioning of  
17 PETER DAVID SCOTT  
18 HELD AT Norton Rose Fulbright Canada LLP  
19 Calgary, Alberta  
20  
21 DATE March 9, 2016  
22

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1 (Proceedings recommenced at 1:14 p.m.)

2 **PETER DAVID SCOTT**, previously sworn, questioned by

3 Mr. Gorman:

4 Q. Mr. Scott, you appreciate that you're still under oath?

5 A. Yes, I do.

6 Q. Sir, before the lunch break, we were talking about  
7 matters that were evolving in early June of 2015; and  
8 in that regard, I refer you to your document No. 104,  
9 which is an MNPI. And, sir, do you recognize this as a  
10 presentation and a supplement provided by RBC Capital  
11 Markets to Lightstream?

12 A. Yeah, can you go to the next page, please? Yes.

13 Q. And this was an analysis of the liquidity  
14 considerations and a review of the Apollo response  
15 through the term sheet discussions?

16 A. Certainly liquidity, yes, and I believe the Apollo  
17 response.

18 Q. And was it based upon various information and  
19 assumptions provided to RBC by Lightstream?

20 A. Yes, plus their own assumptions that they would have  
21 made.

22 Q. And, sir, if we refer next to your production, and  
23 there's a bundle starting at 1479, which is a two-page  
24 cover e-mail, which then attaches another RBC Capital  
25 Markets review, which is listed as MNPI at page 1751.  
26 Do you recognize the e-mail and --

27 MR. SMILEY: I'm sorry, what number?

1 Q. MR. GORMAN: 1749 is the e-mail. It seems to  
2 attach a board presentation, which starts at 1751,  
3 which is marked MNPI.

4 A. Sorry, that's the attachment?

5 MR. BELL: Yes.

6 Q. MR. GORMAN: Yeah.

7 A. Yes. Sorry, what was your question?

8 Q. Do you recognize those documents as being materials  
9 provided by RBC with respect to the board's  
10 consideration of the Apollo/Blackstone term sheet and  
11 transaction?

12 A. Yes.

13 Q. And this would have been presented to the board, sir,  
14 in conjunction with the June 11th board meeting?

15 A. I believe so.

16 Q. Now, sir, I'm asking you that because if we look at the  
17 timing on 1749, it says 10:25 a.m., but I'm assuming  
18 that's Toronto time because it's responding to an  
19 8:02 a.m. e-mail, and the board meeting was at 9:00 on  
20 the face of the documents.

21 A. It could be. I don't know.

22 Q. So you're not certain one way or another that this  
23 presentation was in the board's hands at the meeting or  
24 not?

25 A. We went through the RBC -- an RBC presentation, which I  
26 believe was that one at the board meeting.

27 Q. All right. And, sir, if we look at -- again, this is

1 an MNPI page 1756 in the RBC presentation to the board.  
2 It provides: (As read)

3

4 Moderate equity market reaction expected  
5 upon announcement.

6

7 Do you see that bullet, the third bullet there, sir?

8 A. Yes.

9 Q. And that was the RBC advice to management and the board  
10 with respect to the Apollo transaction?

11 A. I believe so.

12 Q. And if we carry on further down: (As read)

13

14 Anticipate neutral to negative reaction  
15 for remaining unsecured bond pricing.

16

17 Do you see that reference, sir?

18 A. Yes.

19 Q. And did you understand the neutral to negative reaction  
20 would be for the bonds other than Apollo and  
21 Blackstone?

22 A. Sir, that would be for the remaining unsecured 2020  
23 bonds.

24 Q. All the bonds other than Apollo and Blackstone?

25 A. The ones that would remain outstanding.

26 Q. Which was everyone except Apollo and Blackstone as  
27 of --

1 A. Correct.

2 Q. -- that date. And that would include Mudrick and  
3 FrontFour?

4 A. Correct, assuming they own the bonds, yes.

5 Q. Okay. And then they had advised that: (As read)

6

7 Market observed downward bias to  
8 remaining unsecured bond trading values  
9 post transactions of a similar nature.

10

11 That was their advice?

12 A. That was their advice.

13

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---

**From:** Dunford, Curtis <Curtis.Dunford@rbccm.com>  
**Sent:** Thursday, June 04, 2015 3:02 PM  
**To:** John Wright; Peter Scott; Lars Glemser; Annie Belecki; Law, Darrell; Ritchie, Gord; Grudzinski, Richard; Cockrell, Kete; Pedone, Steve; Ono, Mari; Bossert, Cameron  
**Cc:** Marshall, Robyn  
**Subject:** RE: RBC / LTS Discussion  
**Attachments:** 15-06-04 Discussion Materials.pdf

**Categories:** Red Category

All,

Please find attached a brief materials package for discussion on our call.

Line is being open now.

Regards,

Curtis

-----Original Appointment-----

**From:** Dunford, Curtis  
**Sent:** June-03-15 5:26 PM  
**To:** Dunford, Curtis; 'John D. Wright ([jwright@lightstreamres.com](mailto:jwright@lightstreamres.com))'; Peter Scott; Lars Glemser; Annie Belecki; Law, Darrell; Ritchie, Gord; Grudzinski, Richard; Cockrell, Kete; Pedone, Steve; Ono, Mari; Bossert, Cameron  
**Cc:** Marshall, Robyn; 'John Wright'  
**Subject:** RBC / LTS Discussion  
**When:** June-04-15 1:00 PM-2:00 PM (UTC-07:00) Mountain Time (US & Canada).  
**Where:** Dial-in: 866-305-1457 / 2997193#

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# RBC Capital Markets

Liquidity & Apollo Response  
Review

June 4, 2015



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RBC Capital Markets

## Proposal Considerations

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- × RBC has utilized Lightstream's financial model and assumptions under a \$60 WTI base case scenario
  - ... Incorporated the current Apollo / GSO proposal, including issuance and use of C\$250 million 2<sup>nd</sup> lien
  - ... Extended to 2017 based on 2016 decline, capex and operating assumptions
  
- × Analysis considers forward looking borrowing base assumptions as follows
  - ... Year End 2015E: \$650 - \$700 million
  - ... Year End 2016E: \$500 - \$525 million
  - ... Year End 2017E: ~\$400 million
  
- × Together yielding the following illustrative liquidity position at year end 2016E
  - ... Credit facility capacity: ~\$500 million
  - ... Revolver draw: ~\$325 million
  - ... **Available liquidity: ~\$175 million**
  
- × However, remaining liquidity erodes entirely by year end 2017E
  - ... Credit facility capacity: ~\$400 million
  - ... Revolver draw: ~\$400 million
  - ... **Available liquidity: nil**
  
- × Under the current proposal and model scenario, Lightstream will need to execute the 1<sup>st</sup> lien liquidity trade in late 2016 / early 2017
  - ... Provides sufficient room into 2017
  - ... Incremental \$300 million of capacity available at that point
  - ... Likely replaces revolving credit facility

## Execution Considerations

---

- × NAV pick-up from US\$70 million reduced debt balance post exchange unlikely to be captured by equity holders near term
  - Equivalent to ~US\$2/bbl increase in WTI
  
- × Exchange provides opportunity to eliminate debt not achievable through cash flow generation under realistic commodity forecasts
  - Positive outcome for Lightstream so long as sufficient liquidity is maintained and terms are optimized
  
- × Adding competitive tension to the process may ultimately garner more constructive terms for Lightstream
  - Apollo / GSO motivated to lock up the capital structure on an exclusive basis
  - Lightstream can influence negotiations to ensure its liquidity needs are met and terms are optimized
  - Need to factor in the senior unsecured notes exchange price to the overall economics (pricing / yield) of new 2<sup>nd</sup> lien notes
  
- × Absent an exchange offer, ample capacity exists to implement a new money 2<sup>nd</sup> lien providing additional liquidity
  - On a stand-alone basis, third-party new issue likely comes in 8.5% – 9.5% range (all in yield pricing)
  - Could be used to negotiate sub 10% all in pricing on new money in connection with the current proposal
  - Could alternatively be used to influence exchange terms given returns Apollo / GSO will be achieving through the transaction (analysis to follow)
  - As an execution alternative, any stand-alone liquidity trade likely compresses overall pro forma secured debt capacity similar to current proposal

Supplemental Modeling  
Detail

APPENDIX



RBC Capital Markets

## Overview of Illustrative Financial Forecast

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- × On May 13, 2015, Lightstream provided two internal corporate models to be used for illustrative liquidity analysis
  - ... **LTS Base** running US\$60/bbl WTI in 2016 and only baseline capital, with no new drilling through 2016
    - ... RBC has focused the following analysis on the LTS Base case, revising FX to 0.8031 (from 0.8000) to reflect recent spot levels
  - ... **LTS Upside** running US\$70/bbl WTI in 2016 and reflecting a drilling program on the basis of a price recovery in that range
  
- Model is only valid for 2015 and 2016 – RBC has illustratively extended the forecast to 2017 on a downside “no new drilling” basis
  - ... Used the modeled month-to-month production declines from 2016 (production curve as provided by Lightstream) to decline 2017 month-to-month production on the same basis (starting from December 2016 average daily production) – equates to a ~23% exit-to-exit production decline
  - ... Revised 2017 capex to the same levels as 2016, which reflected a “no new drilling” case
  - ... Royalty rate, operating costs per barrel, and transportation costs per barrel all left as-is in the Lightstream corporate model for 2017
  - ... Does not reflect any G&A reductions (~C\$38MM per annum), etc.
  
- Model adjusted to reflect the following proposed financing structure (illustratively completed on July 1, 2015):
  - ... Exchange US\$465MM 8.625% unsecured note principal for US\$395MM 10.000% 2<sup>nd</sup> lien notes
  - ... Issue an incremental ~C\$250MM (~US\$201MM) 2<sup>nd</sup> lien notes at 10.000% concurrent with the exchange offer
  - ... Future 1<sup>st</sup> lien capacity is based on the greater of C\$700MM and the borrowing base
  
- × Hedge book reflected as-is, with no incremental hedging forecasted in 2016 – Lightstream’s hedge book rolls off entirely in 2015, per the corporate model
  
- RBC has analyzed Lightstream’s base development cases using the price deck (as described above) and strip case using the strip as of May 29, 2015 with differentials provided by Lightstream (including tighter oil price realizations relative to WTI than the base case price deck, on both percentage and \$/bbl bases)
  - ... Also analyzed a flat US\$50/bbl WTI and 0.8000 US\$/C\$ case
  
- RBC has also prepared an illustration of the potential borrowing base implications as of year end 2015 and 2016 under two sets of assumptions:
  - ... **No new hedges** are put in place (i.e. no hedges in 2016+)
  - ... **New hedges** are put in place such that 8,900 bbl/d of oil production is hedged in 2016 at US\$64.50/bbl WTI and 3,600 bbl/d of oil production is hedged in 2017 at US\$65.88/bbl WTI

Liquidity Review

LTS Base Case at US\$60/bbl WTI in 2016/2017 (Revised FX to 0.8031 commencing Q3 2015; assumes exchange offer is effected July 1, 2015)

		2015E				2016E				2017E			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Production &amp; Sales Parameters</b>													
Production	boe/d	35,179	30,741	31,126	28,529	26,024	23,620	23,039	21,721	20,019	18,172	17,725	16,711
% Liquids	%	76%	73%	73%	72%	72%	72%	72%	72%	72%	72%	72%	72%
WTI	US\$/bbl	\$48.56	\$54.87	\$55.00	\$55.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
FX	US\$/C\$	0.8062	0.8144	0.8031	0.8031	0.8031	0.8031	0.8031	0.8031	0.8031	0.8031	0.8031	0.8031
<b>Funds from Operations</b>													
(-) Capex	C\$MM	(\$52)	(\$51)	(\$37)	(\$22)	(\$14)	(\$10)	(\$9)	(\$7)	(\$2)	(\$8)	(\$10)	(\$15)
(+/-) Change in Working Capital	C\$MM	(67)	(0)	(13)	31	(32)	30	(29)	26	(30)	33	(28)	28
Free Cash Flow (Pre-LT Financing)	C\$MM	(\$64)	(\$28)	(\$8)	(\$44)	(\$29)	(\$27)	(\$29)	(\$23)	(\$42)	(\$13)	(\$47)	(\$3)
(+/-) LT Financing & Fees	C\$MM	(2)	(1)	250	-	(6)	(1)	-	-	-	(1)	-	-
Free Cash Flow (A Revolver)	C\$MM	(\$66)	(\$27)	(\$258)	(\$44)	(\$34)	(\$26)	(\$29)	(\$23)	(\$42)	(\$11)	(\$47)	(\$3)
<b>Financing &amp; Debt</b>													
Credit Facility Capacity	C\$MM	\$1,150	\$750	\$750	\$750	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
(-) Outstanding Revolver	C\$MM	(638)	(611)	(353)	(309)	(343)	(317)	(347)	(324)	(366)	(355)	(403)	(399)
Available Liquidity	C\$MM	\$512	\$139	\$397	\$441	\$357	\$383	\$353	\$376	\$334	\$345	\$297	\$301
% Drawn	%	55%	81%	47%	41%	49%	45%	50%	46%	52%	51%	58%	57%
(+) Incremental 1st Lien Capacity	C\$MM	-	-	-	-	-	-	-	-	-	-	-	-
Total 1st Lien Capacity	C\$MM	\$512	\$139	\$397	\$441	\$357	\$383	\$353	\$376	\$334	\$345	\$297	\$301
<b>Debt Metrics</b>													
Net Debt	C\$MM	\$1,636	\$1,599	\$1,518	\$1,474	\$1,502	\$1,476	\$1,506	\$1,483	\$1,526	\$1,515	\$1,562	\$1,558
<b>Debt Ratios</b>													
Revolver Debt / TTM EBITDA	x	1.1x	1.4x	1.0x	1.1x	1.4x	1.5x	1.9x	1.9x	2.4x	2.6x	3.4x	4.1x
Secured Debt / TTM EBITDA	x	1.1x	1.4x	3.2x	3.7x	4.4x	5.0x	6.0x	6.4x	7.3x	8.1x	9.8x	11.7x
Total Debt / TTM EBITDA	x	2.9x	3.6x	4.4x	5.2x	6.1x	7.0x	8.2x	8.9x	10.1x	11.2x	13.3x	16.0x
TTM Interest Coverage	x	5.0x	4.0x	3.1x	2.4x	2.0x	1.7x	1.4x	1.3x	1.2x	1.0x	0.9x	0.7x

YE 2015 Liquidity <sup>(1)</sup>

YE 2016 Liquidity <sup>(1)</sup>

	Illustrative YE 2015 Revolver Capacity		
	LTS Case	No New Hedges	New Hedges
Cash Flow Case	\$750	\$625	\$700
LTS Base @ \$50 WTI	\$433	\$308	\$383
LTS Base @ \$60 WTI	\$441	\$316	\$391
LTS @ Strip	\$471	\$346	\$421
<b>Illust. 1st Lien Capacity (\$700MM Min.)</b>			
(+) Incr. 1st Lien Basket	-	\$75	-
LTS Base @ \$50 WTI	\$433	\$383	\$383
LTS Base @ \$60 WTI	\$441	\$391	\$391
LTS @ Strip	\$471	\$421	\$421

	Illustrative YE 2016 Revolver Capacity		
	LTS Case	No New Hedges	New Hedges
Cash Flow Case	\$750	\$500	\$525
LTS Base @ \$50 WTI	\$366	\$116	\$197
LTS Base @ \$60 WTI	\$426	\$176	\$219
LTS @ Strip	\$487	\$237	\$269
<b>Illust. 1st Lien Capacity (\$700MM Min.)</b>			
(+) Incr. 1st Lien Basket	-	\$200	\$175
LTS Base @ \$50 WTI	\$366	\$316	\$372
LTS Base @ \$60 WTI	\$426	\$376	\$394
LTS @ Strip	\$487	\$437	\$444

Lightstream will need to consider tapping incremental liquidity in late 2016 / early 2017, based on this analysis – prolonged low commodity price environment and no new drilling would see the borrowing base trend lower post YE 2016

(1) New Hedges scenario assumes hedges are put in place such that 8,900 bbl/d of oil production is hedged in 2016 at US\$64.50/bbl WTI and 3,600 bbl/d of oil production is hedged in 2017 at US\$65.88/bbl WTI

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---

**From:** Dunford, Curtis <Curtis.Dunford@rbccm.com>  
**Sent:** Thursday, June 11, 2015 10:25 AM  
**To:** Peter Scott; John Wright  
**Cc:** Law, Darrell; Cockrell, Kete  
**Subject:** RE:  
**Attachments:** RBC Board Slides (June 11, 2015).pdf

**Categories:** Important

Final materials attached.

---

**From:** Dunford, Curtis  
**Sent:** June-11-15 8:02 AM  
**To:** Peter Scott; 'John D. Wright ([jwright@lightstreamres.com](mailto:jwright@lightstreamres.com))'  
**Cc:** Law, Darrell  
**Subject:**

John / Peter,

Please find the attached board slides for your review.

Peter, Darrell will call you right away to discuss in advance of dissemination to the Board.

Thanks,

**Curtis Dunford**  
*Global Investment Banking | Energy*  
**RBC Capital Markets**  
3900 Bankers Hall West  
888 3rd Street SW  
Calgary AB T2P 5C5  
T: (403) 299-7193 | C: (403) 389-6061 | F: (403) 299-6900  
[curtis.dunford@rbccm.com](mailto:curtis.dunford@rbccm.com)

<< File: RBC Board Slides (June 11, 2015).pdf >>

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# RBC Capital Markets

Review of Proposed Debt  
Exchange Transaction

June 11, 2015



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RBC Capital Markets

## Situational Backdrop

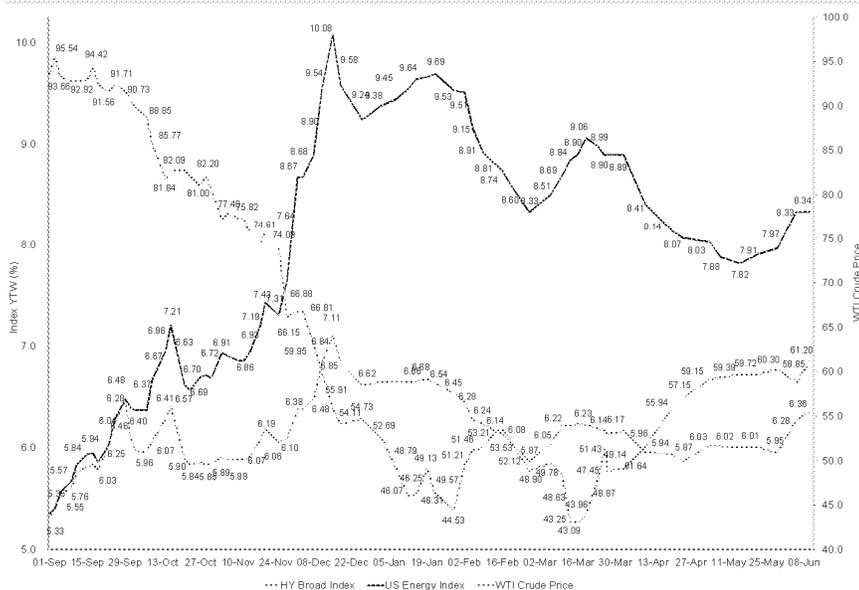
---

- ✧ RBC appreciates the opportunity to speak to the Lightstream Board regarding the contemplated transaction with Apollo / GSO
  
- ✧ North American E&P issuers have been active in 2015 YTD adding liquidity to their balance sheets
  - Broadly speaking, high quality names have generated liquidity as “insurance” against the commodity price environment and to build dry powder for capital plan acceleration or opportunistic acquisitions
  - Leveraged issuers have moved to assuage liquidity and leverage concerns via secured financings / exchanges
  
- ✧ Bank market has generally been supportive of new money requests, covenant amendments and borrowing base renewals to support existing borrowings
  - Recent upsizes of Husky and Crescent Point revolving credit facilities
  - Canadian Natural Resources – New \$1.5bn term loan
  - Suncor Energy – New \$1bn revolving credit facility
  
- ✧ Bank markets are certainly becoming more challenging for certain E&P names
  - Prolonged low commodity environment weighing on capacity for relationship based lending
  - Expect further deterioration in bank accommodations and facility sizes heading into fall renewal season
  
- ✧ Lightstream’s current indenture affords ample room to pursue a pure liquidity trade and inject incremental debt capital (~US\$940 million of secured debt capacity beyond the current revolver)
  - Likely comes in the form of a first or second lien financing based on the current outlook
  - Any new money providers will look to limit Lightstream’s ability to add additional debt post transaction

**E&P companies shoring up liquidity as insurance where possible; Lightstream has high yield alternatives available**

## High Yield Market Snapshot

### Market Trading Indicators



### Current Funding Environment In Historical Perspective

The Broad Market index has been better than today's level 11.70% of the time since 1994

Index	Current Level	Historical Average	Current vs Historical	% of Time Below Current Level	% of Time Below Current Level 100 bps
<b>Broad Market</b>	6.36%	9.37%	(3.01%)	11.70%	22.45%
<b>Energy</b>	8.34%	8.53%	(0.19%)	55.16%	70.17%
<b>BB Rated</b>	4.91%	7.42%	(2.51%)	11.69%	22.70%
<b>B Rated</b>	6.46%	9.19%	(2.73%)	12.64%	26.63%
<b>CCC or Lower Rated</b>	10.90%	14.86%	(3.96%)	22.41%	37.07%
<b>5-yr UST</b>	1.79%	3.73%	(1.94%)	23.02%	35.38%
<b>10-yr UST</b>	2.48%	4.33%	(1.85%)	14.15%	29.62%

Note: Weekly Data as of 06/10/2015

### Recent Oil & Gas New Issue Trading Performance

Dating Date	Issuer	Principal (\$MM)	Security	Maturity	CR	Rating	Par/100	Offer Price	YTW	Spread (bps)	Price	YTW	Price	YTW
05/28/15	American Energy (Permian Basin)	\$295.0	Sr 2nd Lien Notes	06/15/20	NC-2	B1/CCC+	8,000	100.000	8,000	649	99.750	8.059	-0.250	5.9 bps
--	American Energy (Permian Basin)	\$600.0	Sr Notes	11/01/21	--	Caa2/CCC	7,375	--	--	--	69.000	15.110	--	--
05/28/15	SandRidge Energy	\$1,250.0	Sr 2nd Lien Notes	06/01/20	NC-2	B1/B	8,750	100.000	8,751	723	97.250	9.458	-2.750	70.7 bps
--	SandRidge Energy	\$825.0	Sr Notes	02/15/23	--	Caa2/CCC-	7,500	--	--	--	52.500	19.780	--	--
05/22/15	Midstates Petroleum	\$625.0	Sr 2nd Lien Notes	06/01/20	NC-2	B2/B	10,000	100.000	10,000	844	100.500	9.838	0.500	-16.2 bps
05/22/15	Midstates Petroleum	\$504.0	Sr 3rd Lien PK Notes	06/01/20	NC-2	Caa1/CCC	12,000	--	--	--	80.000	18.060	--	--
--	Midstates Petroleum	\$351.9	Sr Notes	06/01/21	--	Caa3/CCC	9,250	--	--	--	45.000	29.270	--	--
04/21/15	Halcon Resources	\$700.0	Sr 2nd Lien Notes	02/01/20	NC-2	B2/CCC	8,625	100.000	8,625	728	101.250	8.221	1.250	-40.4 bps
--	Halcon Resources	\$394.7	Sr Notes	02/15/22	--	Caa3/D	9,250	--	--	--	69.500	17.080	--	--
--	Lightstream Resources <sup>(1)</sup>	\$800.0	Sr Notes	02/01/20	--	Caa3/CCC+	8,625	99.500	8,713	714	70.50 - 72.00	18.35 / 17.74	--	--

3 (1) RBC trader quotes on the bid side as of June 10, 2015

(2) RBC trader quote on the bid and offer side as of June 10, 2015. Trade volume for June 10, 2015 of \$3.0 MM+ at 70.00 - 70.25 pursuant to TRACE

## Review of Key Objectives and Considerations

---

- \* Lightstream key objectives in contemplating this transaction are to:
  - Ensure adequate access to liquidity through 2017
  - Ensure overall interest expense is moderated through the transaction
  - Repurchase notes at a discount, thus reducing Lightstream's aggregate debt balance
  
- \* RBC has utilized Lightstream's financial model and assumptions under a \$60 WTI base case scenario
  - Incorporated the current Apollo / GSO proposal, including issuance and use of US\$200 million 2<sup>nd</sup> lien
  
- \* Analysis considers forward looking borrowing base assumptions as follows
  - Year End 2015E:                 \$650 - \$700 million
  - Year End 2016E:                 \$500 - \$525 million
  - Year End 2017E:                 ~\$400 million
  
- \* Based on the modelling completed, Lightstream would have liquidity on credit facility through 2016, but would be constrained by year end 2017, absent any asset sales or an improvement in commodity prices
  - Year End 2017 Liquidity:
  - Credit facility capacity:         ~\$400 million
  - Revolver draw:                    ~\$400 million
  - **Available liquidity:**           **nil**
  
- \* Under the current proposal and model scenario, Lightstream will need to execute a 1<sup>st</sup> lien liquidity trade in late 2016 / early 2017
  - Provides sufficient room into 2017
  - Incremental \$350 million of capacity available at that point
  - Likely replaces revolving credit facility

**Maintaining Lightstream's access to adequate incremental liquidity via secured debt is of paramount importance**

## Summary of Indicative Terms & Conditions

Summary of Indicative Terms & Conditions		
<b>Par Amount of new money New Secured Notes:</b>	US\$200	
<b>Par Amount of exchanged 8.625% Sr. Notes due 2020:</b>	US\$465 million	✘ Exchange price and amount reduce principal amount of notes outstanding by US\$70 million
<b>Exchange Price:</b>	\$85.00	
<b>Par Amount of exchanged New Secured Notes:</b>	US\$395.25 million	
<b>Total Par Amount of New Secured Notes:</b>	US\$595.25 million	
<b>Issuer:</b>	Lightstream Resources Ltd.	
<b>Guarantors:</b>	Each of Borrower's existing and subsequent acquired or formed direct and indirect subsidiaries	
<b>Securities:</b>	Fully perfected second priority security interest in substantially all existing and after-acquired assets of each Borrower and Guarantors, including cash	✘ Flexibility to continue pursuit of asset sales to fund debt repayment
<b>Maturity:</b>	June 15, 2019	
<b>Coupon:</b>	9.875% (all-in yield)	
<b>Coupon Frequency:</b>	Semi-annual (December 15, June 15)	
<b>Call Protection:</b>	NCI, 107.41, 104.94 par	
<b>Special Pay Down Provision:</b>	In year 1, New Secured Notes may be retired by proceeds from the sale of assets at 109.875	✘ Secures 1 <sup>st</sup> lien capacity at current revolver size, but MFN for 2.5 years
<b>Financial Covenants:</b>	None	
	First lien debt limited to greater of 1) an amount allowed under Borrowing Base of a Conforming RBL and 2) C\$750 million	
<b>Limitations on Secured Debt:</b>	New Secured Notes subject to MFN for a period of 2.5 years in respect of new first lien new borrowing based bank debt	✘ LTS incented to execute 1 <sup>st</sup> lien liquidity trade earlier than later given MFN; should monitor market closely
	No limitations on liens junior to New Secured Notes	
	RP baskets contained in the Senior notes generally conform with baskets in New Secured Notes except for a US\$55 million face amount basket to repurchase Senior Notes	
<b>Restricted Payments:</b>	Unlimited amount of repurchases of Senior Notes funded with new equity or debt junior to New Secured Notes	✘ US\$55 million 2 <sup>nd</sup> lien basket facilitates opportunistic subsequent exchange(s)
<b>Other Negative / Affirmative Covenants:</b>	Usual and customary for private transactions of this type allowing for any baskets needed for the ordinary course of business provided the covenants / baskets contained in the New Secured Notes will generally mirror Senior Notes unless specifically modified in this term sheet	
	Payment of fees, costs, and expenses of prospective investors, whether or not transaction closes including reasonable attorney's fees subject to a US\$200,000 cap	
<b>Conditions Precedent:</b>	No Event of Default	
	Execution of inter creditor agreement with credit facility lenders and LTS Board approval	

## Transaction Considerations

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- × Proposed transaction terms are broadly consistent with similar situations being observed in the market
  - + Allows for existing \$750 million first lien to be maintained even under a declining RBL scenario, locking in liquidity
  - + US\$55 million second lien basket allows Lightstream to capitalize on any pro forma unsecured pricing weakness
  - MFN clause adds risk to future incremental liquidity trade, however applicability to first lien issuance mitigates
  - Compresses new debt issuance capacity available under the current indenture
  
- × Transaction may cause some discontent amongst the bank syndicate
  - Recent borrowing base renewal was somewhat challenging
  - New US\$200 million transaction will require unanimous lender consent
  
- × Moderate equity market reaction expected upon announcement
  - NAV pick-up from US\$70 million debt reduction post exchange unlikely to be captured by equity holders near term
  - Unlikely to be a meaningful catalyst for new fundamental investment
  
- × Anticipate neutral to negative reaction for remaining unsecured bond pricing
  - Market observed downward bias to remaining unsecured bond trading values post transactions of a similar nature
  - Potential to capitalize on any pricing weakness through additional exchange(s) post announcement

**Proposed transaction structured to maintain adequate availability of liquidity under constructive terms for Lightstream**

## Disclaimer (Canada)

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# TAB 16

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**UNDERTAKING NO. 10 - To produce the  
eight redacted pages of the June 10  
e-mail that commences at page 1741 -  
Taken Under Advisement**

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**From:** Fleury, Patrick <Patrick.Fleury@gsocap.com>  
**Sent:** Wednesday, June 10, 2015 4:43 PM  
**To:** John Wright; Peter Scott  
**Cc:** Michael Tu (mtu@apollolp.com)  
**Subject:** RE: Updated Term Sheet

**Categories:** Important

Peter, John, I just tried your office to update you on timing of our documents (you should receive shortly) and a call we just received from Silverpoint. Regarding the latter, Silverpoint indicted that since we (GSO/Apollo) won't "talk / engage" with them they are left with no other option but to put forth an "aggressive second lien deal" and were calling us as a courtesy given we're a "fellow bondholder." Give me a ring if you'd like to discuss further, but I wanted you to be aware of the latest developments. We continue to honor our NDA with you and have not engaged with Silverpoint.

---

**From:** John Wright [mailto:wright@lightstreamres.com]  
**Sent:** Tuesday, June 09, 2015 5:18 PM  
**To:** 'Michael Tu'  
**Cc:** Peter Scott; Fleury, Patrick; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

OK then, we're good to move this forward. Our Board meeting is Thursday morning.

Thanks,

**John D. Wright P.Eng., CFA**

**President & CEO**

CELL 403.605.8317 | DIRECT 403.213.3242 | MAIN 403.268.7800



Lightstream Resources Ltd.  
2800, 525 - 8th Avenue SW, Calgary, Alberta T2P 1G1  
[www.lightstreamresources.com](http://www.lightstreamresources.com)

**From:** Michael Tu [mailto:mtu@apolloip.com]  
**Sent:** Tuesday, June 09, 2015 1:50 PM  
**To:** John Wright  
**Cc:** Peter Scott; Fleury, Patrick; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

Yes, exchanges should be done at terms more favorable to Lightstream (i.e., you should capture more discount).

**From:** John Wright [mailto:wright@lightstreamres.com]  
**Sent:** Tuesday, June 09, 2015 3:21 PM  
**To:** Michael Tu  
**Cc:** Peter Scott; Fleury, Patrick; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** Re: Updated Term Sheet

I think you mean that they can be more favourable to Lightstream?

Thanks,

JDW

Sent from my iPad

On Jun 9, 2015, at 1:19 PM, Michael Tu <mtu@apolloip.com> wrote:

With regards to the one remaining item, Apollo and GSO are fine with the extra \$4.75mm of 2<sup>nd</sup> lien capacity with the condition that exchanges are done at terms no more favorable than our deal. Thanks.

**From:** Peter Scott [mailto:pscott@lightstreamres.com]  
**Sent:** Tuesday, June 09, 2015 11:40 AM  
**To:** Fleury, Patrick; Michael Tu  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

---

Should still work for us.

PDS

---

**From:** Fleury, Patrick [<mailto:Patrick.Fleury@gsocap.com>]  
**Sent:** Tuesday, June 09, 2015 9:36 AM  
**To:** Michael Tu  
**Cc:** Peter Scott; John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** Re: Updated Term Sheet

---

Can we postpone to 12pm please?

Patrick Fleury

212.503.2078

On Jun 9, 2015, at 10:49 AM, Michael Tu <[mtu@apolloip.com](mailto:mtu@apolloip.com)> wrote:

We'll use the same dial-in.

---

914-467-6550 (domestic)

888-516-4414 (int'l)

842680 (PIN)

**From:** Peter Scott [<mailto:psscott@lightstreamres.com>]  
**Sent:** Tuesday, June 09, 2015 10:31 AM  
**To:** Michael Tu; 'Fleury, Patrick'  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

Michael, I think that should work.

PDS

---

**From:** Michael Tu [<mailto:mtu@apolloip.com>]  
**Sent:** Tuesday, June 09, 2015 7:27 AM  
**To:** Peter Scott; 'Fleury, Patrick'  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

---

Peter – Are you around for a call at 1145am ET / 945am MT?

---

**From:** Peter Scott [<mailto:pscott@lightstreamres.com>]  
**Sent:** Monday, June 08, 2015 5:24 PM  
**To:** Michael Tu; 'Fleury, Patrick'  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

---

Thanks Michael and Patrick, the only change we want to make is to set the 2<sup>nd</sup> lien exchange basket at US\$67.5mm. As you can imagine we are getting a lot of inbound on this subject and giving us the ability to do a little bit more we think will go a long way in a future market dealings in the HY space.

Thanks,

PDS

---

**From:** Michael Tu [<mailto:mtu@apolloip.com>]  
**Sent:** Monday, June 08, 2015 9:46 AM  
**To:** Peter Scott; 'Fleury, Patrick'  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

To clarify one item below, “Allows you to **exchange** ~US\$75mm face value of bonds post deal given market price.”

**From:** Michael Tu

**Sent:** Monday, June 08, 2015 11:41 AM

**To:** 'Peter Scott'; Fleury, Patrick

**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa

**Subject:** RE: Updated Term Sheet

Apollo and GSO would be comfortable with the below on the 3 remaining items.

- C\$750mm of 1<sup>st</sup> lien debt
- 2.5 yr MFN
- US\$50mm 2<sup>nd</sup> lien basket to do additional exchanges. Allows you to repurchase ~US\$75mm face value of bonds post deal given market price.

Hopefully this is acceptable and we can send over a term sheet to execute.

Thanks.

**From:** Peter Scott [<mailto:pscott@lightstreamres.com>]

**Sent:** Friday, June 05, 2015 5:37 PM

**To:** Fleury, Patrick; Michael Tu

**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa

**Subject:** RE: Updated Term Sheet

Great. Also just got some bank feedback. We may want to revisit the Senior Note basket and Silver Point but we can discuss Monday am.

Thanks,

PDS

**From:** Fleury, Patrick [<mailto:Patrick.Fleury@gsocap.com>]

**Sent:** Friday, June 05, 2015 3:31 PM

**To:** Michael Tu; Peter Scott

**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

---

Me too

---

**From:** Michael Tu [<mailto:mtu@apolloip.com>]  
**Sent:** Friday, June 05, 2015 5:25 PM  
**To:** 'Peter Scott'; Fleury, Patrick  
**Cc:** John Wright; Annie Belecki; Lars Glemser; Josh Feyissa  
**Subject:** RE: Updated Term Sheet

---

1030am ET / 830am MT works for me on Monday.

**From:** Peter Scott [<mailto:pscott@lightstreamres.com>]  
**Sent:** Friday, June 05, 2015 5:14 PM  
**To:** Patrick Fleury - GSO Capital Partners ([patrick.fleury@gsocap.com](mailto:patrick.fleury@gsocap.com)); Michael Tu  
**Cc:** John Wright; Annie Belecki; Lars Glemser  
**Subject:** Updated Term Sheet

---

Patrick and Michael, attached is a marked-up term sheet. We have pushed back on the items I have mentioned previously. Also on the repayment basket we have bumped it to US\$75 million of face amount of bonds, and our logic is that is the equivalent of the Silver Point position. Also my comments on conforming to the Senior Notes is an attempt to get the concept correct. Does a call at 8:30am MDT work on Monday? Note we are still getting bank feedback and expect to meet with our board early next week. Have a great weekend.

Thanks,

PDS

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**TAB 17**

1                    **UNDERTAKING NO. 9 - To produce any updated**  
2                    **term sheet that was exchanged and any**  
3                    **correspondence related to discussions,**  
4                    **negotiations or approval of such an**  
5                    **updated term sheet - Taken Under Advisement**

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(Proceedings adjourned to 1:15 p.m.)

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**LETTER AGREEMENT**

June 11, 2015

Lightstream Resources Ltd.  
2800, 525 – 8th Avenue S.W.  
Calgary, Alberta  
T2P 1G1

Ladies and Gentlemen:

Each of the undersigned holders (each a “**Holder**”) beneficially owns or is the investment adviser or sub-adviser to, or manager of, a fund or account that beneficially owns the 8.625% senior notes due 2020 of Lightstream Resources Ltd. (formerly known as PetroBakken Energy Ltd.), an Alberta company (the “**Issuer**”), in an aggregate principal amount set forth on Appendix A hereto opposite each such Holder’s name (such securities, in such amount, being referred to as the “**Existing Notes**”). Pursuant to the transaction contemplated by the summary indicative term sheet attached hereto as Appendix B (the “**Term Sheet**”) and this letter agreement (this “**Agreement**”), (a) each Holder and the Issuer wish to exchange the applicable Existing Notes listed on Appendix A for each Holder’s applicable pro rata portion of US\$395.25 million in aggregate principal amount of new 9.875% secured notes due 2019 of the Issuer (the “**New Notes**” and such exchange, the “**Exchange**”) and (b) the Holders intend to purchase from the Issuer, and the Issuer intends to issue and sell to the Holders, each Holder’s applicable pro rata portion of US\$200 million in aggregate principal amount of New Notes (the “**New Money Issuance**” and, together with the Exchange, the “**Transactions**”). This Agreement sets forth the agreement between the Issuer and each Holder regarding the Transactions.

In connection with the Transactions, the Issuer and each Holder hereby agree as follows:

1. Definitive Documentation. Each Holder and the Issuer hereby agrees to negotiate in good faith the definitive documentation (the “**Definitive Documentation**”) with respect to the Transactions, consistent with the terms set forth in the Term Sheet.
2. Transactions. Subject to the satisfaction of the terms and conditions and the representations and warranties set forth in this Agreement, the Term Sheet and the Definitive Documentation, the Issuer and the Holders, severally and not jointly, agree to consummate the Transactions contemplated hereby. The closing of the Transactions shall be conditioned upon the Issuer and the Holders consummating the Transactions contemplated hereby.
3. Disclosure. The identity of the Holders and the individual allocations on Appendix A hereto are confidential and the Issuer agrees not to publicly disclose such information except as required by law or regulation and after reasonable advance consultation with the applicable Holder.

4. Amendment. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived or modified except by an instrument in writing signed by each of the parties hereto or, in the case of a waiver, the party against which the enforcement of such waiver is sought.

5. Governing Law; Jury Trial. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

6. Counterparts. This Agreement may be executed in one or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile or PDF signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

7. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

8. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

9. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. No party hereto shall assign or delegate this Agreement or any of its rights or obligations hereunder without the prior written consent of the other parties hereto.

11. Termination. This Agreement shall remain in full force and effect until terminated as follows:

(a) Upon the execution of Definitive Documentation, which shall supersede this Agreement in all respects.

(b) By the mutual agreement of the parties hereto.

[Remainder of page is intentionally blank.]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this Agreement, along with all counterparts, will become a binding agreement between the Holders and the Issuer in accordance with its terms.

Very truly yours,

APOLLO CAPITAL MANAGEMENT, L.P., on behalf of the funds set forth on Appendix A

By: Apollo Capital Management GP, LLC, as its General Partner:

By:   
Name: \_\_\_\_\_  
Title: **JOSEPH D. GLATT**  
**VICE PRESIDENT**

GSO CAPITAL PARTNERS LP  
GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC,  
each, on behalf of applicable funds set forth on Appendix A managed, advised or sub-advised by it

By: \_\_\_\_\_  
Name:  
Title:

Confirmed and agreed to as of the date first above written:

**Lightstream Resources Ltd.**

By:   
Name: \_\_\_\_\_  
Title: **Peter D. Scott**  
**Senior Vice President**  
**and CFO**

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this Agreement, along with all counterparts, will become a binding agreement between the Holders and the Issuer in accordance with its terms.

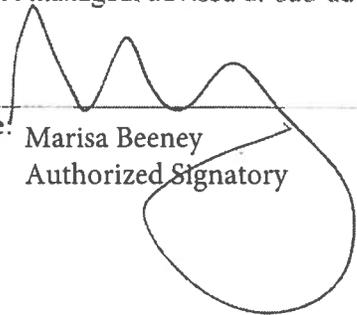
Very truly yours,

APOLLO CAPITAL MANAGEMENT, L.P., on behalf of the funds set forth on Appendix A

By: Apollo Capital Management GP, L.L.C. as its General Partner

By: \_\_\_\_\_  
Name:  
Title:

GSO CAPITAL PARTNERS LP  
GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC,  
each, on behalf of applicable funds set forth on Appendix A managed, advised or sub-advised by it

By:   
Name: Marisa Beeney  
Title: Authorized Signatory

Confirmed and agreed to as of the date first above written:

**Lightstream Resources Ltd.**

By:   
Name:  
Title: **Peter D. Scott  
Senior Vice President  
and CFO**

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this Agreement, along with all counterparts, will become a binding agreement between the Holders and the Issuer in accordance with its terms.

Very truly yours,

APOLLO CAPITAL MANAGEMENT, L.P., on  
behalf of the funds set forth on Appendix A

By: Apollo Capital Management GP, LLC, as its  
General Partner

By: \_\_\_\_\_  
Name:  
Title:

GSO CAPITAL PARTNERS LP  
GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC,  
each, on behalf of applicable funds set forth on  
Appendix A managed, advised or sub-advised by it

By: \_\_\_\_\_  
Name:  
Title:

Confirmed and agreed to as of the date first above written:

**Lightstream Resources Ltd.**

By:  \_\_\_\_\_  
Name:  
Title: **Peter D. Scott**  
**Senior Vice President**  
**and CFO**

**Appendix A****Existing Notes to be Exchanged****Total Aggregate Principal  
Amount of Existing Notes  
to be Exchanged****Holder**

US\$500,000.00	Apollo Alternative Credit Long Short Fund, L.P.
US\$19,921,000.00	Apollo Centre Street Partnership, L.P.
US\$26,860,000.00	Apollo Energy Opportunity Fund LP
US\$5,167,000.00	AESI (Holdings) II, L.P.
US\$5,064,000.00	Apollo Franklin Partnership, L.P.
US\$6,484,000.00	AP Investment Europe III, L.P.
US\$7,399,000.00	Apollo Value Investment Master Fund, L.P.
US\$6,222,000.00	Apollo A-N Credit Fund (Delaware), L.P.
US\$13,882,000.00	Apollo Credit Funding I Ltd.
US\$4,083,000.00	Apollo Credit Funding III Ltd.
US\$97,856,000.00	Apollo Credit Opportunity Trading Fund III
US\$23,662,000.00	Apollo Credit Strategies Master Fund Ltd
US\$4,936,000.00	AEC (Lux) S.a.r.l.
US\$2,000,000.00	Cavenham Investment S.a.r.l.
US\$2,640,000.00	Apollo Lincoln Fixed Income Fund, L.P.
US\$3,531,000.00	Apollo Lincoln Private Credit Fund, L.P.
US\$7,521,000.00	Apollo SK Strategic Investments, L.P.
US\$29,028,000.00	Apollo Special Opportunities Managed Account, L.P.
US\$7,678,000.00	Apollo SPN Investment I (Credit), LLC
US\$3,530,000.00	Apollo TR Opportunistic Ltd
US\$9,436,000.00	Apollo Zeus Strategic Investments, L.P.
US\$10,412,000.00	GSO AIGUILLE DES GRANDS MONTETS FUND I LP
US\$7,207,000.00	GSO AIGUILLE DES GRANDS MONTETS FUND II LP
US\$5,520,000.00	GSO AIGUILLE DES GRANDS MONTETS FUND III LP
US\$9,953,000.00	FS GLOBAL CREDIT OPPORTUNITIES FUND
US\$4,168,000.00	GSO CHURCHILL PARTNERS LP
US\$6,648,000.00	GSO CREDIT ALPHA FUND LP
US\$932,000.00	GSO COASTLINE CREDIT PARTNERS LP
US\$676,000.00	STEAMBOAT CREDIT OPPORTUNITIES MASTER FUND LP
US\$61,788,000.00	GSO SPECIAL SITUATIONS MASTER FUND LP
US\$3,990,000.00	GSO CACTUS CREDIT OPPORTUNITIES FUND LP
US\$6,100,000.00	BLACKSTONE / GSO STRATEGIC CREDIT FUND
US\$1,650,000.00	RACE STREET FUNDING LLC
US\$48,745,000.00	BERWYN FUNDING LLC
US\$4,150,000.00	DUNNING CREEK LLC
US\$4,200,000.00	BURNHOLME FUNDING LLC

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**Total: US\$465,000,000**

**Appendix B**  
**Term Sheet**

*This Term Sheet is indicative and for discussion purposes only and does not constitute an offer to provide or accept the financing discussed herein. Any final agreement to provide any financing in full or in part, or to provide any other specific service, if reached between the parties, is subject to, amongst others, full prior approval of the credit committees of the prospective investors, satisfactory business, technical, legal and financial due diligence and satisfactory legal documentation. The information contained herein is made available on a confidential basis and may not be provided to any third party without the prior written consent of the prospective investors.*

### Summary Indicative Terms & Conditions

Par Amount of new money New Secured Notes	US\$200 million
Par Amount of exchanged 8.625% Sr. Notes due 2020:	US\$465 million
Exchange Price:	\$85.00
Par Amount of exchanged New Secured Notes:	US\$395.25 million
Total Par Amount of New Secured Notes:	US\$595.25 million
Issuer:	Lightstream Resources Ltd.
Guarantors:	Each of Borrower's existing and subsequent acquired or formed direct and indirect subsidiaries.
Security:	Fully perfected second priority security interest in substantially all existing and after-acquired assets of each Borrower and Guarantors, including cash.
Maturity:	6/15/2019
Coupon:	9.875% (all-in yield)
Coupon Frequency:	Semi-annual (December 15, June 15)
Call Protection:	NC1, 107.41, 104.94, par
Special Pay Down Provision:	In year 1, New Secured Notes may be retired by proceeds from the sale of assets at 109.875.
Financial Covenants:	None
Limitations on Secured Debt:	<p>First lien debt limited to the greater of 1.) an amount allowed under the Borrowing Base of a Conforming RBL defined as an asset-based revolving debt facility or facilities entered into by any Loan Party, as borrower and/or guarantor, with one or more commercial banks providing for revolving loans, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced in whole or in part from time to time to the extent permitted by the Intercreditor Agreement, and 2.) CS750 million.</p> <p>The New Secured Notes then outstanding will be the beneficiary of an MFN for a period of 2.5 years in respect of new first lien debt other than debt raised under the Borrowing Base of a Conforming RBL.</p> <p>US\$54.75 million of additional New Secured Notes may be issued as part of future exchanges of Senior Notes at terms at least as favorable to the Issuer as the contemplated exchange in this term sheet.</p> <p>No limitations on liens junior to the New Secured Notes.</p>
Restricted Payments:	<p>Will generally conform with the baskets in the Senior Notes.</p> <p>Permits exchanges of Senior Notes utilizing the US\$54.75 million basket of New Secured Notes.</p> <p>Unlimited amount of repurchases of Senior Notes that are funded with new equity or new debt junior to the New Secured Notes.</p>
Other Negative/Affirmative Covenants:	Usual and customary for private transactions of this type that will allow for any baskets needed for the ordinary course of the business provided however the covenants/baskets contained in the New Secured Notes will generally mirror the Senior Notes unless specifically modified in this term sheet.
Conditions Precedent:	<p>Payment of fees, costs, and expenses of prospective investors, whether or not transaction closes, including reasonable attorney's fees subject to a US\$200,000 cap.</p> <p>Execution of intercreditor agreement with credit facility lenders.</p> <p>Approval by Lightstream's board of directors.</p> <p>No Event of Default.</p>

*Confidential Subject to FRE 408 and similar rules*

# TAB 18

LIGHTSTREAM RESOURCES LTD.

\$595,250,000 9.875% Second Priority Senior Secured Notes due 2019

\_\_\_\_\_  
NOTE PURCHASE AND EXCHANGE AGREEMENT  
\_\_\_\_\_

Dated July 2, 2015

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## TABLE OF CONTENTS

Section	Heading	Page
1.	AUTHORIZATION OF NOTES.....	1
2.	SALE AND PURCHASE OF SECURITIES .....	1
3.	CLOSING .....	2
4.	CONDITIONS TO CLOSING .....	3
	4.1. Representations and Warranties.....	3
	4.2. Performance .....	4
	4.3. Compliance Certificates.....	4
	4.4. Opinions of Counsel .....	4
	4.5. Purchase Permitted By Applicable Law, Etc.....	4
	4.6. Sale of Other Notes.....	5
	4.7. Indenture and Securities.....	5
	4.8. Proceedings and Documents.....	5
	4.9. Payment of Accrued Interest.....	5
5.	REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.....	5
6.	REPRESENTATIONS AND COVENANTS OF THE PURCHASERS.....	16
	6.1. Purchase for Investment.....	16
	6.2. Tax Identification Number.....	17
7.	TRANSACTION EXPENSES .....	17
8.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT .....	18
9.	GENERAL PROVISIONS .....	18
10.	NOTICES; ENGLISH LANGUAGE .....	18
11.	MISCELLANEOUS .....	19
	11.1. Successors and Assigns.....	19
	11.2. Severability .....	19
	11.3. Construction, Etc.....	19
	11.4. Counterparts .....	20
	11.5. Governing Law .....	20
	11.6. Consent to Jurisdiction; Waiver of Immunity; Judgment Currency .....	20

SCHEDULE A – INFORMATION RELATING TO PURCHASERS

SCHEDULE B – LIST OF SUBSIDIARIES

EXHIBIT 1 – Form of Indenture

EXHIBIT 4.4(a)(i) – Form of Opinion of U.S. Special Counsel for the Company

EXHIBIT 4.4(a)(ii) – Form of Opinion of Canadian Special Counsel for the Company

**Lightstream Resources Ltd.**

2800, 525 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 1G1

\$595,250,000 9.875% Second Priority Senior Secured Notes due 2019

July 2, 2015

To Each of the Purchasers Listed in  
Schedule A Hereto:

Ladies and Gentlemen:

Lightstream Resources Ltd., an Alberta corporation (the “**Company**”), and the Guarantors (as defined below) each agree with each of the purchasers whose name appears on the signature pages hereto and who beneficially owns, or is the adviser or sub-adviser to, or manager of, one or more funds or accounts appearing on Schedule A hereto (each such purchaser, fund or account, a “**Purchaser**” and collectively the “**Purchasers**”) as follows:

**1. AUTHORIZATION OF NOTES.**

The Company will authorize the issue and sale to the Purchasers of \$595,250,000 aggregate principal amount of its 9.875% Second Priority Senior Secured Notes due 2019 (the “**Notes**”). The Notes shall be issued pursuant to an indenture to be dated as of July 2, 2015 (the “**Indenture**”), among the Company, the Guarantors (as defined below), U.S. Bank National Association, as trustee (the “**Trustee**”), Computershare Trust Company of Canada, as Canadian trustee (the “**Canadian Trustee**”) and Computershare Trust Company of Canada, as collateral agent. References to a “Schedule” or an “Exhibit” are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. References to a “Section” are references to a Section of this Agreement unless otherwise specified.

The payment of principal of, premium, if any, and interest on the Notes will be fully and unconditionally guaranteed on a second priority senior secured basis, jointly and severally, by (i) the entities listed on the signature pages of the Indenture as “Guarantors” and (ii) any subsidiary of the Company formed or acquired after the First Closing Date (as defined below) that becomes a guarantor in accordance with the terms of the Indenture, and their respective successors and assigns (collectively, the “**Guarantors**”), pursuant to their guarantees (the “**Guarantees**”). The Notes and the Guarantees are herein collectively referred to as the “**Securities**”. The Securities shall be secured by debentures entered into by the Company and each Guarantor in favor of the Collateral Agent, in form and substance reasonably acceptable to the Collateral Agent (the “**Security Documents**”).

**2. SALE AND PURCHASE OF SECURITIES.**

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closings provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule A and as further specified in Section 3, at the purchase price of 100% of the principal amount thereof and the associated Guarantees. The consideration for the purchase of Securities by a particular Purchaser at the Closings will consist of a combination of (i) the amount of cash consideration and (ii) the principal amount of the Company's existing 8.625% Senior Notes due 2020 (the "**8.625% Notes**"), each as specified opposite such Purchaser's name in Schedule A and in Section 3, as further set forth in Section 3.

The Purchasers' obligations hereunder are several and not joint and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

In this Agreement, the term "**Person**" means an individual, a partnership, a corporation, a company, a trust, an unincorporated organization, a union, a government or any department or agency thereof (collectively an "**entity**") and the heirs, executors, administrators, successors, or other legal representatives, as the case may be, of such entity.

Securities will be issued only in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company (the "**Depository**").

### **3. CLOSINGS.**

The sale and purchase of the Securities to be purchased by each Purchaser shall occur at two closings (each, a "**Closing**" and collectively, the "**Closings**"), each of which shall be held at the offices of Blake, Cassels & Graydon LLP, 855 – 2<sup>nd</sup> Street S.W., Suite 3500, Bankers Hall East Tower, Calgary, Alberta T2P 4J8, Canada.

The first Closing (the "**First Closing**") shall occur at 12:00 P.M., Calgary, Alberta time, on July 2, 2015 or on any other Business Day (as defined below) thereafter as may be agreed upon by the Company and the Purchasers (the "**First Closing Date**"). At the First Closing, the Company shall deliver, or cause to be delivered, to the Depository or its custodian a global certificate representing the aggregate principal amount of Securities to be issued to the Purchasers at the First Closing, as set forth in Schedule A, against the irrevocable delivery to the Trustee, through a book-entry transfer in accordance with the applicable procedures of the Depository, for cancellation, such principal amount of 8.625% Notes specified opposite such Purchaser's name in Schedule A as being deliverable at the First Closing.

The second Closing (the "**Second Closing**") shall occur at 7:00 A.M., Calgary, Alberta time, on July 14, 2015 or on any other Business Day (as defined below) thereafter as may be agreed upon by the Company and the Purchasers (the "**Second Closing Date**" and collectively with the First Closing Date, the "**Closing Dates**" and each of the First Closing Date and the Second Closing Date, a "**Closing Date**"). Subject to the following paragraph, at the Second Closing, the Company shall deliver, or cause to be delivered, to the Depository or its custodian a global certificate representing the aggregate principal amount of Securities to be issued to the Purchasers at the Second Closing, as set forth in Schedule A, against the irrevocable release of a

wire transfer of immediately available funds in the amount specified opposite such Purchaser's name in Schedule A as being payable at the Second Closing.

Notwithstanding the foregoing paragraph, the Purchasers, in their sole discretion, shall have the right to re-allocate among the Purchasers the Securities required to be purchased (and cash consideration required to be delivered in connection therewith) or delivered at the Second Closing, by providing to the Company written notice of such re-allocation, signed by the Purchasers who are signatories hereto, at least 24 hours prior to the Second Closing.

In addition, at the Second Closing, the Company shall deliver, or cause to be delivered, to the Depository or its custodian a global certificate (which, for certainty, may be combined with the global certificate delivered pursuant the foregoing paragraph), representing \$1,241,850 aggregate principal amount of Securities, against the irrevocable delivery to the Trustee, through a book-entry transfer in accordance with the applicable procedures of the Depository, for cancellation, \$1,461,000 aggregate principal amount of 8.625% Notes. The obligation to deliver such 8.625% Notes by the Purchasers shall be joint and several, and the Purchasers shall inform the Company, in writing, at least 24 hours prior to the Second Closing, which of the Purchasers will deliver the 8.625% Notes required to be so delivered and receive the Securities required to be delivered by the Company in exchange therefor.

Wire transfers of immediately available funds for the account of the Company shall be delivered pursuant to instructions to be provided by the Company to the Purchasers prior to the Second Closing Date.

The global certificates for the Securities shall be registered in the name of Cede & Co., as nominee of the Depository. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Purchasers.

In this Agreement, "**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Calgary, Alberta, Canada are required or authorized to be closed.

If at a Closing the Company shall fail to issue and deliver the Securities required to be delivered at such Closing to any Purchaser as provided in this Section 3, or if any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

#### **4. CONDITIONS TO CLOSINGS.**

Each Purchaser's obligation to purchase and pay for the Securities to be sold to such Purchaser at the Closings is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the applicable Closing, of the following conditions:

##### **4.1. Representations and Warranties.**

The representations and warranties of the Company and the Guarantors in this Agreement shall be correct when made and at the time of the applicable Closing.

#### 4.2. Performance.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the applicable Closing.

#### 4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser a certificate of the chief financial officer, principal accounting officer, vice president finance, treasurer or comptroller of the Company (each, a “**Senior Financial Officer**”) or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate (an “**Officer's Certificate**”), dated the applicable Closing Date, certifying that the conditions specified in Sections 4.1 and 4.2 have been fulfilled.

(b) Officer's Certificate. The Company shall have delivered to such Purchaser a certificate of an officer or other appropriate person, dated the applicable Closing Date, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Indenture, the Notes and this Agreement, and (ii) the Company's organizational documents as then in effect.

#### 4.4. Opinions of Counsel.

At each Closing, such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from Dorsey & Whitney LLP, U.S. special counsel for the Company, and (ii) Blake, Cassels & Graydon LLP, Canadian counsel for the Company, substantially in the respective forms set forth in Exhibits 4.4(a)(i) and 4.4(a)(ii) (and the Company hereby instructs its counsel to deliver such opinions to the Purchasers).

#### 4.5. Purchase Permitted By Applicable Law, Etc.

On each Closing Date, such Purchaser's purchase of the Securities to be purchased at the applicable Closing shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, (b) not violate any applicable law or regulation (including Section 5 of the Securities Act of 1933, as amended (the “**Securities Act**”) or, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

**4.6. Sale of Other Notes.**

Contemporaneously with each Closing, the Company shall issue and sell to each other Purchaser, and each other Purchaser shall purchase, the Securities to be purchased by it at the applicable Closing, as specified in Schedule A.

**4.7. Indenture and Securities.**

(a) The Company, the Guarantors, the Trustee and the Canadian Trustee shall have executed and delivered the Indenture, substantially in the form set forth in Exhibit 1, and the Purchaser shall have received an executed copy thereof. The Company and the Guarantors shall have executed, issued and delivered the Securities to be issued at the applicable Closing, substantially in the form included as an exhibit to the Indenture set forth in Exhibit 1, which Securities shall have been authenticated by the Trustee.

(b) With respect to the Securities to be issued at the Second Closing, such Securities shall be (i) issued under the same CUSIP number as the Securities issued at the First Closing, and (ii) upon issuance shall be fungible for U.S. federal tax income purposes with the Securities issued at the First Closing.

**4.8. Proceedings and Documents.**

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such fully executed counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

**4.9. Payment of Accrued Interest.**

With respect to the Securities to be issued at the Second Closing, each Purchaser shall have received payment in full of any accrued and unpaid interest in respect of the Purchasers' 8.625% Notes delivered for cancellation at the First Closing Date, in accordance with Section 5(ii).

**5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.**

Each of the Company and the Guarantors, jointly and severally, hereby represents, warrants and covenants to each Purchaser that, as of the date hereof and as of each Closing Date:

(a) **No Registration Required.** Subject to compliance by the Purchasers with the representations and warranties set forth in Section 6 hereof, it is not necessary in connection with the offer, sale and delivery of the Securities to the Purchasers in the manner contemplated by this Agreement to register the Securities under the Securities Act, or to qualify, by prospectus or otherwise, the distribution of the Securities under the Canadian federal or provincial or securities laws applicable in any Canadian province, any regulations thereunder, or any applicable published rules, policy statements, blanket

orders, instruments or notices of the applicable securities regulatory authorities in such provinces (collectively, “**Canadian Securities Laws**”) or to qualify the Indenture under the *Business Corporations Act* (Alberta) or the Trust Indenture Act of 1939 (the “**Trust Indenture Act**,” which term, as used herein, includes the rules and regulations of the Securities and Exchange Commission (the “**Commission**”) promulgated thereunder).

(b) **No Integration of Offerings or General Solicitation.** None of the Company, its affiliates (as such term is defined in Rule 405 under the Securities Act) (each, an “**Affiliate**”), or any person acting on its or any of their behalf has, directly or indirectly, solicited any offer to buy or offered to sell, or will, directly or indirectly, solicit any offer to buy or offer to sell, or has sold or will sell, any security of the Company in a manner that would be integrated with the offer and sale of the Securities and would require the Securities to be registered under the Securities Act. None of the Company, its Affiliates, or any person acting on its or any of their behalf has engaged or will engage, in connection with the offering of the Securities, in any form of general solicitation or general advertising within the meaning of Rule 502 under the Securities Act. None of the Company, its Affiliates, or any person acting on its or any of their behalf has taken, or will take, any action that would cause the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof to be unavailable for the offer and sale of the Securities pursuant to this Agreement.

(c) **No Solicitation in Canada.** None of the Company, its Affiliates, or any person acting on its or any of their behalf has, directly or indirectly, undertaken any acts in furtherance of a trade or made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the distribution of the Securities in any Canadian province or territory to be qualified by a prospectus filed in accordance with the Canadian Securities Laws.

(d) **Eligibility for Resale under Rule 144A.** The Securities are eligible for resale pursuant to Rule 144A under the Securities Act (“**Rule 144A**”) and will not be, at the First Closing Date or the Second Closing Date, of the same class as securities listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), which term, as used herein, includes the rules and regulations of the Commission promulgated thereunder) or quoted in a U.S. automated interdealer quotation system (as such term is used under the Securities Act for purposes of Rule 144A).

(e) **The Note Purchase and Exchange Agreement.** This Agreement has been duly authorized and validly executed and delivered by the Company and the Guarantors.

(f) **Authorization of the Notes and the Guarantees.** The Notes to be purchased by the Purchasers from the Company will, on the applicable Closing Date, be in the form contemplated by the Indenture, have been duly authorized for issuance and sale pursuant to this Agreement and the Indenture and, at the applicable Closing Date, will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment of the purchase price

therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except that the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (whether applied by a court of law or equity) and the discretion of the court before which any proceeding therefor may be brought. The Guarantees, when issued on the applicable Closing Date, will be in the respective forms contemplated by the Indenture and have been duly authorized for issuance pursuant to this Agreement and the Indenture; the Guarantees, at the applicable Closing Date, will have been duly executed by each of the Guarantors and, when the Notes have been authenticated in the manner provided for in the Indenture and issued and delivered against payment of the purchase price therefor, the Guarantees will constitute valid and binding agreements of the Guarantors, enforceable against the Guarantors in accordance with their terms, except that the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (whether applied by a court of law or equity) and the discretion of the court before which any proceeding therefor may be brought.

(g) **Authorization of the Security Documents.** The Security Documents have been duly executed and delivered by the Company and the Guarantors and will constitute valid and binding agreements of the Company and the Guarantors, enforceable against each of the Company and the Guarantors in accordance with its terms, except that the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (whether applied by a court of law or equity) and the discretion of the court before which any proceeding therefor may be brought.

(h) **Authorization of the Indenture.** The Indenture has been duly authorized by the Company and the Guarantors and, at each Closing Date, will have been duly executed and delivered by the Company and the Guarantors and will constitute a legal, valid and binding agreement of the Company and the Guarantors, enforceable against each of the Company and the Guarantors in accordance with its terms, except that the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (whether applied by a court of law or equity) and the discretion of the court before which any proceeding therefor may be brought. The Indenture and the issuance of the Securities thereunder complies with all applicable provisions of the Canadian Securities Laws, the Securities Act and the Trust Indenture Act, and no registration, filing, qualification or recording of the Indenture under the Canadian Securities Laws, the Securities Act or the Trust Indenture Act is necessary in order to preserve or protect the validity or enforceability of the Indenture or the Securities issued thereunder.

(i) **Authorization under the Business Corporations Act.** The issuance of the Securities under the Indenture complies with the provisions of the *Business Corporations Act* (Alberta); and, no registration, filing or recording of the Indenture under the laws of the Province of Alberta or the federal laws of Canada applicable therein is necessary in order to preserve or protect the validity or enforceability of the Indenture or the Securities issued thereunder.

(j) **No Material Adverse Change.** Except as otherwise disclosed in writing to the Purchasers, subsequent to the respective dates as of which information has been publicly disclosed by the Company in its public filings on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) administered by the Canadian Securities Administrators and except as otherwise disclosed in such filings: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations, whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries, considered as one entity (any such change is called a “**Material Adverse Change**”); (ii) the Company and its subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company to its shareholders.

(k) **Independent Accountants.** Deloitte & Touche LLP, the Company’s external auditor, is an independent registered public accounting firm within the meaning of the Securities Act, the Exchange Act and the rules of the Public Company Accounting Oversight Board, and any non-audit services provided by Deloitte & Touche LLP to the Company have been approved by the Audit Committee of the Board of Directors of the Company in accordance with applicable law. There has not been any “reportable event” (within the meaning of National Instrument 51-102 of the Canadian Securities Administrators (“**NI 51-102**”)) between Deloitte & Touche LLP and the Company.

(l) **Preparation of the Financial Statements.** The financial statements of the Company and its subsidiaries, together with the related schedules and notes, for the fiscal year ended December 31, 2014 and the quarterly period ended March 31, 2015, in each case that have been filed on SEDAR, present fairly in all material respects the consolidated financial position of the entities to which they relate as of and at the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applicable to publicly accountable enterprises, approved by the Canadian Institute of Chartered Accountants (“**Canadian GAAP**”), which include International Financial Reporting Standards as issued by the International Accounting Standards Board, and applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto.

(m) **Incorporation and Good Standing of the Company and its Subsidiaries.** Each of the Company and its subsidiaries has been duly amalgamated,

incorporated or formed, as applicable, and is validly existing as a corporation or partnership, as applicable, in good standing under the laws of the jurisdiction of its incorporation, amalgamation or formation, as applicable, and has corporate or partnership, as applicable, power and authority to own, lease and operate its properties and to conduct its business as currently conducted and, in the case of the Company and the Guarantors, to enter into and perform its obligations under each of the Transaction Documents (as defined below) to which it is a party. Each of the Company and each of its subsidiaries is duly qualified or registered as a foreign corporation or other business entity as applicable, to transact business and is in good standing or equivalent status in each jurisdiction in which such qualification or registration is required, whether by reason of the ownership or leasing of property or the conduct of business, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Change. All of the issued and outstanding capital stock or other ownership interest of each subsidiary has been duly authorized and validly issued, is, if applicable, fully paid and non-assessable and is owned by the Company as described in Schedule B, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim, except as disclosed in writing to the Purchasers. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Schedule B hereto. In this Agreement, the term “**Transaction Documents**” means this Agreement, the Indenture, the Security Documents and the Securities.

(n) **Non-Contravention of Existing Indebtedness; No Further Authorizations or Approvals Required.** Neither the Company nor any of its subsidiaries is (i) in violation of its articles, bylaws, partnership agreement or other constitutive document or (ii) in default (or, with the giving of notice or lapse of time, would be in default) (“**Default**”) under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, except such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The execution, delivery and performance of the Transaction Documents by the Company and the Guarantors party thereto, and the issuance and delivery of the Securities, and consummation of the transactions contemplated hereby and thereby (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the articles, bylaws, partnership agreement or other constitutive document of the Company or any subsidiary, (ii) will not conflict with or constitute a breach of, or Default or a Debt Repayment Triggering Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, or require the consent of any other party (other than consents already obtained) to, any existing indebtedness of the Company or any Guarantor, except for such conflicts, breaches, Defaults, liens, charges or encumbrances as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) assuming compliance by the Purchasers of their obligations hereunder, will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any subsidiary, except such violations as would not, individually or in the aggregate, result in a Material Adverse Change. No consent, approval, authorization or other order

of, or registration or filing with, any court or other governmental or regulatory authority or agency is required for the execution, delivery and performance of the Transaction Documents by the Company and the Guarantors to the extent a party thereto, or the issuance and delivery of the Securities, or consummation of the transactions contemplated hereby and thereby, except (x) such as have been obtained or made by the Company and are in full force and effect under the Securities Act, applicable U.S. state securities laws or the Canadian Securities Laws and (y) customary post-closing notifications and filings pursuant to applicable U.S. state securities laws and Canadian Securities Laws. As used herein, a “**Debt Repayment Triggering Event**” means any event or condition which gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(o) **No Material Actions or Proceedings.** Except as otherwise disclosed in writing to the Purchasers, there are no legal or governmental actions, suits or proceedings pending or, to the best of the Company’s knowledge, threatened (i) against or affecting the Company or any of its subsidiaries or (ii) which has as the subject thereof any property owned or leased by, the Company or any of its subsidiaries that, if determined adversely to the Company or such subsidiary, would result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement. No material labor dispute with the employees of the Company or any of its subsidiaries, or with the employees of any principal supplier of the Company, exists or, to the best of the Company’s knowledge, is threatened or imminent.

(p) **All Necessary Permits, etc.** The Company and each subsidiary possess such valid and current certificates, licenses, permits, approvals, consents, registrations and other authorizations (collectively, “**Permits**”) issued by the appropriate state, federal, provincial or foreign regulatory agencies or bodies necessary to own, lease and operate its properties and to conduct their respective businesses, except as would not, individually or in the aggregate, result in a Material Adverse Change, and neither the Company nor any subsidiary has received any notice of any investigations, regulatory enforcement actions or proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Change.

(q) **Title to Properties.** Except as disclosed to the Purchasers in writing, the Company and each of its subsidiaries has (i) legal, valid and defensible title to the interests in the oil and natural gas properties described in its Annual Information Form for the year ended December 31, 2014 filed on SEDAR and (ii) good and marketable title to all the properties and assets reflected as owned in the financial statements referred to in Section 5(l) hereof, in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, claims and other defects, except for Permitted Liens (as defined in the Indenture) and except as would not reasonably be expected to materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company or such subsidiary, and except as to minor defects of title which in the aggregate would not result in, or

reasonably be expected to result in a Material Adverse Change. The real property, improvements, equipment and personal property held under lease by the Company or any subsidiary are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such subsidiary.

(r) **Company and Guarantors Not “Investment Companies”.** The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the “**Investment Company Act**,” which term, as used herein, includes the rules and regulations of the Commission promulgated thereunder). Neither the Company nor any Guarantor is, or after receipt of payment for the Securities will be, registered or required to be registered as an “investment company” within the meaning of the Investment Company Act.

(s) **Insurance.** Each of the Company and its subsidiaries are insured by recognized, financially sound institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses.

(t) **Solvency.** The Company and each Guarantor is, and immediately after each Closing Date will be, Solvent. As used herein, the term “**Solvent**” means, with respect to any person on a particular date, that on such date (i) the fair market value of the assets of such person is greater than the total amount of liabilities (including contingent liabilities) of such person, (ii) the present fair salable value of the assets of such person is greater than the amount that will be required to pay the probable liabilities of such person on its debts as they become absolute and matured, (iii) such person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature, (iv) such person does not have unreasonably small capital, (v) the person is not bankrupt, (vi) the person is able to meet its obligations as they generally become due, (vii) the person has not ceased paying its current obligations in the ordinary course of business as they generally become due and (viii) the aggregate of such person’s property is sufficient, if disposed of at a fairly conducted sale under legal process, to enable payment of all its obligations, due and accruing due. Immediately after giving effect to the offering and sale of the Securities and the application of the proceeds thereof, neither the Company nor any Guarantor is aware of any reason why it would be inappropriate to consider the Company as a going concern.

(u) **Company’s Accounting System.** The Company and its subsidiaries maintain a system of accounting controls that is sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with Canadian GAAP, and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(v) **Disclosure Controls and Procedures.** The Company maintains a system of internal control over financial reporting that complies in all material respects with the requirements of the Canadian Securities Laws, designed by the Company's Chief Executive Officer and Chief Financial Officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company is not aware of any material weaknesses in its internal control over financial reporting. The Company has established and maintains such controls or other procedures designed to provide reasonable assurance that information required to be disclosed by the Company, including its consolidated subsidiaries, in its annual, interim or other reports filed or submitted by it under Canadian Securities Laws is recorded, processed, summarized and reported within the time periods specified in Canadian Securities Laws and such controls and other procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company, including its subsidiaries, in its annual filings, interim filings or other reports filed or submitted under Canadian Securities Laws is accumulated and communicated to the Company's management including its Chief Executive Officer and Chief Financial Officer, as applicable, as appropriate to allow timely decisions regarding required disclosure.

(w) **Compliance with and Liability Under Environmental Laws.** Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change, each of the Company and its subsidiaries and their respective operations and facilities are in compliance with, and not subject to any known liabilities under, applicable Environmental Laws (as defined below).

For purposes of this Agreement, "**Environment**" means ambient air, indoor air, surface water, groundwater, drinking water, soil, surface and subsurface strata, and natural resources such as wetlands, flora and fauna. "**Environmental Law**" means the common law and all applicable U.S., Canadian and, if applicable, foreign federal, state, provincial and local laws or regulations, ordinances, codes, orders, decrees, judgments and injunctions issued, promulgated or entered thereunder, relating to pollution or protection of the Environment or human health, including without limitation, those relating to (i) the Release or threatened Release of Materials of Environmental Concern; and (ii) the manufacture, processing, distribution, use, generation, treatment, storage, transport, handling or recycling of Materials of Environmental Concern. "**Materials of Environmental Concern**" means any substance, material, pollutant, contaminant, chemical, waste, compound, or constituent, in any form, including without limitation, petroleum and petroleum products that is or becomes regulated or controlled by or under any Environmental Law, that can give rise to liability under any Environmental Law or that is or becomes classified as hazardous, toxic or dangerous under any Environmental Law. "**Release**" means any release, spill, emission, discharge, deposit, disposal, leaking, pumping, pouring, dumping, emptying, injection or leaching into the Environment, or into, from, under or through any building, structure or facility.

(x) **Compliance with Labor Laws.** Except as would not, individually or in the aggregate, result in a Material Adverse Change, (i) there is (A) no unfair labor practice complaint pending or, to the best of the Company's knowledge, threatened

against the Company or any of its subsidiaries before any of the Canadian federal or provincial labor relations boards, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements pending, or to the best of the Company's knowledge, threatened, against the Company or any of its subsidiaries, (B) no strike, labor dispute, slowdown or stoppage pending or, to the best of the Company's knowledge, threatened against the Company or any of its subsidiaries and (C) no union representation question existing with respect to the employees of the Company or any of its subsidiaries and, to the best of the Company's knowledge, no union organizing activities taking place and (ii) there has been no violation of any U.S. or Canadian federal, state, provincial or local law relating to discrimination in hiring, promotion or pay of employees or of any applicable wage or hour laws.

(y) **No Unlawful Contributions or Other Payments.** Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or Affiliate of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder ("**FCPA**"), or the *Corruption of Foreign Public Officials Act* (Canada) (the "**CFPOA**") including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA or the CFPOA, and the Company, its subsidiaries and, to the knowledge of the Company, its Affiliates have conducted their businesses in compliance with the FCPA and the CFPOA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(z) **No Conflict with Money Laundering Laws.** The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(aa) **No Conflict with Sanctions Laws.** None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, Affiliate or representative of the Company or any of its subsidiaries is currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union, Her Majesty's Treasury ("**HMT**"), or other relevant sanctions

authority (collectively, “**Sanctions**”), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject of Sanctions; and the Company will not, directly or indirectly, use the proceeds of the sale of the Securities, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person, (i) to fund any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(bb) **Reserve Reports.** Neither the Company nor the Guarantors have any reason to believe that the independent reserve reports (the “**Independent Reports**”) filed on SEDAR evaluating, collectively, all of the Company’s reserves of light, medium and heavy oil, natural gas liquids and natural gas and the net present value of future net production revenues attributable to the properties of the Company and its subsidiaries as of December 31, 2014 and, any other reserve evaluation reports (whether in addition to or as a replacement of such reserve reports) filed on SEDAR (collectively, the “**Reserves Reports**”) did not, as of the effective date of such reports, reasonably present in all material respects such reserves and net present value information, given the information available at the time such reserves data was prepared and the assumptions as to commodity prices and costs contained therein. Other than the production of reserves in the ordinary course of business, any changes in the level of capital investment, any impact of changes in commodity prices, in each case which may or may not be material, and other than as disclosed in writing to the Purchasers, neither the Company nor the Guarantors have any knowledge of a material adverse change in the production, costs, prices, reserves, estimates of future net production revenues or other relevant information relative to the information disclosed in the Reserves Reports. The Company and the Guarantors made available to the independent reserves engineer who prepared the Independent Reports, prior to the issuance of the Reserves Reports, for the purpose of preparing such reports, all information requested by such independent reserves engineer, which information was true and correct in all material respects on the dates such information was provided, and such information was supplied and was prepared in accordance with customary industry practices.

(cc) **Reporting Issuer.** The Company is a reporting issuer or equivalent thereof under the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and is subject to the continuous disclosure reporting requirements of NI 51-102. The Company files its disclosure documents with the applicable securities commissions or securities regulators on SEDAR. The Company is not in default of any applicable requirements of Canadian Securities Laws. To the best knowledge of the Company, no document filed by it pursuant to Canadian Securities Laws is the subject of any current review or inquiry by any Canadian securities commission or securities regulator.

(dd) **Additional Issuer Information.** At any time when the Company is not subject to Section 13 or 15 of the Exchange Act, for the benefit of holders and beneficial

owners from time to time of the Securities, the Company shall furnish, at its expense, upon request, to holders and beneficial owners of Securities and prospective purchasers of Securities information satisfying the requirements of Rule 144A(d)(4) under the Securities Act (for so long as the delivery of such information is required in order to permit resales of the Securities pursuant to Rule 144A).

(ee) **Payment of Taxes.** The Company and each Guarantor has filed all tax returns which are required to be filed and have paid all Taxes (including interest and penalties) which are due and payable, except, in either case, to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Change.

For the purposes of this Agreement, “**Taxes**” means all taxes of any kind or nature whatsoever including income taxes, capital taxes, minimum taxes, levies, imposts, stamp taxes, royalties, duties, charges to tax, value added taxes, commodity taxes, goods and services taxes, and all fees, deductions, compulsory loans, withholdings and restrictions or conditions resulting in a charge imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future by any governmental or quasi-governmental authority of or within any jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon and any installments in respect thereof.

(ff) **Remittances.** All of the remittances required to be made by the Company and any Guarantor to the applicable federal, provincial or municipal governments have been made, are currently up to date and there are no outstanding arrears, except to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Change.

(gg) **Non-Residents.** None of the Company or any Guarantor is a non-resident of Canada as defined by the Income Tax Act (Canada).

(hh) **Canadian Pension Plan.** None of the Company or any Guarantor maintains, administers, contributes to or has any liability in respect of any Canadian Pension Plan. For the purposes hereof, “**Canadian Pension Plan**” shall mean any plan, program or arrangement that is a pension plan for the purposes of any applicable pension benefits legislation or any tax laws of Canada or a Province thereof, whether or not registered under any such laws, which is maintained or contributed to by, or to which there is or may be an obligation to contribute by, the Company or any Guarantor in respect of any person’s employment in Canada with the Company or any Guarantor including, without limitation, any such pension plan which contains a “defined benefit provision” (as defined in subsection 147.1(1) of the *Income Tax Act* (Canada)).

(ii) **Payment of Accrued Interest.** The Company agrees to pay to the Purchasers (a) within three days following the First Closing Date, in the manner required by the indenture governing the 8.625% Notes, the amount of accrued and unpaid interest in respect of the Purchasers’ 8.625% Notes delivered for cancellation at the First Closing, from and including the date interest was last paid on the 8.625% Notes, through but excluding the First Closing Date and (b) on the Second Closing Date, in the manner required by the indenture governing the 8.625% Notes, the amount of accrued and unpaid

interest in respect of the \$1,461,000 aggregate principal amount of 8.625% Notes delivered for cancellation by the Purchasers at the Second Closing, from and including the date interest was last paid on the 8.625% Notes, through but excluding the Second Closing Date.

(jj) **Public Disclosure.** On or within one Business Day following the First Closing Date, in accordance with applicable Canadian Securities Laws, the Company shall, by issuing a press release or filing a report on SEDAR, disclose the First Closing and any material, non-public information disclosed to the Purchasers in connection therewith.

## 6. REPRESENTATIONS AND COVENANTS OF THE PURCHASERS.

### 6.1. Purchase for Investment.

(a) Each Purchaser severally represents that it is purchasing the Securities for its own account or for one or more separate accounts maintained by such Purchaser, for investment purposes only, and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or accounts' property shall at all times be within such Purchaser's or accounts' discretion.

(b) Each Purchaser understands that (i) the distribution of the Securities has not been qualified by a prospectus under Canadian Securities Laws and may be transferred or resold (including by pledge or hypothecation) in Canada only in compliance with applicable Canadian Securities Laws, and that the Company is not required to qualify their distribution in Canada and (ii) the Securities have not been and will not be registered under the Securities Act or any state securities or "blue sky" laws, and may not be reoffered, resold, pledged or otherwise transferred, directly or indirectly, except in transactions exempt from or not subject to the registration requirements of the Securities Act and all applicable state securities or "blue sky" laws.

(c) Each Purchaser has been advised to consult its own legal advisors with respect to applicable resale restrictions and it will comply with all applicable securities legislation concerning any resale of the Securities. Each Purchaser severally represents that it is knowledgeable, sophisticated and experienced in business and financial matters; it has previously invested in securities similar to the Securities (including those issued by other Persons); and it (or, if it is purchasing for a managed account, such account on behalf of which such Purchaser is acting) is able to bear the economic risk of its investment in the Notes and is presently able to afford the complete loss of such investment; it (and, if it is purchasing for a managed account, such account on behalf of which such Purchaser is acting) is an "accredited investor" as such term is defined in National Instrument 45-106 of the Canadian Securities Administrators and an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act, and the Purchaser acknowledges it has been afforded the opportunity to ask questions and to receive answers from representatives of the Company, and has otherwise had access to information about the Company and its

subsidiaries and their financial condition and business, sufficient to enable it to evaluate its investment in the Securities.

(d) Each Purchaser acknowledges that the Securities shall bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND HAS NOT BEEN QUALIFIED UNDER ANY APPLICABLE CANADIAN SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE U.S. FEDERAL AND STATE SECURITIES LAWS, CANADIAN SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM. UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT DATE THAT IS 4 MONTHS AND A DAY AFTER ISSUANCE].

## **6.2. Tax Identification Number.**

Each Purchaser shall, upon request made by the Company, promptly provide to the Company its United States federal tax identification number.

## **7. TRANSACTION EXPENSES.**

Each of the Company and the Guarantors agrees, jointly and severally, to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including, without limitation, (i) all expenses incident to the issuance and delivery of the Securities (including all printing and engraving costs), (ii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Securities to the Purchasers, (iii) all fees and expenses of the Company's and the Guarantors' counsel, independent public or certified public accountants and other advisors, (iv) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of this Agreement, the Indenture and the Securities, (v) all filing fees, attorneys' fees and expenses incurred by the Company or the Guarantors in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Securities for offer and sale under U.S. state securities laws or Canadian Securities Laws, (vi) the fees and expenses of the Trustee and the Canadian Trustee, including the fees and disbursements of counsel for the Trustee and the Canadian Trustee in connection with the Indenture and the Securities, (vii) any fees payable in connection with the rating of the Securities with any ratings agencies, (viii) all costs and expenses in connection with the creation and perfection of the security interest to be created and perfected pursuant to the Security Documents (including without limitation, filing and recording fees, search fees, taxes and costs

of title policies), and (ix) all fees and expenses (including reasonable fees and expenses of counsel) of the Company and the Guarantors in connection with approval of the Securities by the Depository for “book-entry” transfer, and the performance by the Company and the Guarantors of their respective other obligations under this Agreement. The Purchasers shall pay their own expenses, including the fees and disbursements of their counsel; provided, however, that the Company shall pay up to a maximum aggregate amount for all such counsel of \$200,000 of the reasonable attorneys’ fees and expenses of one special United States counsel and one special Canadian counsel to the Purchasers incurred by the Purchasers in connection with the transactions contemplated hereby.

#### **8. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.**

All representations and warranties contained herein shall survive the execution and delivery of this Agreement, the purchase or transfer by any Purchaser of any Security or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Security, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Security. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Securities embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

#### **9. GENERAL PROVISIONS.**

This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

#### **10. NOTICES; ENGLISH LANGUAGE.**

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized international commercial delivery service (charges prepaid), (b) by a recognized international commercial delivery service (with charges prepaid) or (c) with respect to notices to a Purchaser or holder, unless such purchaser or holder otherwise notifies the Company by email to an email address provided by such Purchaser or holder to the Company from time to time. Any such notice must be sent:

(i) if to a Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Security, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the General Counsel, or at such other address as the Company shall have specified to the holder of each Security in writing.

Notices under this Section 10 will be deemed given only when actually received.

Each document, instrument, financial statement, report, notice or other communication delivered in connection with this Agreement shall be in English or accompanied by an English translation thereof.

This Agreement and the Securities have been prepared and signed in English and the parties hereto agree that the English version hereof and thereof (to the maximum extent permitted by applicable law) shall be the only version valid for the purpose of the interpretation and construction hereof and thereof notwithstanding the preparation of any translation into another language hereof or thereof, whether official or otherwise or whether prepared in relation to any proceedings which may be brought in Canada, the United States or any other jurisdiction in respect hereof or thereof.

## **11. MISCELLANEOUS.**

### **11.1. Successors and Assigns.**

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Security) whether so expressed or not.

### **11.2. Severability.**

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

### **11.3. Construction, Etc.**

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

#### **11.4. Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

#### **11.5. Governing Law.**

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THEREOF.

#### **11.6. Consent to Jurisdiction; Waiver of Immunity; Judgment Currency.**

(a) Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby (“**Related Proceedings**”) may be instituted in the federal courts of the United States of America located in the City and County of New York or the courts of the State of New York in each case located in the City and County of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the exclusive jurisdiction (except for suits, actions, or proceedings instituted in regard to the enforcement of a judgment of any Specified Court in a Related Proceeding a “**Related Judgment**”, as to which such jurisdiction is non-exclusive) of the Specified Courts in any Related Proceeding. The parties irrevocably and unconditionally waive any objection to the laying of venue of any Specified Proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum. Each party not located in the United States irrevocably appoints Corporation Service Company as its agent to receive service of process or other legal summons for purposes of any Related Proceeding that may be instituted in any Specified Court. Service of any process, summons, notice or document to Corporation Service Company shall be effective service of process for any Related Proceeding brought in any Specified Court.

(b) With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(c) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than U.S. dollars, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Purchasers could purchase U.S. dollars with such other currency in The City of New York on the business day preceding that on which final judgment is given. The obligations of the Company and each Guarantor in respect of any sum due from them to any Purchaser shall, notwithstanding any judgment in any currency other than U.S. dollars, not be discharged until the first business day, following receipt by such Purchaser of any sum adjudged to be so due in such other currency, on which (and only to the extent that) such Purchaser may in accordance with normal banking procedures purchase U.S. dollars with such other currency; if the U.S. dollars so purchased are less than the sum originally due to such Purchaser hereunder, the Company and each Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Purchaser against such loss. If the U.S. dollars so purchased are greater than the sum originally due to such Purchaser hereunder, such Purchaser agrees to pay to the Company and the Guarantors (but without duplication) an amount equal to the excess of the U.S. dollars so purchased over the sum originally due to such Purchaser hereunder.

\* \* \* \* \*

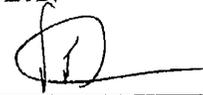
If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement among you, the Company and the Guarantors.

Very truly yours,

LIGHTSTREAM RESOURCES LTD.

By:   
Name: Peter D. Scott  
Title: Senior Vice President & CFO

1863359 ALBERTA LTD.

By:   
Name: Peter D. Scott  
Title: Senior Vice President & CFO

1863360 ALBERTA LTD.

By:   
Name: Peter D. Scott  
Title: Senior Vice President & CFO

BAKKEN RESOURCES PARTNERSHIP  
BY: LIGHTSTREAM RESOURCES LTD.,  
ITS MANAGING PARTNER

By:   
Name: Peter D. Scott  
Title: Senior Vice President & CFO

LTS RESOURCES PARTNERSHIP  
BY: LIGHTSTREAM RESOURCES LTD.,  
ITS MANAGING PARTNER

By:   
Name: Peter D. Scott  
Title: Senior Vice President & CFO

[Signature Page to Note Purchase and Exchange Agreement]

This Agreement is hereby accepted and agreed to as of the date thereof.

APOLLO CAPITAL MANAGEMENT, L.P., ON  
BEHALF OF THE FUNDS SET FORTH ON  
SCHEDULE A MANAGED, ADVISED OR SUB-  
ADVISED BY IT

BY: APOLLO CAPITAL MANAGEMENT GP,  
LLC, AS ITS GENERAL PARTNER

By: \_\_\_\_\_

Name:

Title:

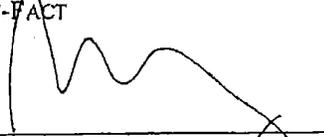


**JOSEPH D. GLATT  
VICE PRESIDENT**

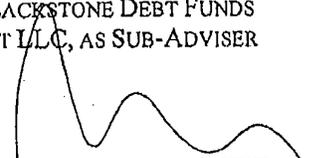
Lightstream Resources Ltd.

Note Purchase and Exchange Agreement

GSO CAPITAL PARTNERS LP  
GSO/BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC, EACH, ON BEHALF OF  
THE APPLICABLE FUNDS SET FORTH ON  
SCHEDULE A MANAGED, ADVISED OR SUB-  
ADVISED BY IT OR FOR WHICH IT IS AN  
ATTORNEY-IN-FACT

By:   
Name: MARISA BEENEY  
Title: AUTHORIZED SIGNATORY

RACE STREET FUNDING LLC  
BY: FS INVESTMENT CORPORATION, AS SOLE  
MEMBER  
BY: GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC, AS SUB-ADVISER

By:   
Name: MARISA BEENEY  
Title: AUTHORIZED SIGNATORY

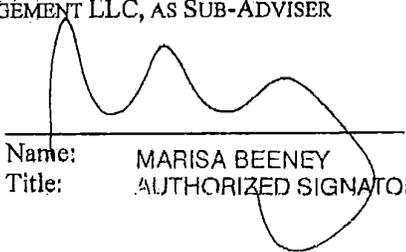
BERWYN FUNDING LLC  
BY: FS ENERGY AND POWER FUND, AS SOLE  
MEMBER  
BY: GSO CAPITAL PARTNERS LP, AS SUB-  
ADVISER

By:   
Name: MARISA BEENEY  
Title: AUTHORIZED SIGNATORY

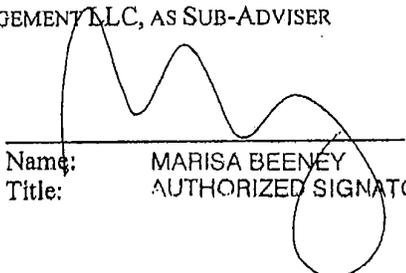
Lightstream Resources Ltd.

Note Purchase and Exchange Agreement

DUNNING CREEK LLC  
BY: FS INVESTMENT CORPORATION II, AS  
SOLE MEMBER  
BY: GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC, AS SUB-ADVISER

By:   
Name: MARISA BEENEY  
Title: AUTHORIZED SIGNATORY

BURHOLME FUNDING LLC  
BY: FS INVESTMENT CORPORATION III, AS  
SOLE MEMBER  
BY: GSO / BLACKSTONE DEBT FUNDS  
MANAGEMENT LLC, AS SUB-ADVISER

By:   
Name: MARISA BEENEY  
Title: AUTHORIZED SIGNATORY

**SCHEDULE A**  
**INFORMATION RELATING TO PURCHASERS**

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED AT FIRST CLOSING (IN US\$)	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED AT SECOND CLOSING (IN US\$)	PRINCIPAL AMOUNT OF 8.625% NOTES TO BE DELIVERED AT FIRST CLOSING (IN US\$)	CASH CONSIDERATION TO BE PAID AT SECOND CLOSING (IN US\$)
<b>Apollo Purchasers</b>				
Apollo Alternative Credit Long Short Fund, L.P. <sup>1</sup>	425,000	215,727.21	500,000	215,727.21
Apollo Centre Street Partnership, L.P.	16,933,000	8,595,003.48	19,921,000	8,595,003.48
Apollo Energy Opportunity Fund LP	22,831,000	11,588,865.69	26,860,000	11,588,865.69
AESI (Holdings) II, L.P.	4,392,000	2,229,324.98	5,167,000	2,229,324.98
Apollo Franklin Partnership, L.P.	4,304,000	2,184,885.18	5,064,000	2,184,885.18
AP Investment Europe III, L.P.	5,511,000	2,797,550.45	6,484,000	2,797,550.45
Apollo A-N Credit Fund (Delaware), L.P.	5,289,000	2,684,509.39	6,222,000	2,684,509.39
Apollo Value Investment Master Fund, L.P.	6,289,000	3,192,331.25	7,399,000	3,192,331.25
Apollo Credit Opportunity Trading Fund III	83,178,000	42,220,403.62	97,856,000	42,220,403.62

<sup>1</sup> The address of the Apollo purchasers is c/o Apollo Capital Management, L.P., 9 West 57<sup>th</sup> Street, 37<sup>th</sup> Floor, New York, NY 10019.

Apollo Credit Strategies Master Fund Ltd	20,113,000	10,209,074.46	23,662,000	10,209,074.46
AEC (Lux) S.a.r.l.	4,196,000	2,129,659.01	4,936,000	2,129,659.01
Cavenham Investments S.a.r.l	1,700,000	862,908.84	2,000,000	862,908.84
Apollo Lincoln Fixed Income Fund, L.P.	2,244,000	1,139,039.67	2,640,000	1,139,039.67
Apollo Lincoln Private Credit Fund, L.P.	3,001,000	1,523,465.55	3,531,000	1,523,465.55
Apollo SK Strategic Investments, L.P.	6,393,000	3,244,968.68	7,521,000	3,244,968.68
Apollo Special Opportunities Managed Account, L.P.	24,674,000	12,524,258.87	29,028,000	12,524,258.87
Apollo SPN Investments I (Credit), LLC	6,526,000	3,312,707.03	7,678,000	3,312,707.03
Apollo Credit Funding I Ltd.	11,800,000	5,989,450.24	13,882,000	5,989,450.24
Apollo Credit Funding III Ltd.	3,470,000	1,761,628.39	4,083,000	1,761,628.39
Apollo TR Opportunistic Ltd	3,000,000	1,523,034.10	3,530,000	1,523,034.10
Apollo Zeus Strategic Investments, L.P.	8,021,000	4,071,203.90	9,436,000	4,071,203.90
<b>GSO Purchasers</b>				
GSO Aiguille des Grands Montets Fund I LP <sup>2</sup>	8,850,200	4,492,542.82	10,412,000	4,492,542.82
GSO Aiguille des Grands Montets Fund II	6,125,950	3,109,657.71	7,207,000	3,109,657.71

<sup>2</sup> The address of the GSO purchasers is c/o GSO Capital Partners LP, 345 Park Ave, 31st Floor, New York, NY 10154.

LP				
GSO Aiguille des Grands Montets Fund III LP	4,692,000	2,381,755.32	5,520,000	2,381,755.32
Bucks Funding LLC	8,460,050	4,294,494.69	9,953,000	4,294,494.69
GSO Churchill Partners LP	3,542,800	1,798,397.86	4,168,000	1,798,397.86
GSP Credit Alpha Trading (Cayman) LP	5,650,800	2,868,461.84	6,648,000	2,868,461.84
GSO Coastline Credit Partners LP	792,200	402,136.95	932,000	402,136.95
Steamboat Credit Opportunities Master Fund LP	574,600	291,678.73	676,000	291,678.73
GSO Special Situations Master Fund LP	52,519,800	26,660,126.38	61,788,000	26,660,126.38
GSO Cactus Credit Opportunities Fund LP	3,391,500	1,721,594.88	3,990,000	1,721,594.88
Blackstone/GSO Strategic Credit Fund	5,185,000	2,632,012.22	6,100,000	2,632,012.22
Race Street Funding LLC	1,402,500	711,937.73	1,650,000	711,937.73
Berwyn Funding LLC	41,433,250	21,032,366.48	48,745,000	21,032,366.48
Dunning Creek LLC	3,527,500	1,790,631.26	4,150,000	1,790,631.26
Burholme Funding LLC	3,570,000	1,812,205.13	4,200,000	1,812,205.13

### Payments

All payments by wire or intrabank transfer of immediately available funds for the benefit of the Purchasers shall be delivered by the Company pursuant to instructions to be provided by the Purchasers to the Company no less than 24 hours prior to such payment.

## Notices

All notices of payments, written confirmations of such wire transfers, audit confirmations, and any other communications or deliveries:

*To any of the Apollo purchasers:*  
c/o Apollo Capital Management, L.P.  
9 West 57<sup>th</sup> Street  
37<sup>th</sup> Floor  
New York, NY 10019

*To any of the GSO purchasers:*  
c/o GSO Capital Partners LP  
345 Park Ave  
31st Floor  
New York, NY 10154  
patrick.fleury@gsocap.com, jonathan.shifke@gsocap.com

with a copy sent electronically to:

*To any of the Apollo purchasers:*  
mtu@apollo1p.com, jfeyissa@apollo.com

*To any of the GSO purchasers:*  
patrick.fleury@gsocap.com, jonathan.shifke@gsocap.com

**SCHEDULE B****LIST OF SUBSIDIARIES**

<b>Legal Name</b>	<b>Jurisdiction of Incorporation, Amalgamation or Formation</b>	<b>Location of Chief Executive Office</b>	<b>Ownership of Issued Voting Securities</b>
1863359 Alberta Ltd.	Alberta	Alberta	100% owned by the Company
1863360 Alberta Ltd.	Alberta	Alberta	100% owned by the Company
Bakken Resources Partnership	Alberta	Alberta	99.99% owned by the Company, 0.01% owned by 1863360 Alberta Ltd.
LTS Resources Partnership	Alberta	Alberta	99.99% owned by the Company, 0.01% owned by 1863359 Alberta Ltd.

**EXHIBIT 1**  
**Form of Indenture**