

**NOTICE OF SPECIAL MEETING OF THE SECURITYHOLDERS OF LONE PINE RESOURCES
CANADA LTD.**

to be held on September 8, 2016

and

**NOTICE OF SPECIAL MEETING OF THE SHAREHOLDERS OF LONE PINE RESOURCES INC. AND
OF RELATED APPRAISAL RIGHTS**

to be held on September 8, 2016

and

NOTICE OF SPECIAL MEETING OF THE SECURITYHOLDERS OF ARSENAL ENERGY INC.

to be held on September 8, 2016

and

**NOTICE OF ORIGINATING APPLICATION TO THE COURT OF QUEEN'S
BENCH OF ALBERTA**

and

JOINT MANAGEMENT INFORMATION CIRCULAR

with respect to a

PLAN OF ARRANGEMENT

involving

**LONE PINE RESOURCES CANADA LTD., ARSENAL ENERGY INC., LONE PINE RESOURCES INC.,
PRAIRIE PROVIDENT RESOURCES INC., PPRI SUBCO INC., 1984745 ALBERTA LTD.,
SECURITYHOLDERS OF LONE PINE RESOURCES CANADA LTD., SECURITYHOLDERS OF
ARSENAL ENERGY INC. AND SHAREHOLDERS OF LONE PINE RESOURCES INC.**

August 5, 2016



August 5, 2016

Dear Securityholders:

You are invited to attend the special meeting (the "**LPR Canada Meeting**") of the holders ("**LPR Canada Shareholders**") of Class A voting common shares ("**LPR Canada Common Shares**") of Lone Pine Resources Canada Ltd. ("**LPR Canada**") and Series 1 preferred shares ("**LPR Canada Preferred Shares**") of LPR Canada and holders ("**LPR Canada Incentive Award Holders**" and together with the LPR Canada Shareholders, the "**LPR Canada Securityholders**") of restricted share units ("**LPR Canada Incentive Awards**" and together with the LPR Canada Shares, the "**LPR Canada Securities**") to be held at the offices of LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:30 a.m. (Calgary time) on September 8, 2016, and the special meeting (the "**LPRI Meeting**") of the holders ("**LPRI Shareholders**") of shares of Class A common stock, designated as Class A Common Shares (the "**LPRI Class A Stock**") of Lone Pine Resources Inc. ("**LPRI**" and, together with LPR Canada, "**Lone Pine**") and shares of Class B common stock, designated as Class B Multiple Voting Shares (the "**LPRI Class B Stock**" and collectively with the LPRI Class A Stock, the "**LPRI Shares**" and, collectively with the LPR Canada Common Shares, LPR Canada Preferred Shares, LPR Canada Incentive Awards and LPRI Class A Stock, the "**Lone Pine Securities**") of LPRI to be held at the offices of LPRI at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:45 a.m. (Calgary time) on September 8, 2016, or as soon thereafter as the LPR Canada Meeting is completed.

At the LPR Canada Meeting, the LPR Canada Securityholders will be asked to consider a special resolution (the "**LPR Canada Arrangement Resolution**") to approve a proposed arrangement under Section 193 of the *Business Corporations Act* (Alberta) on the terms and conditions set out in the Plan of Arrangement attached to the Arrangement Agreement (defined below) (the "**Arrangement**") involving Prairie Provident Resources Inc. ("**NewCo**"), a newly incorporated Alberta corporation, PPRI Subco Inc. ("**DESub**"), a newly incorporated Delaware corporation, 1984745 Alberta Ltd. ("**ABSub**"), a newly incorporated Alberta corporation, each created for the purpose of participating in the Arrangement, Lone Pine, Arsenal Energy Inc. ("**Arsenal**"), the LPR Canada Securityholders and the holders of LPRI Shares, the holders (the "**Arsenal Shareholders**") of common shares of Arsenal, options of Arsenal and share awards of Arsenal (collectively, the "**Arsenal Securityholders**"), all as more particularly described below and in the accompanying joint management information circular of Lone Pine and Arsenal dated August 5, 2016 (the "**Circular**"). In connection with the Arrangement, LPR Canada Shareholders will also be asked to consider a resolution (the "**NewCo Incentive Plan Resolution**") to approve a stock option plan and an incentive security plan (together, the "**NewCo Incentive Plans**") for NewCo, all as more particularly described in the Circular.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date hereof, the Toronto Stock Exchange ("**TSX**") has neither reviewed nor approved either NewCo Incentive Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans* to the Circular.

In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the board of directors of NewCo will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

At the LPRI Meeting, the LPRI Shareholders will be asked to consider a special resolution (the "**LPRI Arrangement Resolution**") to approve the consummation of the Arrangement, including as an integral part thereof an agreement and plan of merger between NewCo, LPRI and DESub (the "**Merger Agreement**").

On August 2, 2016, LPR Canada and Arsenal entered into an amended and restated arrangement agreement dated effective June 23, 2016 (the "**Arrangement Agreement**"), pursuant to which the Arrangement is proposed to be carried out. On completion of the Arrangement:

- a) former LPR Canada Securityholders and grantees of the 2016 NewCo Awards referred to below are anticipated to hold an aggregate of 77% of the outstanding common shares of NewCo ("**NewCo Shares**") calculated on a fully-diluted basis, comprised of:
 - i. NewCo Shares issued to former LPR Canada Shareholders in exchange for their LPR Canada Shares;
 - ii. NewCo Shares issuable to former LPR Canada Incentive Award Holders, pursuant to replacement restricted share units granted by NewCo pursuant to the Arrangement ("**Replacement Lone Pine RSUs**"); and
 - iii. NewCo Shares issuable in respect of incentive awards to be made by NewCo under the NewCo Incentive Plans following completion of the Arrangement to directors, officers and employees of Lone Pine (who are each expected to continue in such capacities following completion of the Arrangement) in respect of the 2016 service year ("**2016 NewCo Awards**");
- b) former Arsenal Securityholders are anticipated to hold an aggregate of 23% of the outstanding NewCo Shares, calculated on a fully-diluted basis;
- c) former LPRI Shareholders will not hold any NewCo Shares; and
- d) NewCo will indirectly own the businesses of Lone Pine and Arsenal and directly and indirectly control Lone Pine and Arsenal,

all as more particularly described in the Circular and the Appendices thereto.

For greater certainty, the 77% of NewCo Shares and 23% of NewCo Shares anticipated to be held respectively by former LPR Canada Securityholders and certain additional persons described in (a) above, on the one hand, and former Arsenal Securityholders, on the other, on completion of the Arrangement, is calculated on the basis of fully-diluted share capital of 100,000,000 NewCo Shares, meaning that immediately after Closing: (a) an aggregate of 97,730,618 NewCo Shares will be issued and outstanding, of which 74,730,618 NewCo Shares will be held by former LPR Canada Shareholders and 23,000,000 NewCo Shares will be held by former Arsenal Securityholders; and (b) 2,269,382 NewCo Shares will be issuable on: (i) settlement of the Replacement Lone Pine RSUs, of which 1,165,294 will be settled the 15th Business Day following Closing and 217,033 will vest on January 31, 2017 and subsequently be settled; and (ii) exercise or settlement of the 2016 NewCo Awards. In addition, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. As the number of NewCo Shares reserved for issuance under the NewCo Incentive Plans is based on a percentage of the issued and outstanding NewCo Shares from time to time, the number of NewCo Shares reserved for issuance thereunder will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards. The 2016 NewCo Awards will be made pursuant to the NewCo Incentive Plan and therefore count against the reserve.

On completion of the Arrangement, Liberty Harbor PF LPR LLC (a former LPRI Shareholder) and its affiliates, on the one hand, and Goldman Sachs & Co. (a former indirect LPR Canada Shareholder) and its affiliates, on the other, will each hold greater than 10% of the issued and outstanding NewCo Shares. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

There are many anticipated benefits of the proposed Arrangement, including increased scale and access to development plays, increased access to capital and credit, expected cost savings through operating synergies and liquidity. For additional information with respect to these and other anticipated benefits of the Arrangement, see the section in the accompanying Circular entitled "*Part I – Reasons for, and Anticipated Benefits of, the Arrangement*".

There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date hereof, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans, and there is no certainty that the TSX will approve such listing, conditionally or otherwise, or, if approved, as to the timing of the listing of the NewCo Shares for trading through the facilities of the TSX. If listing approval is ultimately obtained, trading in the NewCo Shares is expected to commence concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter.

On completion of the Arrangement, Tim S. Granger, the current President and Chief Executive Officer of Lone Pine, will serve as President and Chief Executive Officer of NewCo, Mimi Lai, the current Vice President, Finance, Controller and Corporate Secretary of Lone Pine, will serve as Vice President, Finance, Chief Financial Officer and Corporate Secretary of NewCo, Robert (Bob) Guy, the current Vice President, Operations of Lone Pine, will serve as Vice President, Operations of NewCo, and Tony van Winkoop, the current President and Chief Executive Officer of Arsenal, will serve as Vice President, Exploration of NewCo. Patrick R. McDonald, the current chair of each of the Lone Pine Boards (defined below), will serve as the chair of the board of directors of NewCo. The balance of the proposed board of directors of NewCo will consist of Tim S. Granger, David M. Fitzpatrick, Terence (Tad) B. Flynn, Ajay Sabherwal and Robert B. Wonnacott, each current members of the Lone Pine Boards, and Derek Petrie, a current member of the board of directors of Arsenal.

The LPR Canada Arrangement Resolution must be approved by not less than: (a) 66⅔% of the votes cast by the holders of LPR Canada Common Shares present in person or by proxy at the LPR Canada Meeting; (b) 66⅔% of the votes cast by the holders of LPR Canada Common Shares and the holders of LPR Canada Incentive Awards, which entitle the holder thereof to be issued LPR Canada Common Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; (c) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares present in person or by proxy at the LPR Canada Meeting; and (d) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares and the holders of LPR Canada Incentive Awards, which entitle the holder thereof to be issued LPR Canada Preferred Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting. The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting (defined below) and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement.

Completion of the Arrangement is also conditional upon approval by not less than: (a) 66⅔% of the votes cast by Arsenal Shareholders present in person or by proxy at a special meeting (the "**Arsenal Meeting**" and, collectively with the LPR Canada Meeting and the LPRI Meeting, the "**Meetings**" and each, a "**Meeting**") of Arsenal Securityholders called to consider, among other things, a special resolution to approve the Arrangement (the "**Arsenal Arrangement Resolution**"); (b) 66⅔% of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (c) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting after excluding votes cast by certain persons whose votes may not be included in determining minority approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*. The Arrangement is also subject to the approval of the Court of Queen's Bench of Alberta and applicable regulatory and other approvals.

The LPRI Arrangement Resolution must be approved by an affirmative vote of the majority of the votes entitled to be cast on the merger. Effective as of July 27, 2016, the record date for the LPRI Meeting, each share of LPRI Class A Stock will carry the right to one (1) vote and each share of LPRI Class B Stock will carry the right to approximately 1.269 votes.

LPR Canada Securityholders holding in aggregate approximately 54% of the outstanding LPR Canada Common Shares, 69% of the outstanding LPR Canada Preferred Shares, 54% of the outstanding LPR Canada Incentive Awards pursuant to which LPR Canada Common Shares are issuable on exercise or settlement thereof and 52% of the outstanding LPR Canada Incentive Awards pursuant to which LPR Canada Preferred Shares are issuable on exercise or settlement thereof, have entered into support agreements pursuant to which they agreed to vote all LPR Canada Securities that they beneficially own or exercise control or direction over in favour of the LPR Canada Arrangement Resolution.

The board of directors of LPR Canada (the "LPR Canada Board") and LPRI (the "LPRI Board" and, together with the LPR Canada Board, the "Lone Pine Boards") have each unanimously determined that the Arrangement is in the best interests of LPR Canada and LPRI, respectively, and their respective shareholders, and is fair to the LPR Canada Shareholders and the LPRI Shareholders, respectively.

The Lone Pine Boards unanimously recommend, respectively, that the LPR Canada Securityholders vote FOR the LPR Canada Arrangement Resolution, the LPR Canada Shareholders vote FOR the NewCo Incentive Plan Resolution and that the LPRI Shareholders vote FOR the LPRI Arrangement Resolution.

It is anticipated that the Arrangement will be completed on or about September 12, 2016, if the requisite securityholder approvals, court approval, TSX approvals and required governmental and regulatory approvals are obtained and subject to the satisfaction or waiver of the other conditions to completion of the Arrangement Agreement.

The accompanying Circular contains a detailed description of the Arrangement and detailed information regarding Lone Pine, Arsenal and certain *pro forma* information regarding NewCo following completion of the Arrangement. The Circular also describes certain risk factors relating to the completion of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors.

It is important that your Lone Pine Securities be represented at the respective Lone Pine Meetings. If you are a registered securityholder, whether or not you are able to attend, we urge you to complete the applicable enclosed form(s) of proxy and return such proxy or proxies in the envelope provided or by fax to the attention of:

- a) **for LPR Canada Shares and LPRI Shares:** Computershare Trust Company of Canada ("Computershare"), 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, 1-866-249-7775 for faxes sent from within Canada and the U.S. or 416-263-9524 for faxes sent from outside Canada and the U.S.; or
- b) **for LPR Canada Incentive Awards:** LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4, facsimile (403) 292-8001 (Attention: Corporate Secretary).

or by internet by visiting www.investorvote.com or by telephone by calling 1-866-732-VOTE (8683) (in respect of LPR Canada Shares or LPRI Shares), so that the proxy or proxies are received not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the applicable Meeting or any adjournment thereof. If you are a non-registered holder of Lone Pine Securities and have received these materials from your broker or other intermediary (or an agent or nominee thereof), please complete and return the voting instruction form(s) or other authorization form(s) provided to you by your broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided therein. Failure to do so may result in your Lone Pine Securities not being eligible to be voted. See "*Part I – The Lone Pine Meetings*" in the accompanying Circular.

Please complete and submit the applicable enclosed form(s) of proxy as soon as possible but in any event not later than 9:30 a.m. (Calgary time) on September 6, 2016. If you have any questions, please call Lone Pine's transfer agent, Computershare, toll-free at 1-800-564-6253.

You should also complete and submit the applicable enclosed letter of transmittal (green for LPR Canada Shares) together with the certificates representing or DRS Advice Statement(s) in respect of your LPR Canada Common Shares and/or LPR Canada Preferred Shares (or instruct your broker or nominee to complete and submit the letter of transmittal and your certificates on your behalf) to receive your NewCo Shares as soon as possible following the completion of the Arrangement.

LPRI Shareholders are not required to deposit their LPRI Shares in connection with the Arrangement.

On behalf of each of the Lone Pine Boards, I would like to express our gratitude for the support our Lone Pine Securityholders have demonstrated with respect to our decision to proceed with the proposed Arrangement.

We look forward to seeing you at the applicable Meeting.

Yours very truly,

(signed) "*Tim S. Granger*"
Tim S. Granger
President and Chief Executive Officer
Lone Pine Resources Canada Ltd. and Lone Pine
Resources Inc.



August 5, 2016

Dear Securityholders:

You are invited to attend the special meeting (the "**Arsenal Meeting**") of the holders ("**Arsenal Shareholders**") of common shares ("**Arsenal Shares**") of Arsenal Energy Inc. ("**Arsenal**"), holders of options to acquire Arsenal Shares ("**Arsenal Options**") and holders of share awards of Arsenal ("**Arsenal Share Awards**") (collectively, the "**Arsenal Securities**") to be held at the Calgary Petroleum Club, at 2:30 p.m. (Calgary time) on September 8, 2016.

At the Arsenal Meeting, holders of Arsenal Securities ("**Arsenal Securityholders**") will be asked to consider a special resolution (the "**Arsenal Arrangement Resolution**") to approve a proposed arrangement under Section 193 of the *Business Corporations Act* (Alberta) on the terms and conditions set out in the Plan of Arrangement attached to the Arrangement Agreement (defined below) (the "**Arrangement**") involving Prairie Provident Resources Inc. ("**NewCo**"), a newly incorporated Alberta corporation, PPRI Subco Inc. ("**DESub**"), a newly created Delaware corporation, 1984745 Alberta Ltd. ("**ABSub**"), a newly incorporated Alberta corporation, each created for the purpose of participating in the Arrangement, Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. ("**LPRI**" and, together with LPR Canada, "**Lone Pine**"), Arsenal, the holders of shares in the capital of LPR Canada ("**LPR Canada Shares**") and restricted share units of LPR Canada (collectively, the "**LPR Canada Securityholders**"), the holders of shares in the capital of LPRI ("**LPRI Shareholders**" and, together with the LPR Canada Securityholders, the "**Lone Pine Securityholders**") and Arsenal Securityholders, all as more particularly described below and in the accompanying joint management information circular of Lone Pine and Arsenal dated August 5, 2016 (the "**Circular**"). In connection with the Arrangement, Arsenal Shareholders will also be asked to consider a resolution (the "**NewCo Incentive Plan Resolution**") to approve a stock option plan and an incentive security plan (together, the "**NewCo Incentive Plans**") for NewCo, all as more particularly described in the Circular.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date hereof, the Toronto Stock Exchange ("**TSX**") has neither reviewed nor approved either NewCo Incentive Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans* to the Circular.

In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the board of directors of NewCo will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

On August 2, 2016, LPR Canada and Arsenal entered into an amended and restated arrangement agreement dated effective June 23, 2016 (the "**Arrangement Agreement**"), pursuant to which the Arrangement is proposed to be carried out. On completion of the transactions contemplated by the Arrangement Agreement:

- a) former LPR Canada Securityholders and grantees of the 2016 NewCo Awards referred to below are anticipated to hold an aggregate of 77% of the outstanding common shares of NewCo ("**NewCo Shares**") calculated on a fully-diluted basis, comprised of:
 - i. NewCo Shares issued to former LPR Canada Securityholders in exchange for their LPR Canada Shares;

- ii. NewCo Shares issuable to former holders of restricted share units ("**LPR Canada Incentive Awards**"), pursuant to replacement restricted share units granted by NewCo pursuant to the Arrangement ("**Replacement Lone Pine RSUs**"); and
 - iii. NewCo Shares issuable in respect of incentive awards to be made by NewCo under the NewCo Incentive Plans following completion of the Arrangement to directors, officers and employees of Lone Pine (who are each expected to continue in such capacities following completion of the Arrangement) in respect of the 2016 service year ("**2016 NewCo Awards**");
- b) former Arsenal Securityholders will receive 1.1417218 NewCo Shares for each Arsenal Share then held, resulting in former Arsenal Securityholders holding an aggregate of 23% of the outstanding NewCo Shares, calculated on a fully-diluted basis;
 - c) former LPRI Shareholders will not hold any NewCo Shares; and
 - d) NewCo will indirectly own the businesses of Lone Pine and Arsenal and directly and indirectly control Lone Pine and Arsenal,

all as more particularly described in the Circular and the Appendices thereto.

For greater certainty, the 77% of NewCo Shares and 23% of NewCo Shares anticipated to be held respectively by former LPR Canada Securityholders and certain additional persons described in (a) above, on the one hand, and former Arsenal Securityholders, on the other, on completion of the Arrangement, is calculated on the basis of fully-diluted share capital of 100,000,000 NewCo Shares, meaning that immediately after Closing: (a) an aggregate of 97,730,618 NewCo Shares will be issued and outstanding, of which 74,730,618 NewCo Shares will be held by former LPR Canada Shareholders and 23,000,000 NewCo Shares will be held by former Arsenal Securityholders; and (b) 2,269,382 NewCo Shares will be issuable on: (i) settlement of the Replacement Lone Pine RSUs, of which 1,165,294 will be settled the 15th Business Day following Closing and 217,033 will vest on January 31, 2017 and subsequently be settled; and (ii) exercise or settlement of the 2016 NewCo Awards. In addition, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. As the number of NewCo Shares reserved for issuance under the NewCo Incentive Plans is based on a percentage of the issued and outstanding NewCo Shares from time to time, the number of NewCo Shares reserved for issuance thereunder will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards. The 2016 NewCo Awards will be made pursuant to the NewCo Incentive Plan and therefore count against the reserve.

On completion of the Arrangement, Liberty Harbor PF LPR LLC (a former LPRI Shareholder) and its affiliates, on the one hand, and Goldman Sachs & Co. (a former indirect LPR Canada Shareholder) and its affiliates, on the other, will each hold greater than 10% of the issued and outstanding NewCo Shares. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

There are many anticipated benefits of the proposed Arrangement, including increased scale and access to development plays, increased access to capital and credit, expected cost savings through operating synergies and liquidity. For additional information with respect to these and other anticipated benefits of the Arrangement, see the section in the accompanying Circular entitled "*Part I – Reasons for, and Anticipated Benefits of, the Arrangement*".

There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date hereof, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans, and there is

no certainty that the TSX will approve such listing, conditionally or otherwise, or, if approved, as to the timing of the listing of the NewCo Shares for trading through the facilities of the TSX. If listing approval is ultimately obtained, trading in the NewCo Shares is expected to commence concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter.

On completion of the Arrangement, Tim S. Granger, the current President and Chief Executive Officer of Lone Pine, will serve as President and Chief Executive Officer of NewCo, Mimi Lai, the current Vice President, Finance, Controller and Corporate Secretary of Lone Pine, will serve as Vice President, Finance, Chief Financial Officer and Corporate Secretary of NewCo, and Robert (Bob) Guy, the current Vice President, Operations of Lone Pine, will serve as Vice President, Operations of NewCo, and Tony van Winkoop, the current President and Chief Executive Officer of Arsenal, will serve as Vice President, Exploration of NewCo. Patrick R. McDonald, the current chair of each of the Lone Pine Boards (defined below), will serve as the chair of the board of directors of NewCo. The balance of the proposed board of directors of NewCo will consist of Tim S. Granger, David M. Fitzpatrick, Terence (Tad) B. Flynn, Ajay Sabherwal and Robert B. Wonnacott, each current members of the board of directors of Lone Pine, and Derek Petrie, a current member of the board of directors of Arsenal (the "**Arsenal Board**").

The Arsenal Arrangement Resolution must be approved by not less than: (a) 66⅔% of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting; (b) 66⅔% of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (c) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting after excluding the votes cast in respect of the Arsenal Shares beneficially owned or controlled by persons whose votes may not be included under Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transaction*. The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Securityholders and Arsenal Securityholders who cast their vote at the respective and applicable Meeting (defined below) and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement.

Completion of the Arrangement is also conditional upon approval by not less than: (a) 66⅔% of the votes cast by the holders of LPR Canada Common Shares present in person or by proxy at a special meeting (the "**LPR Canada Meeting**") of LPR Canada Shareholders; (b) 66⅔% of the votes cast by the holders of LPR Canada Common Shares and the holders of LPR Canada restricted shares units which entitle the holder thereof to be issued LPR Canada Common Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; (c) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares present in person or by proxy at the LPR Canada Meeting; (d) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares and the holders of LPR Canada restricted share units which entitle the holder thereof to be issued LPR Canada Preferred Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; and (e) a majority of the votes cast by the holders of LPRI Shares present in person or by proxy at a special meeting of LPRI Shareholders. The Arrangement is also subject to the approval of the Court of Queen's Bench of Alberta and applicable regulatory and other approvals.

Arsenal Securityholders holding in the aggregate approximately: (a) 11.2% of the issued and outstanding Arsenal Shares; and (b) 34.5% of the outstanding Arsenal Options and Arsenal Share Awards, have entered into support agreements pursuant to which they have agreed to vote all Arsenal Securities that they beneficially own, or exercise control or direction over, in favour of the Arsenal Arrangement Resolution.

National Bank Financial Inc. ("**NBF**") has provided the Arsenal Board with an opinion that, subject to certain assumptions, considerations, limitations and qualifications set out in the such opinion (the full text of which is attached to the Circular as Appendix F), as of June 23, 2016, the consideration to be received by the Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders.

The Arsenal Board, after consideration of relevant matters, including the fairness opinion of NBF, has unanimously determined that the Arrangement is in the best interests of Arsenal and is fair to the Arsenal Shareholders, and unanimously recommends that the Arsenal Securityholders vote FOR the Arsenal Arrangement Resolution and Arsenal Shareholders vote FOR the NewCo Incentive Plan Resolution.

It is anticipated that the Arrangement will be completed on or about September 12, 2016, if the requisite shareholder approvals, court approval, TSX approvals and required governmental and regulatory approvals are obtained and subject to the satisfaction or waiver of the other conditions to completion of the Arrangement Agreement.

The accompanying Circular contains a detailed description of the Arrangement and detailed information regarding Lone Pine, Arsenal and certain *pro forma* information regarding NewCo following completion of the Arrangement. The Circular also describes certain risk factors relating to the completion of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors.

It is important that your Arsenal Securities be represented at the Arsenal Meeting. If you are a registered securityholder, whether or not you are able to attend, we urge you to complete the applicable enclosed form of proxy and return such proxy in the envelope provided or by fax to the attention of: (i) Alliance Trust Company ("**Alliance**"), Suite 1010, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3; or (ii) for Arsenal Shares, by internet by visiting www.alliancetrust.ca/shareholders, so that the proxy is received no later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Arsenal Meeting or any adjournment thereof. If you are a non-registered holder of Arsenal Shares and have received these materials from your broker or other intermediary (or an agent or nominee thereof), please complete and return the voting instruction form(s) or other authorization form(s) provided to you by your broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided therein. Failure to do so may result in your Arsenal Securities not being eligible to be voted at the Arsenal Meeting. See "*Part I – The Arsenal Meeting*" in the accompanying Circular.

Please complete and submit the enclosed form of proxy as soon as possible but in any event not later than 2:30 p.m. (Calgary time) on September 6, 2016. If you have any questions, please call Arsenal's transfer agent, Alliance, toll-free at 1-877-537-6111 or by email at inquiries@alliancetrust.ca.

You should also complete and submit the applicable enclosed letter of transmittal (yellow for Arsenal Shares) together with the certificates representing or DRS Advice Statements in respect of your Arsenal Shares (or instruct your broker or nominee to complete and submit the letter of transmittal and your certificates on your behalf) to receive your NewCo Shares as soon as possible following the completion of the Arrangement. If you hold Arsenal Share Awards, please include the Arsenal Shares issuable to you upon settlement of such Arsenal Share Awards when completing the applicable Letter of Transmittal.

On behalf of the Arsenal Board, I would like to express our gratitude for the support our Arsenal Shareholders have demonstrated with respect to our decision to proceed with the proposed Arrangement.

We look forward to seeing you at the Arsenal Meeting.

Yours very truly,

(signed) "*Tony van Winkoop*"
Tony van Winkoop
President and Chief Executive Officer
Arsenal Energy Inc.

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ENCLOSURES

Form of Proxy for Lone Pine Resources Canada Ltd. Shareholders

Form of Proxy for Lone Pine Incentive Awards

Form of Proxy for Lone Pine Resources Inc. Shareholders

Form of Proxy for Arsenal Energy Inc. Shareholders

Form of Proxy for Arsenal Incentive Awards

Letter of Transmittal for Lone Pine Resources Canada Ltd. Shareholders (Green)

Letter of Transmittal for Arsenal Energy Inc. Shareholders (Yellow)

LONE PINE RESOURCES CANADA LTD.

NOTICE OF SPECIAL MEETING

to be held September 8, 2016

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated August 2, 2016, the special meeting (the "**LPR Canada Meeting**") of the holders ("**LPR Canada Securityholders**") of Class A voting common shares ("**LPR Canada Common Shares**"), Series 1 preferred shares ("**LPR Canada Preferred Shares**") and restricted share units entitling the holders thereof to acquire LPR Canada Common Shares and LPR Canada Preferred Shares ("**LPR Canada Incentive Awards**"), together with the LPR Canada Common Shares and LPR Canada Preferred Shares, the "**LPR Canada Securities**") of Lone Pine Resources Canada Ltd. ("**LPR Canada**") will be held at the offices of LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:30 a.m. (Calgary time) on September 8, 2016, for the following purposes:

1. to consider, pursuant to the Interim Order, and, if thought advisable, to pass, with or without variation, a special resolution (the "**LPR Canada Arrangement Resolution**"), the full text of which is set out in Appendix A to the accompanying joint management information circular of LPR Canada, Lone Pine Resources Inc. and Arsenal Energy Inc. ("**Arsenal**") dated August 5, 2016 (the "**Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**"), all as more particularly described in the Circular;
2. conditional upon the approval of the LPR Canada Arrangement Resolution, to consider, and, if thought advisable, to pass a resolution, together with the holders of common shares of Arsenal (the "**Arsenal Shareholders**") who will vote on the same resolution at the special meeting of Arsenal Shareholders to be held on September 8, 2016 (the "**NewCo Incentive Plan Resolution**"), the full text of which is set out in Appendix K to the Circular, to approve, pursuant to the rules of the Toronto Stock Exchange, a proposed stock option plan (the "**NewCo Stock Option Plan**") and a proposed incentive security plan (the "**NewCo Incentive Security Plan**") and, together with the NewCo Stock Option Plan, the "**NewCo Incentive Plans**") for Prairie Provident Resources Inc. ("**NewCo**"), an Alberta corporation incorporated for the purpose of participating in the Arrangement, and the reservation for issuance under the NewCo Incentive Plans of a maximum of 8% of the issued and outstanding common shares in the capital of NewCo ("**NewCo Shares**") from time to time, all subject to, and not earlier than immediately following completion of the Arrangement; and
3. to transact such other business as may properly be brought before the LPR Canada Meeting or any adjournment thereof.

Specific details of the matters to be put before the LPR Canada Meeting are set out in the Circular, including the Appendices thereto.

The record date (the "**Record Date**") for determination of the LPR Canada Securityholders entitled to receive notice of and to vote at the LPR Canada Meeting is July 27, 2016. Only LPR Canada Securityholders whose names have been entered in the applicable register of LPR Canada Common Shares, LPR Canada Preferred Shares or LPR Canada Incentive Awards, as applicable, on the close of business on the Record Date will be entitled to receive notice of and to vote at the LPR Canada Meeting. To the extent a LPR Canada Shareholder transfers the ownership of any of its LPR Canada Shares after the Record Date and the transferee establishes that it owns such LPR Canada Shares and requests, at least 10 days before the LPR Canada Meeting, that the transferred name be included in the list of LPR Canada Shareholders entitled to vote at the LPR Canada Meeting, such transferee shall be entitled to vote such LPR Canada Shares at the LPR Canada Meeting.

If you are a non-registered holder of LPR Canada Shares and have received these materials from your broker or other intermediary (or an agent or nominee thereof), please complete and return the voting instruction form or other authorization form provided to you by your broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided. Failure to do so may result in your LPR Canada Shares not being eligible to be voted at the LPR Canada Meeting.

Pursuant to the Interim Order and the *Business Corporations Act* (Alberta) (the "**ABCA**"), holders of LPR Canada Common Shares and LPR Canada Preferred Shares (collectively, the "**LPR Canada Shareholders**") have the right to dissent in respect of the LPR Canada Arrangement Resolution by providing a written objection to the LPR Canada Arrangement Resolution to LPR Canada, c/o Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower, as provided in the Interim Order and Plan of Arrangement (as defined in the Circular), not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the LPR Canada Meeting, and the dissenting LPR Canada Shareholder must otherwise comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A dissenting LPR Canada Shareholder must abstain from voting the securities held by it in respect of the LPR Canada Arrangement Resolution. The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set out in Section 191 of the ABCA, as modified by the Interim Order and the Plan or Arrangement, may result in the loss of any right to dissent.** Persons who are beneficial owners of LPR Canada Shares registered in the name of a broker or other intermediary (or an agent or nominee thereof) who wish to dissent should be aware that only the registered holder of such LPR Canada Shares is entitled to dissent. Accordingly, a beneficial shareholder desiring to exercise dissent rights must make arrangements for such LPR Canada Shares to be registered in such holder's name prior to the time the written objection to the LPR Canada Arrangement Resolution is required to be received by LPR Canada or, alternatively, make arrangements for the registered holder of such LPR Canada Shares to dissent on such holder's behalf. Pursuant to the Interim Order and Plan of Arrangement, a LPR Canada Shareholder may not exercise dissent rights in respect of only a portion of such holder's LPR Canada Shares.

LPR Canada Securityholders may attend the LPR Canada Meeting in person or by proxy. LPR Canada Securityholders who are unable to attend the LPR Canada Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the LPR Canada Meeting or any adjournment thereof. To be effective, the proxy must be received by:

- a. **for LPR Canada Common Shares and LPR Canada Preferred Shares:** Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- b. **for LPR Canada Incentive Awards:** LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4, facsimile (403) 292-8001 (Attention: Corporate Secretary),

or by internet by visiting www.investorvote.com or by telephone by calling 1-866-732-VOTE (8683) (in respect of LPR Canada Common Shares and LPR Canada Preferred Shares), so that the completed proxy is received not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the LPR Canada Meeting or any adjournment thereof. Notwithstanding the foregoing, the Chair of the LPR Canada Meeting has the discretion to accept proxies received after such deadline.

The proxyholder has discretion under the accompanying form of proxy with respect to: (a) amendments or variations to the matters of business to be considered at the LPR Canada Meeting; and (b) other matters that may properly come before the LPR Canada Meeting. As of the date hereof, management of LPR Canada knows of no amendments, variations or other matters to come before the LPR Canada Meeting other than the matters set out in this Notice of Meeting. LPR Canada Securityholders who are planning to return the accompanying form of proxy are encouraged to review the Circular carefully before doing so.

Dated at the City of Calgary, in the Province of Alberta, this 5th day of August, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS
OF LONE PINE RESOURCES CANADA LTD.**

(signed) "*Tim S. Granger*"
Tim S. Granger
President and Chief Executive Officer
Lone Pine Resources Canada Ltd.

LONE PINE RESOURCES INC.

NOTICE OF SPECIAL MEETING

to be held September 8, 2016

NOTICE IS HEREBY GIVEN that the special meeting (the "**LPRI Meeting**") of the holders ("**LPRI Shareholders**") of shares of Class A common stock, designated as Class A Common Shares ("**LPRI Class A Stock**") and shares of Class B common stock, designated as Class B Multiple Voting Shares ("**LPRI Class B Stock**" and together with the LPRI Class A Stock, the "**LPRI Shares**"), of Lone Pine Resources Inc. ("**LPRI**") will be held at the offices of LPRI at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:45 a.m. (Calgary time) on September 8, 2016, for the following purposes:

1. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the "**LPRI Arrangement Resolution**"), the full text of which is set out in Appendix B to the accompanying joint management information circular of Lone Pine Resources Canada Ltd., LPRI and Arsenal Energy Inc. dated August 5, 2016 (the "**Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**"), and as an integral part thereof, to approve and adopt the agreement and plan of merger, dated as of August 5, 2016 (the "**Merger Agreement**"), by and among LPRI, PPRI Subco Inc. ("**DESub**") and Prairie Provident Resources Inc. ("**NewCo**"), and to approve the transactions contemplated by the Merger Agreement, including the merger of DESub with and into LPRI, with LPRI continuing as the surviving corporation and a subsidiary of NewCo, all as more particularly described in the Circular; and
2. to transact such other business as may properly be brought before the LPRI Meeting or any adjournment thereof.

Specific details of the matters to be put before the LPRI Meeting are set out in the Circular, including the Appendices thereto.

The record date (the "**Record Date**") for determination of the LPRI Shareholders entitled to receive notice of and to vote at the LPRI Meeting is July 27, 2016. Only LPRI Shareholders whose names have been entered in the applicable register of LPRI Class A Stock or LPRI Class B Stock, as applicable, on the close of business on the Record Date will be entitled to receive notice of and to vote at the LPRI Meeting.

If you are a non-registered holder of LPRI Shares and have received these materials from your broker or other intermediary (or an agent or nominee thereof), please complete and return the voting instruction form or other authorization form provided to you by your broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided. Failure to do so may result in your LPRI Shares not being eligible to be voted at the LPRI Meeting.

LPRI Shareholders may attend the LPRI Meeting in person or by proxy. LPRI Shareholders who are unable to attend the LPRI Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the LPRI Meeting or any adjournment thereof. To be effective, the proxy must be received by Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or by internet by visiting www.investorvote.com or by telephone by calling 1-866-732-VOTE (8683), so that the completed proxy is received not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the LPRI Meeting or any adjournment thereof. Notwithstanding the foregoing, the Chair of the LPRI Meeting has the discretion to accept proxies received after such deadline.

The proxyholder has discretion under the accompanying form of proxy to consider matters at the LPRI Meeting that may not yet be determined. As of the date hereof, management of LPRI knows of no amendments, variations or other matters to come before the LPRI Meeting other than the matters set out in this Notice of Meeting. LPRI Shareholders who are planning to return the accompanying form of proxy are encouraged to review the Circular carefully before doing so.

Dated at the City of Calgary, in the Province of Alberta, this 5th day of August, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS
OF LONE PINE RESOURCES INC.**

(signed) "*Tim S. Granger*"
Tim S. Granger
President and Chief Executive Officer
Lone Pine Resources Inc.

ARSENAL ENERGY INC.

NOTICE OF SPECIAL MEETING

to be held September 8, 2016

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated August 2, 2016, the special meeting (the "**Arsenal Meeting**") of the holders ("**Arsenal Securityholders**") of common shares ("**Arsenal Shares**") of Arsenal Energy Inc. ("**Arsenal**"), options to acquire Arsenal Shares ("**Arsenal Options**") and share awards of Arsenal ("**Arsenal Share Awards**") will be held at the Calgary Petroleum Club on September 8, 2016, at 2:30 p.m. (Calgary time), for the following purposes:

1. to consider, pursuant to the Interim Order, and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arsenal Arrangement Resolution**"), the full text of which is set out in Appendix C to the accompanying joint management information circular of Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. and Arsenal dated August 5, 2016 (the "**Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**"), all as more particularly described in the Circular;
2. conditional upon the approval of the Arsenal Arrangement Resolution, to consider, and, if thought advisable, to pass, a resolution, together with the holders of class A voting common shares and series 1 preferred shares of LPR Canada (the "**LPR Canada Shareholders**") who will vote on the same resolution at the special meeting of LPR Canada Shareholders to be held on September 8, 2016 (the "**NewCo Incentive Plan Resolution**"), the full text of which is set out in Appendix K to the Circular, to approve, pursuant to the rules of the Toronto Stock Exchange, a proposed stock option plan (the "**NewCo Stock Option Plan**") and a proposed incentive security plan (the "**NewCo Incentive Security Plan**" and, together with the NewCo Stock Option Plan, the "**NewCo Incentive Plans**") for Prairie Provident Resources Inc. ("**NewCo**"), an Alberta corporation incorporated for the purpose of participating in the Arrangement, and the reservation for issuance under the NewCo Incentive Plans of a maximum of 8% of the issued and outstanding common shares in the capital of NewCo ("**NewCo Shares**") from time to time, all subject to, and not earlier than immediately following completion of the Arrangement; and
3. to transact such other business as may properly be brought before the Arsenal Meeting or any adjournment thereof.

Specific details of the matters to be put before the Arsenal Meeting are set out in the Circular, including the Appendices thereto.

The record date (the "**Record Date**") for determination of the Arsenal Securityholders entitled to receive notice of and to vote at the Arsenal Meeting is July 25, 2016. Only Arsenal Securityholders whose names have been entered in the register of Arsenal Shares, Arsenal Options and Arsenal Share Awards, as applicable, on the close of business on the Record Date will be entitled to receive notice of and to vote at the Arsenal Meeting. To the extent an Arsenal Shareholder transfers the ownership of any of its Arsenal Shares after the Record Date and the transferee establishes that it owns such Arsenal Shares and requests, at least 10 days before the Arsenal Meeting, that the transferred name be included in the list of Arsenal Shareholders entitled to vote at the Arsenal Meeting, such transferee shall be entitled to vote such Arsenal Shares at the Arsenal Meeting.

If you are a non-registered holder of Arsenal Shares and have received these materials from your broker or other intermediary (or an agent or nominee thereof), please complete and return the voting instruction form or other authorization form provided to you by your broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided. Failure to do so may result in your Arsenal Shares not being eligible to be voted at the Arsenal Meeting.

Pursuant to the Interim Order and the *Business Corporations Act* (Alberta) (the "**ABCA**"), holders of Arsenal Shares ("**Arsenal Shareholders**") (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time (as defined in the Plan of Arrangement) on the exercise or settlement of Arsenal Options or Arsenal

Share Awards) have the right to dissent in respect of the Arsenal Arrangement Resolution by providing a written objection to the Arsenal Arrangement Resolution to LPR Canada, c/o Borden Ladner Gervais LLP, at 520 3 Ave SW #1900, Calgary, AB T2P 0R3, Calgary, Alberta, Attention: David Madsen, as provided in the Interim Order and Plan of Arrangement (as defined in the Circular), not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the Arsenal Meeting. A dissenting Arsenal Shareholder must otherwise comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, including by abstaining from voting the securities held by it in respect of the Arsenal Arrangement Resolution. The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set out in Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right to dissent.** Persons who are beneficial owners of Arsenal Shares registered in the name of a broker or other intermediary (or an agent or nominee thereof) who wish to dissent should be aware that only the registered holder of such Arsenal Shares is entitled to dissent. Accordingly, a beneficial shareholder desiring to exercise dissent rights must make arrangements for such Arsenal Shares to be registered in such holder's name prior to the time the written objection to the Arsenal Arrangement Resolution is required to be received by Arsenal or, alternatively, make arrangements for the registered holder of such Arsenal Shares to dissent on such holder's behalf. Pursuant to the Interim Order and Plan of Arrangement, an Arsenal Shareholder may not exercise dissent rights in respect of only a portion of such holder's Arsenal Shares.

Arsenal Securityholders may attend the Arsenal Meeting in person or by proxy. Arsenal Securityholders who are unable to attend the Arsenal Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Arsenal Meeting or any adjournment thereof. To be effective, the proxy must be received by Alliance Trust Company, Suite 1010, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3 or, for Arsenal Shares, by internet by visiting www.alliancetrust.ca/shareholders, so that the completed proxy is received not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the commencement of the Arsenal Meeting or any adjournment thereof. Notwithstanding the foregoing, the Chair of the Arsenal Meeting has the discretion to accept proxies received after such deadline. If you have any questions, please call Arsenal's transfer agent, Alliance, toll-free at 1-877-537-6111.

The proxyholder has discretion under the accompanying form of proxy with respect to: (a) amendments or variations to the matters of business to be considered at the Arsenal Meeting; and (b) other matters that may properly come before the Arsenal Meeting. As of the date hereof, management of Arsenal knows of no amendments, variations or other matters to come before the Arsenal Meeting other than the matters set out in this Notice of Meeting. Arsenal Securityholders who are planning to return the accompanying form of proxy are encouraged to review the Circular carefully before doing so.

Dated at the City of Calgary, in the Province of Alberta, this 5th day of August, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS
OF ARSENAL ENERGY INC.**

(signed) "*Tony van Winkoop*"
Tony van Winkoop
President and Chief Executive Officer
Arsenal Energy Inc.

NOTICE TO UNITED STATES LONE PINE SECURITYHOLDERS AND ARSENAL SECURITYHOLDERS

The offer and sale of the securities to be issued on completion of the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any U.S. state. Such securities are being issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act, on the basis of the order of the Court approving the Arrangement, as described under "*Part I – Securities Law Matters – United States*", and similar exemptions from state registration requirements. The solicitation of proxies for the LPR Canada Meeting and the Arsenal Meeting are not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Circular in respect of the LPR Canada Meeting and the Arsenal Meeting are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. LPR Canada Securityholders and Arsenal Securityholders in the United States should be aware that such requirements are different from those in the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

Specifically, information concerning the operations of Lone Pine and Arsenal contained herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The unaudited interim and audited historical financial statements of Lone Pine and Arsenal included or referenced in this Circular have been presented in Canadian dollars, were prepared in accordance with IFRS and are subject to Canadian auditing standards, which differ from United States generally accepted accounting principles and auditing standards in certain material respects, and are not comparable in all respects to financial statements of United States issuers. Certain of such financial statements, including all financial statements of Lone Pine and Arsenal, were audited in accordance with Canadian auditor independence standards, which differ from United States auditor independence standards.

The enforcement by investors of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that LPR Canada, Arsenal, NewCo and ABSUB are organized or incorporated under the laws of the Province of Alberta, that a majority of the officers and directors of Lone Pine, Arsenal, NewCo and the OpCos are, and OpCos will be, residents of a country other than the United States, that most or all of the experts named in this Circular are residents of a country other than the United States, and that all or substantial portions of the assets of Lone Pine, Arsenal, NewCo and the OpCos and such other Persons are, or will be following completion of the Arrangement, located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon NewCo or the OpCos following completion of the Arrangement, their directors or officers, or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The U.S. Securities Act imposes restrictions on the resale of securities received pursuant to the Arrangement by Persons who will be "affiliates" of NewCo on completion of the Arrangement or who have been affiliates of Lone Pine or Arsenal within three (3) months before the Effective Date. See "*Part I – Securities Law Matters – United States*" in this Circular.

THE SECURITIES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, RSA 2000, C B-9, AS AMENDED, AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING LONE PINE RESOURCES CANADA LTD., ARSENAL ENERGY INC., LONE PINE RESOURCES INC., PRAIRIE PROVIDENT RESOURCES INC., PPRI SUBCO INC., 1984745 ALBERTA LTD., SECURITYHOLDERS OF LONE PINE RESOURCES CANADA LTD., SECURITYHOLDERS OF ARSENAL ENERGY INC., AND SHAREHOLDERS OF LONE PINE RESOURCES INC.

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Lone Pine Resources Canada Ltd. ("**LPR Canada**") and Arsenal Energy Inc. ("**Arsenal**") with respect to a proposed plan of arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, RSA 2000, c B-9, as amended (the "**ABCA**"), involving LPR Canada, Lone Pine Resources Inc., Arsenal, Prairie Provident Resources Inc., PPRI Subco Inc., 1984745 Alberta Ltd., the holders (the "**LPR Canada Securityholders**") of Class A voting common shares ("**LPR Common Shares**"), Series 1 preferred shares ("**LPR Canada Preferred Shares**") and restricted share units ("**LPR Canada RSUs**") of LPR Canada, the holders (the "**LPRI Shareholders**") of Class A common shares ("**LPRI Class A Stock**") and shares of Class B common stock, designated as Class B Multiple Voting Shares ("**LPRI Class B Stock**") of Lone Pine Resources Inc. ("**LPRI**" and together with LPR Canada, "**Lone Pine**"), the holders (the "**Arsenal Securityholders**") of common shares ("**Arsenal Shares**"), stock options ("**Arsenal Options**") and share awards ("**Arsenal Share Awards**") of Arsenal, which Arrangement is described in greater detail in the joint management information circular of LPR Canada, LPRI and Arsenal dated August 5, 2016 accompanying this Notice of Originating Application (the "**Circular**"). At the hearing of the Application, LPR Canada and Arsenal intend to seek:

1. a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the LPR Canada Securityholders, the Arsenal Securityholders and other affected parties (including the LPRI Shareholders), both from a substantive and procedural point of view;
2. an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
3. a declaration that the registered LPR Canada Shareholders and the registered holders of Arsenal Shares ("**Arsenal Shareholders**") (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Share Awards and Arsenal Options) shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the interim order (the "**Interim Order**") of the Court dated August 2, 2016 and the Plan of Arrangement;
4. a declaration that the Arrangement will, upon the filing of the Articles of Arrangement under the ABCA, become effective in accordance with its terms; and
5. such other and further orders, declarations and directions as the Court may deem just

(collectively, the "**Final Order**").

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *Securities Act of 1933*, as amended, of the United States of America, provided by Section 3(a)(10) thereof with respect to the issuance of common shares of NewCo to the LPR Canada Shareholders, LPRI Shareholders and Arsenal Shareholders, and any other securities to be issued pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Application is directed to be heard before a Justice of the Court of Queen's Bench of Alberta, 601 – 5th Street S.W., Calgary, Alberta on September 9, 2016 at 11:00 a.m. (Calgary time), or as soon thereafter as counsel may be heard. **Any LPR Canada Securityholder, LPRI Shareholder, Arsenal Securityholder or any other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose. Any LPR Canada Securityholder, LPRI Shareholder, Arsenal Securityholder or any other interested party desiring to appear at the hearing are required to file with the Court and serve upon LPR Canada, LPRI and Arsenal on or before noon (Calgary time) on August 31, 2016, a notice of intention to appear, including an address for service in the Province of Alberta, indicating whether such securityholder or other interested party intends to support or oppose the Application or make submissions at the Application, together with a summary of the position such securityholder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court.** Service on Lone Pine is to be effected by delivery to the solicitors for Lone Pine at the address set out below. Service on Arsenal is to be effected by delivery to the solicitors for Arsenal at the address set out below. If any LPR Canada Securityholder, LPRI Shareholder, Arsenal Securityholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, or refuse to approve the Arrangement, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by Lone Pine or Arsenal and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a special meeting of the LPR Canada Securityholders and a special meeting of the Arsenal Securityholders, in each case for the purpose of such securityholders voting upon a resolution to approve the Arrangement, and has directed that registered LPR Canada Securityholders and registered Arsenal Securityholders (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Share Awards and Arsenal Options) shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any LPR Canada Securityholder, LPRI Shareholder, Arsenal Securityholder or other interested party requesting the same by the under mentioned solicitors for Lone Pine and Arsenal upon written request delivered to such solicitors:

Lone Pine
c/o Bennett Jones LLP
Suite 4500, 855 – 2nd Street S.W.
Calgary, Alberta, T2P 4K7

Facsimile: (403) 265-7219
Attention: Scott H. D. Bower

Arsenal
c/o Borden Ladner Gervais LLP
Suite 1900, 520 – 3rd Avenue S.W.
Calgary, Alberta, T2P 0R2

Facsimile: (403) 226-1395
Attention: David T. Madsen

DATED at the City of Calgary, in the Province of Alberta, this 2nd day of August, 2016.

**BY ORDER OF THE BOARDS OF DIRECTORS
OF LONE PINE RESOURCES CANADA LTD.
AND LONE PINE RESOURCES INC.**

(signed) "*Tim S. Granger*"
Tim S. Granger
President and Chief Executive Officer
Lone Pine Resources Canada Ltd. and Lone Pine
Resources Inc.

**BY ORDER OF THE BOARD OF DIRECTORS
OF ARSENAL ENERGY INC.**

(signed) "*Tony van Winkoop*"
Tony van Winkoop
President and Chief Executive Officer
Arsenal Energy Inc.

JOINT MANAGEMENT INFORMATION CIRCULAR

All capitalized terms used in this joint management information circular (the "**Circular**") of Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. ("**LPRI**" and, together with LPR Canada, "**Lone Pine**") and Arsenal Energy Inc. ("**Arsenal**"), but not otherwise defined herein have the meanings set out under *Appendix M – Glossary of Terms*. Information contained in this Circular is given as of August 5, 2016 unless otherwise specifically stated.

Introduction

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Lone Pine for use at the LPR Canada Meeting and LPRI Meeting and any adjournment(s) thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the LPR Canada Meeting or the LPRI Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

This Circular is also furnished in connection with the solicitation of proxies by and on behalf of the management of Arsenal for use at the Arsenal Meeting and any adjournment thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Arsenal Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

The information concerning Lone Pine contained in this Circular has been provided by Lone Pine. Although Arsenal has no knowledge that would indicate that any of such information is untrue or incomplete, Arsenal does not assume any responsibility for the accuracy or completeness of such information or the failure by Lone Pine to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Arsenal.

The information concerning Arsenal contained in this Circular has been provided by Arsenal. Although Lone Pine has no knowledge that would indicate that any of such information is untrue or incomplete, Lone Pine does not assume any responsibility for the accuracy or completeness of such information or the failure by Arsenal to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Lone Pine.

The information concerning NewCo contained in this Circular has been jointly provided by Lone Pine and Arsenal. Although neither Lone Pine nor Arsenal has any knowledge that would indicate that any of such information provided by the other is untrue or incomplete, neither Lone Pine nor Arsenal assumes any responsibility for the accuracy or completeness of the information provided by the other, or the failure by the other to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to them.

Information contained or otherwise accessed through Lone Pine's or Arsenal's respective websites does not constitute part of this Circular.

Neither this Circular nor the Appendices hereto nor the matters described herein or therein, including the Arrangement, have been reviewed or pre-cleared by the TSX. There is a risk that the TSX may require further changes to the content of the Circular or the Appendices hereto, which may impact the anticipated timing of Closing. As of the date of this Circular, the TSX has not approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and to those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. The timing or receipt of such listing approval, or NewCo's ability to satisfy the conditional listing requirements of the TSX, is uncertain. It is a condition of Closing that the TSX provide conditional listing approval for the listing of the NewCo Shares. See "*Part I – The Arrangement – Risk Factors*".

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of: (a) the arrangement agreement dated June 23, 2016 between LPR Canada and Arsenal, as amended and restated on August 2, 2016 effective June 23, 2016 (as amended, the "**Arrangement Agreement**"), a copy of which is attached as Appendix E to this Circular; (b) the Plan of Arrangement, a copy of which is attached as Schedule A to the Arrangement Agreement; and (c) all schedules and appendices to the Arrangement Agreement and the Plan of Arrangement. **You are urged to read carefully the full text of this Circular, the Arrangement Agreement, the Plan of Arrangement and all schedules and appendices thereto.**

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Lone Pine Securityholders and Arsenal Securityholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

If you hold Lone Pine Securities or Arsenal Securities through a broker, investment dealer, bank, trust company, nominee or other intermediary and not in your own name, you should contact your Intermediary for instructions and assistance in voting and surrendering the Lone Pine Securities or Arsenal Securities that you beneficially own.

Use of Notice and Access to Deliver Arsenal Meeting Materials

Arsenal has elected to use the notice and access model ("**Notice and Access**") provided for under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") in respect of the delivery of proxy-related materials for the Arsenal Meeting, which includes, among other things, the Circular, to Beneficial Holders of Arsenal Shares ("**Beneficial Arsenal Shareholders**"), but not in respect of registered Arsenal Securityholders.

The use of Notice and Access expedites the receipt of meeting materials by Beneficial Arsenal Shareholders, reduces printing and mailing costs and reduces the environmental impact of producing and delivering the materials required for the Arsenal Meeting. Beneficial Arsenal Shareholders will receive a notice (the "**N&A Notice**") advising them about how they can obtain copies of the Circular electronically rather than receiving paper copies and a form of voting instruction form allowing them to vote at the Arsenal Meeting.

Arsenal has also elected to use procedures known as "stratification" in relation to Arsenal's use of Notice and Access. Stratification occurs when Arsenal, while using Notice and Access, provides a paper copy of the Notice of Meeting and Circular to some of Arsenal's Securityholders. In relation to the Arsenal Meeting, registered Arsenal Securityholders and Beneficial Arsenal Shareholders who have previously requested to receive paper copies of such materials, will receive a paper copy of each of the Notice, this Circular, a form of proxy and a letter of transmittal (yellow for Arsenal Shares), whereas Beneficial Arsenal Shareholders will receive only the N&A Notice and a form of proxy or voting instruction form.

Under Notice and Access, Arsenal is permitted to deliver Arsenal proxy-related materials to Arsenal Securityholders by posting them on an acceptable website. An electronic version of this Circular may be obtained on the website of Arsenal at www.arsenalenergy.com, under Arsenal's SEDAR profile at www.sedar.com, and at the following internet address: <http://alliancetrust.ca/shareholders>.

How to Obtain Paper Copies of the Arsenal Meeting Materials

An Arsenal Securityholder may request paper copies of the Arsenal meeting materials, at no cost, at any time up to one (1) year from the date this Circular was filed on SEDAR.

Prior to the Arsenal Meeting, Arsenal Securityholders may request a paper copy of the Arsenal meeting materials by calling the toll free number that is indicated on the notice or voting instruction form sent to them free of charge and

following the instructions provided on the notice or voting instruction form. To ensure receipt of the meeting materials in advance of the voting deadline and the Arsenal Meeting, a request for a paper copy must be received by August 30, 2016. Please note that if a paper copy of this Circular is requested, a new form of proxy or voting instruction form will not be provided.

Notice to Non-Registered Holders of Lone Pine Shares and Arsenal Shares

The information set forth in this section is of significant importance to many Lone Pine Shareholders and Arsenal Shareholders, as a substantial number of Lone Pine Shareholders and Arsenal Shareholders do not hold their respective Lone Pine Shares or Arsenal Shares in their own name. Beneficial Holders should note that only proxies deposited by Lone Pine Securityholders or Arsenal Securityholders whose names appear on the records of Lone Pine or Arsenal, as applicable, as the registered holders of Lone Pine Securities or Arsenal Securities can be recognized and acted upon at the respective Meeting. If Lone Pine Shares or Arsenal Shares are listed in an account statement provided to an Arsenal Shareholder or Lone Pine Shareholder by a broker or other intermediary (or an agent or nominee thereof), then in almost all cases, those Arsenal Shares or Lone Pine Shares, as applicable, will not be registered in the Shareholder's name on the records of Arsenal or Lone Pine. Such Shares will more likely be registered under the name of the Shareholder's broker or other intermediary (or an agent or nominee thereof). If you are a Beneficial Holder of Lone Pine Shares or Arsenal Shares and receive these materials through an Intermediary, please complete the form of proxy or voting instruction form provided to you by the Intermediary in accordance with the instructions provided therein. For further information, see "*General Proxy Matters – Beneficial Holders*".

Notice to Non-Registered Objecting Beneficial Owners of Lone Pine Shares and Arsenal Shares

In accordance with NI 54-101, arrangements by Lone Pine and Arsenal have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the Beneficial Holders of the Lone Pine Shares and the Beneficial Holders of Arsenal Shares of record by such persons and LPR Canada or Arsenal, as applicable, will reimburse such persons for reasonable fees and disbursements incurred by them in doing so. However, neither Lone Pine nor Arsenal intend to pay for an intermediary to deliver solicitation materials, including the Circular, to objecting beneficial owners (as described in NI 54-101), and objecting beneficial owners will not receive such materials unless their intermediary assumes the costs of delivery. The record date to determine registered holders of Lone Pine Securities is July 27, 2016 (the "**Lone Pine Record Date**") and registered holders of Arsenal Securities is July 25, 2016 (the "**Arsenal Record Date**").

Forward-Looking Information and Statements

This Circular contains forward-looking information and statements. All information and statements other than statements of historical fact contained in this Circular are forward-looking information and statements. Such statements and information may be identified by looking for words such as "about", "approximately", "may", "believe", "expects", "will", "intends", "should", "plan", "predict", "potential", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof or other comparable terminology. Such forward-looking information and statements include, without limitation, statements with respect to: future financial position; business strategy; proposed acquisitions or dispositions; budgets; projected costs and plans; the expected quality of assets; internal growth opportunities and objectives of or involving Lone Pine; the payment of future dividends; capital expenditures and investment programs; future development plans and opportunities; trading liquidity and financial flexibility; market capitalization; capital and income taxes; risk profile; cash flow and earnings and the components thereof; future income tax treatment and tax pools of NewCo; estimated costs incurred in connection with the Arrangement and related matters; the anticipated benefits of the Arrangement; the timing of the Final Order; the Effective Date of the Arrangement; the making of applications and the satisfaction of conditions for listing on stock exchanges and the timing thereof; receipt of Lone Pine Securityholder and Arsenal Securityholder approvals and court approval for the Arrangement; the composition of the NewCo Board and NewCo's management team on completion of the Arrangement; Newco's access to credit, development plays and capital following Effective Time; and the treatment of Shareholders under tax laws.

Actual events or results may differ materially from such forward-looking information and statements. Forward-looking information and statements are based on the estimates and opinions of Lone Pine's management and Arsenal's management at the time the statements were made, including, without limitation: (i) the perceived benefits of the

Arrangement are based on a number of factors, including the Fairness Opinion, the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions; (ii) the structure and effect of the Arrangement are based upon the terms of the Arrangement Agreement and Plan of Arrangement; (iii) the consideration to be received by Lone Pine Securityholders and Arsenal Securityholders as a result of the Arrangement is based on the terms in the Arrangement Agreement and Plan of Arrangement; (iv) certain steps in, and timing of the Arrangement are based upon the terms of the Arrangement Agreement and advice received from counsel to Lone Pine and Arsenal regarding timing expectations; and (v) the effects of the Arrangement are based upon current expectations of management of Lone Pine and Arsenal. In addition, forward-looking information and statements may include statements attributable to third party industry sources. There can be no assurance that the plans, intentions or expectations upon which such forward-looking information and statements are based will occur. Forward-looking information and statements are subject to risks, uncertainties and assumptions, including those discussed below and elsewhere in this Circular. Although Lone Pine and Arsenal believe that the expectations represented in such forward-looking information and statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include, but are not limited to, the impact of general economic conditions, industry conditions, governmental regulation and potential changes to such governmental regulation, applicable royalty rates and tax laws and potential changes to such tax laws, volatility of oil and natural gas prices, imprecision of reserve and resource estimates, environmental risks, the inability to meet listing standards, the inability to obtain required consents, permits or approvals (including Court and securityholder approval of the Arrangement), competition from other industry participants, the lack of availability of qualified personnel, failure to realize the anticipated benefits of the Arrangement, the conditions to completion of the Arrangement may not be satisfied or waived which may result in the Arrangement not being completed, Lone Pine and Arsenal will incur significant cost relating to the Arrangement regardless of whether it is completed or not completed, stock market volatility, the inability to access sufficient capital from internal and external sources, the cost of such capital, fluctuation in foreign exchange or interest rates, the risk that actual results will vary from the results forecasted and such variations may be material and if the Arrangement is not completed, Lone Pine Securityholders and Arsenal Securityholders will not realize the benefits of the Arrangement and Lone Pine's and Arsenal's future business and operations could be harmed. Readers are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under "*Part I – Risk Factors*", "*Part I – Certain Canadian Federal Income Tax Considerations*", *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*, as well as other risks described elsewhere in this Circular.

You are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, which judgments and estimates may differ materially from actual results.

The information contained in this Circular identifies additional factors that could affect the operating results and performance of Lone Pine, Arsenal and NewCo. We urge you to carefully consider those factors.

The forward-looking information and statements contained herein are expressly qualified in their entirety by these cautionary statements. Unless otherwise indicated herein, the forward-looking information and statements included in this Circular are made as of the date of this Circular and none of Lone Pine, NewCo or Arsenal undertake any obligation to publicly update such forward-looking information and statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Non-IFRS Financial Measures

References are made in this Circular and the Appendices hereto to terms commonly used in the oil and natural gas industry which are not a measure that has a standardized meaning under IFRS and are not presented in the financial statements of Arsenal or Lone Pine such as "funds from operations" and EBITDA. Arsenal and Lone Pine's methods of calculating such non-IFRS measures may differ from each other and from other companies, and accordingly they may not be comparable.

"Funds from operations" is calculated as cash flow from operating activities, as determined in accordance with IFRS, adjusted for cash paid financing costs, changes in non-cash working capital and decommissioning obligations expenditures. Management of Lone Pine and Arsenal consider funds from operations a useful measure of the ability

to generate cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS.

EBITDA represents earnings before interest, taxes, depreciation and amortization. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other companies. EBITDA is presented as management of Lone Pine and Arsenal believe it is a useful indicator of their respective ability to meet debt service and capital expenditure requirements, and evaluate liquidity. Management of Lone Pine and Arsenal interpret trends in EBITDA as an indicator of relative financial performance. EBITDA should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS.

Barrel of Oil Equivalency Measures

Lone Pine and Arsenal have adopted the standard of 6 Mcf: 1 bbl when converting natural gas to boes. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 Mcf: 1 bbl would be misleading as an indication of value.

Conventions

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars in accordance with IFRS.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Circular or in the Appendices hereto.

Overview of the Arrangement

The Arrangement will give effect to a business combination of Lone Pine and Arsenal, primarily through: (i) first, a reorganization of the Lone Pine corporate group and shareholdings, such that NewCo becomes the ultimate parent company of both LPR Canada and LPRI, the LPR Canada Shareholders receive NewCo Shares in substitution for their LPR Canada Shares, and the outstanding LPRI Shares are cancelled; and (ii) second, the acquisition by NewCo of all outstanding Arsenal Shares in exchange for NewCo Shares. Upon completion of the Arrangement, the fully-diluted NewCo Shares then outstanding or issuable by NewCo will be owned or issuable to former Lone Pine stakeholders, as to 77% of the total, and to former Arsenal stakeholders, as to 23% of the total, all as more particularly described in this Circular.

Parties to the Arrangement

Lone Pine

LPR Canada is a privately-held oil and gas exploration, development and production company amalgamated under the ABCA and headquartered in Calgary, Alberta. LPR Canada's reserves, producing properties and exploration prospects are located in the provinces of Alberta, British Columbia, Québec, Newfoundland and Labrador, Nova Scotia and the Northwest Territories. The registered office of LPR Canada is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7.

LPRI is a privately-held Delaware corporation that is the controlling shareholder of LPR Canada through ownership of a single Class C multiple voting share in the capital of LPR Canada (the "**LPR Canada Class C Multiple Voting Share**") carrying a 75% voting interest.

Liberty Harbor PF LPR LLC and Goldman Sachs & Co., and their affiliates, collectively own or control approximately 65% of the outstanding LPR Canada Common Shares and LPRI Class A Stock, and approximately 80% of the outstanding LPR Canada Preferred Shares and LPRI Class B Stock. See *Part II – General Proxy Matters – Voting Securities and Principal Holders Thereof* and *Appendix G – Information Concerning Lone Pine – Principal Lone Pine Shareholders*. Assuming completion of the Arrangement, such shareholders will collectively own or control approximately 60% of outstanding NewCo Shares. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement – Principal Securityholders*.

For information concerning Lone Pine, including with respect to shareholder overlap as between LPR Canada and LPRI and the relative economic rights of the LPR Canada Shares and the LPR Canada Class C Multiple Voting Share (and value impact on the LPRI Shares), see *Appendix G – Information Concerning Lone Pine*.

Arsenal

Arsenal is a corporation amalgamated under the ABCA and is engaged in the exploration for, and the development and production of, oil and natural gas. Arsenal's current activities are focused in Central and East Central Alberta. The Arsenal Shares are traded on the TSX under the symbol "AEI". On June 23, 2016, the last trading day prior to the announcement of the proposed Arrangement, the closing price of the Arsenal Shares on the TSX was \$1.42 per Arsenal Share. On August 4, 2016, the closing price of the Arsenal Shares on the TSX was \$1.21 per Arsenal Share. The registered office of Arsenal is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3.

NewCo

NewCo is a corporation incorporated by LPRI, as incorporator, under the ABCA on July 29, 2016 for the sole purpose of participating in the Arrangement. Other than ABSub and DESub, NewCo has no subsidiaries and no assets. Since incorporation, NewCo has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of NewCo is located at Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7. The sole director of NewCo is Tim S. Granger.

See *Appendix H – Audited Financial Statements of NewCo (Pre-Arrangement)*.

ABSub

ABSub is a wholly-owned subsidiary of NewCo and was incorporated under the ABCA on July 29, 2016 for the sole purpose of participating in the Arrangement. ABSub does not have any subsidiaries or any assets. Since incorporation, ABSub has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of ABSub is located at Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7. The sole director of ABSub is Tim S. Granger.

DESub

DESub is a wholly-owned subsidiary of NewCo and was incorporated under the Delaware General Corporation Law ("DGCL") on August 1, 2016 for the sole purpose of participating in the Arrangement. DESub does not have any subsidiaries or any assets. Since incorporation, DESub has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of DESub is located at 1100, 640 -5th Avenue S.W., Calgary, Alberta, T2P 3G4. The sole director of DESub is Tim S. Granger.

The Arrangement

The terms of the Arrangement are the result of arm's length negotiations between representatives of Lone Pine and Arsenal and their respective advisors. On August 2, 2016, LPR Canada and Arsenal entered into an amended and restated arrangement agreement dated effective June 23, 2016, a copy of which is attached as Appendix E to this Circular. The Arrangement Agreement provides for the implementation of the Arrangement. The description of the Arrangement in this Circular is a summary only and is qualified in its entirety by reference to the full text of the Arrangement Agreement, the Plan of Arrangement and all appendices and schedules thereto. **Securityholders are strongly encouraged to read this Circular, including the Arrangement Agreement, the Plan of Arrangement and all appendices and schedules thereto, in their entirety. Securityholders should consult their respective tax, legal and financial advisors.**

Effect of the Arrangement

General

On completion of the Arrangement, each shareholder of LPR Canada ("**LPR Canada Shareholders**") and each shareholder of Arsenal (including holders of Arsenal Shares issued upon the settlement of outstanding Arsenal Share Awards immediately prior to the applicable time specified in the Plan of Arrangement) ("**Arsenal Shareholders**") will receive common shares in the capital of NewCo ("**NewCo Shares**"), and NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos.

It is anticipated that the Arrangement will be completed on or about September 12, 2016, if the requisite securityholder approvals, court approval, TSX approvals and required governmental and regulatory approvals are obtained and subject to the satisfaction or waiver of the other conditions to completion of the Arrangement. See "*Part I – The Arrangement – Effect of the Arrangement – General*".

On completion of the Arrangement, former Lone Pine Securityholders and any person to whom Lone Pine (or any subsidiary of Lone Pine) may have committed to grant or cause to be granted Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine or of NewCo will hold an aggregate of 77% of the outstanding NewCo Shares and former Arsenal Shareholders will hold an aggregate of 23% of the outstanding NewCo Shares, in each case calculated on a fully-diluted basis. For the purposes of calculating such percentages, the number of NewCo Shares held by former Lone Pine Securityholders includes:

- a) NewCo Shares issued to former LPR Canada Shareholders in exchange for their LPR Canada Shares;
- b) NewCo Shares issuable on settlement of the Replacement Lone Pine RSUs (as defined below) granted by NewCo pursuant to the Arrangement; and
- c) NewCo Shares issuable in respect of an aggregate of 770,629 NewCo Options and 116,426 NewCo PSUs to be granted by the NewCo Board following completion of the Arrangement to former directors, officers and employees of Lone Pine (who are each expected to continue in such capacities following the Effective Time) pursuant to the NewCo Stock Option Plan and the NewCo Incentive Security Plan, respectively, in respect of their respective services during the 2016 financial year (collectively, "**2016 NewCo Awards**").

Former LPRI Shareholders will not hold any NewCo Shares following completion of the Arrangement and the issuance of NewCo Shares following completion of the Arrangement in connection with the settlement, exercise or vesting of Replacement Lone Pine RSUs and 2016 NewCo Awards will not modify the aggregate proportionate holdings of NewCo Shares as between former Lone Pine Securityholders and the additional persons described above, on the one hand, and former Arsenal Securityholder, on the other, as noted above.

For greater certainty, the 77% of NewCo Shares and 23% of NewCo Shares anticipated to be held respectively by former LPR Canada Securityholders and certain additional persons described above, on the one hand, and former Arsenal Securityholders, on the other, on completion of the Arrangement, is calculated on the basis of fully-diluted share capital of 100,000,000 NewCo Shares, meaning that immediately after Closing: (a) an aggregate of 97,730,618 NewCo Shares will be issued and outstanding, of which 74,730,618 NewCo Shares will be held by former LPR Canada Shareholders and 23,000,000 NewCo Shares will be held by former Arsenal Securityholders; and (b) 2,269,382 NewCo Shares will be issuable on: (i) settlement of the Replacement Lone Pine RSUs, of which 1,165,294 will be settled the 15th Business Day following Closing and 217,033 will vest on January 31, 2017 and subsequently be settled; and (ii) exercise or settlement of the 2016 NewCo Awards. In addition, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. As the number of NewCo Shares reserved for issuance under the NewCo Incentive Plans is based on a percentage of the issued and outstanding NewCo Shares from time to time, the number of NewCo Shares reserved for issuance thereunder will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards. See "*Part I – The Arrangement – Effect of the Arrangement – Approval of the NewCo Incentive Plans*".

It is anticipated that the NewCo Options forming part of the 2016 NewCo Awards will be exercisable for NewCo Shares for a five-year term, at an exercise price per share equal to the volume-weighted average trading price of the NewCo Shares on the TSX for the five (5) trading days preceding the date of grant. The 2016 NewCo Awards are anticipated to be granted on the tenth trading day following completion of the Arrangement. See *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

On completion of the Arrangement, NewCo is anticipated to have production of over 4,000 boe/d (approximately 71% oil and liquids), proved plus probable reserves of 18.7 MMboe (net) as of December 31, 2015, and a \$55 million credit facility. See "*Part I – The Arrangement – Effect of the Arrangement*" and *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Effect on Lone Pine Securityholders

Pursuant to the Arrangement, each LPR Canada Shareholder will receive NewCo Shares at an exchange ratio of 0.5544092 NewCo Share for each LPR Canada Common Share then held and 0.8117105 NewCo Share for each LPR

Canada Preferred Share then held. For the purposes of determining the number of NewCo Shares to be issued in respect of each LPR Canada Share, the LPR Canada Preferred Shares were valued as if each such share had notionally converted to a LPR Canada Common Share based on the "Accretion Rate" of the LPR Canada Preferred Shares (within the meaning of the share provisions attached thereto). See *Appendix G – Information Concerning Lone Pine – Description of Share Capital – LPR Canada – LPR Canada Preferred Shares* for a brief description of the share terms.

Pursuant to the Arrangement, each LPR Canada Incentive Award that is outstanding at the effective time specified in the Plan of Arrangement shall be terminated and cancelled in exchange for an obligation issued by NewCo (each, a "**Replacement Lone Pine RSU**") having the same terms and conditions as are applicable to the LPR Canada Incentive Award (including with respect to vesting), with NewCo as obligor under the Replacement Lone Pine RSUs in the place of LPR Canada with respect to the LPR Canada Incentive Awards, except that: (a) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Preferred Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement Lone Pine RSU, the NewCo Share Consideration with respect to each LPR Canada Preferred Share; (b) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Common Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement Lone Pine RSU, the NewCo Share Consideration with respect to each LPR Canada Common Share; (c) a former holder of LPR Canada Incentive Awards shall not be entitled to receive, on the settlement and redemption of Replacement Lone Pine RSUs issued in exchange therefor, any shares in the capital stock of LPRI; (d) each Replacement Lone Pine RSU issued under the Arrangement in respect of a LPR Canada Incentive Award that vested in accordance with its terms prior to the Effective Time shall be settled and redeemed on the 15th Business Day following the Effective Date through the issuance by NewCo of the applicable NewCo Share Consideration; and (e) each Replacement Lone Pine RSU issued under the Arrangement in respect of a LPR Canada Incentive Award that was not vested in accordance with its terms prior to the Effective Time shall be settled and redeemed within fifteen (15) days of the vesting date for that Replacement Lone Pine RSU, through the issuance by NewCo of the applicable NewCo Share Consideration.

The LPR Canada Shares reserved for issuance under each LPR Canada Incentive Award will be reduced to zero.

See "*Part I – The Arrangement – Effect of the Arrangement – Effect on Lone Pine Securityholders*" and *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Effect on the Arsenal Securityholders

Pursuant to the Arrangement, Arsenal Shareholders will receive 1.1417218 NewCo Shares for each Arsenal Share then held. All outstanding Arsenal Options will be terminated.

Each Arsenal Option that is outstanding at the Effective Time will be surrendered to Arsenal and terminated for nominal consideration pursuant to the terms of the Option Termination and Share Award Settlement Agreements. In connection with the Arrangement, all Arsenal Share Awards shall, as contemplated by the terms of the Arsenal Share Award Plan, vest and be settled by Arsenal effective as of 11:59 p.m. on the day immediately prior to the Effective Date (but conditional upon the Arrangement thereafter becoming effective on the Effective Date), through the issuance of Arsenal Shares from treasury. No cash payments will be made by Arsenal in respect of the settlement of Arsenal Share Awards. The Arsenal Incentive Plans will be terminated and cease to exist at the time specified in the Plan of Arrangement.

Approval of the NewCo Incentive Plans

LPR Canada Shareholders and Arsenal Shareholders will be asked to approve the NewCo Incentive Plans at the LPR Canada Meeting and the Arsenal Meeting, respectively. The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to its NewCo Shares to be received in connection with the Arrangement. The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement.

As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of NewCo Incentive Plans*.

In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of the NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

See *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*, for a description of each NewCo Incentive Plan and the text of the NewCo Incentive Plan Resolution.

Post-Arrangement Structure

On completion of the Arrangement, NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly and indirectly control Lone Pine and Arsenal. See "*Part I – Arrangement Steps*".

See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*, for a diagram illustrating the organizational structure of NewCo immediately following completion of the Arrangement.

Background to the Arrangement

The Arrangement is the result of extensive and considered negotiations between representatives of Lone Pine and Arsenal. This Circular contains a summary of the events leading up to the negotiation of the Arrangement Agreement and the meetings, negotiations, discussions and actions between the Parties that preceded the execution and public announcement of the Arrangement Agreement. See "*The Arrangement – Background to the Arrangement*".

Reasons for, and Anticipated Benefits of, the Arrangement

In the course of its evaluation of the Arrangement, each of the Lone Pine Boards and the Arsenal Board consulted with their respective senior management, financial advisors and legal counsel, as applicable, reviewed a significant amount of information and considered a number of factors, including, but not limited to, the following:

1. *Acquisition of Additional Production.* The Arrangement advances Lone Pine's Canadian expansion by resulting in a combined company with approximately 4,000 boe/d comprised of approximately 71% oil and liquids and 29% natural gas.
2. *Access to Credit.* The Arrangement is expected to provide NewCo with access to a senior secured credit facility of \$55 million backed by two Canadian chartered banks following completion of the Arrangement.
3. *Access to Development Plays.* The Arrangement is expected to provide NewCo with access to expanded participation in emerging development-play opportunities.

4. *Access to Capital.* Following completion of the Arrangement, NewCo is expected to have greater access to capital than would be available to Lone Pine or Arsenal separately.
5. *Available Tax Pools.* It is expected that the OpCos will in aggregate have combined Canadian federal income tax pools of approximately \$225 million, plus Canadian federal income tax non-capital loss carry-forwards in the amount of \$264 million.
6. *Market for the NewCo Shares.* It is a condition of the Closing of the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. There is no assurance that NewCo will satisfy the original listing requirements of the TSX, or as to the timing or receipt of TSX listing approval; however, if listing is ultimately obtained, trading in the NewCo Shares to be issued to LPR Canada Shareholders and Arsenal Shareholders, including the NewCo Shares reserved for issuance under the NewCo Incentive Plans, will be freely tradable on the TSX, unless subject to escrow conditions. See "*Part I – Stock Exchange Listing Matters*".
7. *Benefits from Synergies.* Lone Pine and Arsenal expect that NewCo will deliver cost savings through operating synergies. Lone Pine and Arsenal expect cost savings to come from optimizing business practices, improving logistics and realizing efficiencies in overlapping operations. In addition, Lone Pine and Arsenal expect NewCo to benefit from capital efficiencies through capital reallocation opportunities, including through improved project design and sequencing, the elimination of redundant spending and by targeting capital budgets to high priority projects. Equally important, but less quantifiable, anticipated benefits include balancing of short/long commodity positions, application of project and operating experience to a broader pool of assets and improved use of infrastructure.
8. *Tax Deferral.* In general, Holders who exchange their LPR Canada Shares or Arsenal Shares, as applicable, for NewCo Shares pursuant to the Arrangement will be considered to have disposed of such LPR Canada Shares or Arsenal Shares, as applicable, on a tax-deferred basis for Canadian federal income tax purposes.
9. *Likelihood of the Arrangement Being Completed.* The likelihood of the Arrangement being completed is considered by each of the Lone Pine Boards and the Arsenal Board to be high in light of the absence of significant closing conditions outside the control of either or both of Lone Pine and/or Arsenal, other than obtaining the applicable approval of Lone Pine Securityholders and Arsenal Securityholders at the Meetings, the approval by the Court of the Arrangement and other regulatory and stock exchange approvals.

See "*Part I – Reasons for, and Anticipated Benefits of the Arrangement*".

There is a risk that Lone Pine and Arsenal may not realize the anticipated benefits of the Arrangement. See "*Part I – Risk Factors*". In addition, the risk factors relating to Arsenal and Lone Pine, including risk factors related to the amount of Lone Pine's tax pools, will continue to apply to NewCo. See *Appendix G – Information Concerning Lone Pine* and Arsenal's AIF under the heading "*Risk Factors*".

Arrangement Steps

The Arrangement involves a number of steps which will be deemed to occur sequentially. See "*Part I – Arrangement Steps*".

The Lone Pine Meetings

LPR Canada Meeting

The LPR Canada Meeting will be held at the offices of LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:30 a.m. (Calgary time) on September 8, 2016 for the purposes set out in the LPR Canada Notice of Meeting. The business of the LPR Canada Meeting will be to: (a) consider and vote upon the LPR Canada

Arrangement Resolution; (b) consider and vote upon the NewCo Incentive Plan Resolution; and (c) transact such other business as may properly be brought before the LPR Canada Meeting or any adjournment thereof. See "*Part I – The Lone Pine Meetings*", *Appendix A – LPR Canada Arrangement Resolution* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Lone Pine Record Date for the determination of LPR Canada Securityholders entitled to receive notice of, and to vote at, the LPR Canada Meeting is July 27, 2016. Only LPR Canada Securityholders whose names have been entered in the register of LPR Canada Shareholders and LPR Canada Incentive Awards at the close of business on the Lone Pine Record Date will be entitled to receive notice of and to vote at the Meeting. To the extent a LPR Canada Shareholder transfers the ownership of any of its LPR Canada Shares after the Lone Pine Record Date and the transferee of those LPR Canada Shares establishes that it owns such LPR Canada Shares and requests, at least 10 days before the LPR Canada Meeting, that the transferee's name be included in the list of LPR Canada Shareholders entitled to vote at the LPR Canada Meeting, such transferee shall be entitled to vote such LPR Canada Shares at the LPR Canada Meeting. See "*General Proxy Matters*".

LPRI Meeting

The LPRI Meeting will be held at the offices of LPRI at Suite 1100, 640 – 5th Avenue S.W., Calgary, Alberta, T2P 3G4) at 9:45 a.m. (Calgary time) on September 8, 2016, or as soon thereafter as the LPR Canada Meeting is completed, for the purposes set out in the LPRI Notice of Meeting. The business of the LPRI Meeting will be to: (a) consider and vote upon the LPRI Arrangement Resolution; and (b) transact such other business as may properly be brought before the LPRI Meeting or any adjournment thereof. See "*Part I – The Lone Pine Meetings*" and *Appendix B – LPRI Arrangement Resolution*.

The Lone Pine Record Date for the determination of LPRI Shareholders entitled to receive notice of, and to vote at, the LPRI Meeting is July 27, 2016. Only LPRI Shareholders whose names have been entered in the register of LPRI Shareholders at the close of business on the Lone Pine Record Date will be entitled to receive notice of and to vote at the LPRI Meeting. See "*General Proxy Matters*".

Lone Pine Shareholder Approvals Required for the Arrangement

LPR Canada Approval

The LPR Canada Arrangement Resolution must be approved by not less than: (a) 66⅔% of the votes cast by the holders of LPR Canada Common Shares present in person or by proxy at the LPR Canada Meeting; (b) 66⅔% of the votes cast by the holders of LPR Canada Common Shares and the holders of LPR Canada Incentive Awards which entitle the holder thereof to be issued LPR Canada Common Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; (c) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares present in person or by proxy at the LPR Canada Meeting; and (d) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares and the holders of LPR Canada Incentive Awards which entitle the holder thereof to be issued LPR Canada Preferred Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting. Each LPR Canada Common Share shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Canada Common Share held. Each LPR Canada Preferred Share shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Preferred Share held. Each holder of LPR Canada Incentive Awards shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Canada Common Share and each LPR Canada Preferred Share issuable to such holder on the exercise or settlement of the LPR Canada Incentive Award, as applicable.

The NewCo Incentive Plan will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option

Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

Notwithstanding the foregoing, the LPR Canada Arrangement Resolution authorizes the LPR Canada Board, without further notice to, or approval of, the LPR Canada Securityholders, subject to the terms of the Arrangement Agreement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement or to revoke the LPR Canada Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See "*Part I – The Lone Pine Meetings*", "*Part II*", *Appendix A – LPR Canada Arrangement Resolution* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

LPRI Approval

The LPRI Arrangement Resolution must be approved by an affirmative vote of the majority of the votes entitled to be cast on the Merger. Effective as of July 27, 2016, the Lone Pine Record Date for the LPRI Meeting, each share of LPRI Class A Stock will carry the right to one (1) vote per share of LPRI Class A Stock and each share of LPRI Class B Stock will carry the right to approximately 1.269 votes per share of LPRI Class B Stock.

See "*Part I – The Lone Pine Meetings*" and *Appendix B – LPRI Arrangement Resolution*.

Recommendation of the Lone Pine Boards

The Lone Pine Boards have each unanimously determined that the Arrangement is in the best interests of LPR Canada and LPRI, respectively, and their respective shareholders, and is fair to the LPR Canada Shareholders and the LPRI Shareholders, respectively.

The Lone Pine Boards unanimously recommend, respectively, that the LPR Canada Securityholders vote FOR the LPR Canada Arrangement Resolution and LPR Canada Shareholders vote FOR the NewCo Incentive Plan Resolution and that the LPRI Shareholders vote FOR the LPRI Arrangement Resolution.

In reaching their respective conclusions and formulating their respective recommendations, each of the Lone Pine Boards considered a number of factors, including the expected benefits of the Arrangement, and the risks associated with completing the Arrangement, and the nature and extent of the ongoing ownership interest that the Lone Pine Securityholders will have in NewCo (and therefore the combined undertakings of LPR Canada, LPRI and Arsenal as subsidiaries of NewCo) following completion of the Arrangement. With respect to LPRI and the LPRI Shareholders, the LPRI Board also considered, among other things, the nominal value of the LPRI assets, the overlapping shareholder bases of LPRI and LPR Canada, and the participation by holders of LPRI Shares (or their affiliates or related parties, as applicable) in the benefits of the Arrangement in their respective capacities as holders of LPR Canada Shares. See "*Part I – The Lone Pine Meetings*".

The discussion of the information and factors considered and given weight by each of the Lone Pine Boards is not intended to be exhaustive. In reaching the determination to approve and recommend the LPR Canada Arrangement Resolution, the LPRI Arrangement Resolution and the NewCo Incentive Plan Resolution, as applicable, neither Lone Pine Board assigned any relative or specific weight to the factors that were considered, and individual LPR Canada Directors and LPRI Directors, as applicable, may have given a different weight to each factor.

Lone Pine Support Agreements

Certain LPR Canada Securityholders holding in aggregate approximately 54% of the outstanding LPR Canada Common Shares, 69% of the outstanding LPR Canada Preferred Shares, 54% of the outstanding LPR Canada Incentive Awards pursuant to which LPR Canada Common Shares are issuable on exercise or settlement thereof and 52% of the outstanding LPR Canada Incentive Awards pursuant to which LPR Canada Preferred Shares are issuable on exercise or settlement thereof have entered into Support Agreements pursuant to which they agreed to vote all LPR Canada Securities that they beneficially own or exercise control or direction over in favour of the LPR Canada

Arrangement Resolution. See "*Part I – Lone Pine Shareholder Approvals Required for the Arrangement – Lone Pine Support Agreements*".

The Arsenal Meeting

The Arsenal Meeting will be held at the Calgary Petroleum Club, at 2:30 p.m. (Calgary time) on September 8, 2016 for the purposes set out in the Arsenal Notice of Meeting. The business of the Arsenal Meeting will be to: (a) consider and vote upon the Arsenal Arrangement Resolution; (b) consider and vote upon the NewCo Incentive Plan Resolution; and (c) transact such other business as may properly be brought before the Arsenal Meeting or any adjournment thereof. See "*Part I – The Arsenal Meeting*", *Appendix C – Arsenal Arrangement Resolution* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Arsenal Record Date for the determination of Arsenal Securityholders entitled to receive notice of, and to vote at, the Arsenal Meeting is July 25, 2016. Only Arsenal Securityholders whose names have been entered in the register of Arsenal Shareholders, holders of Arsenal Options and holders of Arsenal Share Awards at the close of business on the Arsenal Record Date will be entitled to receive notice of and to vote at the Arsenal Meeting. To the extent an Arsenal Shareholder transfers the ownership of any of its Arsenal Shares after the Arsenal Record Date and the transferee of those Arsenal Shares establishes that it owns such Arsenal Shares and requests, at least 10 days before the Arsenal Meeting, that the transferee's name be included in the list of Arsenal Shareholders entitled to vote at the Arsenal Meeting, such transferee shall be entitled to vote such Arsenal Shares at the Meeting. See "*General Proxy Matters*".

Approval of Arsenal Shareholders Required for the Arrangement

The Arsenal Arrangement Resolution must be approved by not less than: (a) 66⅔% of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting; (b) 66⅔% of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (c) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting after excluding the votes cast in respect of the 1,980,219 Arsenal Shares (or 10.2% of the issued and outstanding Arsenal Shares) beneficially owned or controlled by persons whose votes may not be included under MI 61-101.

The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

Notwithstanding the foregoing, the Arsenal Arrangement Resolution authorizes the Arsenal Board, without further notice to or approval of Arsenal Securityholders, subject to the terms of the Arrangement Agreement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement or to revoke the Arsenal Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See "*Part I – The Arsenal Meeting*".

Recommendation of the Arsenal Board

The Arsenal Board, after consideration of relevant matters, including the fairness opinion of NBF, has unanimously determined that the Arrangement is in the best interests of Arsenal and is fair to the Arsenal Shareholders, and unanimously recommends that Arsenal Securityholders vote FOR the Arsenal Arrangement Resolution and that the Arsenal Shareholders vote FOR the NewCo Incentive Plan Resolution.

In reaching its conclusions and formulating its recommendations, the Arsenal Board consulted with its financial and legal advisors and considered a number of factors, including the expected benefits of the Arrangement, the consideration to be received by Arsenal Securityholders under the Arrangement, the risks associated with completing the Arrangement and the Fairness Opinion. See "*Part I – Recommendation of the Arsenal Board*".

The discussion of the information and factors considered and given weight by the Arsenal Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arsenal Arrangement Resolution and the NewCo Incentive Plan Resolution, the Arsenal Board did not assign any relative or specific weight to the factors that were considered, and individual Arsenal Directors may have given a different weight to each factor.

Fairness Opinion

The Arsenal Board retained NBF to act as financial advisor to the Arsenal Board and to provide the Arsenal Fairness Opinion, which indicates, subject to certain assumptions, considerations, limitations and qualifications contained therein, that, in the opinion of NBF, the consideration to be received by Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Arsenal Shareholders. See "*Part I – The Arsenal Meeting*" and *Appendix F – Arsenal Fairness Opinion*.

The full text of the Arsenal Fairness Opinion is attached as Appendix F to this Circular. The Arsenal Fairness Opinion is not a recommendation as to how Arsenal Shareholders should vote with respect to the Arrangement. The Arsenal Fairness Opinion was one of a number of factors taken into consideration by the Arsenal Board in supporting its unanimous determination that the Arrangement is fair to Arsenal Shareholders and is in the best interests of Arsenal and to recommend that Arsenal Securityholders vote in favour of the Arrangement.

Arsenal Support Agreements

Certain Arsenal Securityholders, including all of the directors and officers of Arsenal, holding in the aggregate approximately: (a) 11.2% of the issued and outstanding Arsenal Shares; and (b) 34.5% of the outstanding Arsenal Incentive Awards, have entered into Support Agreements pursuant to which they agreed to vote all Arsenal Securities that they beneficially own or exercise control or direction over in favour of the Arsenal Arrangement Resolution, subject to the provisions of the Arsenal Support Agreements. See "*Part I – The Arsenal Meeting – Arsenal Support Agreements*".

The Arrangement Agreement

The Arrangement will be effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains customary covenants, representations and warranties of and from each of Lone Pine and Arsenal and various conditions precedent, both mutual and with respect to Lone Pine and Arsenal respectively.

The Arrangement Agreement provides that Arsenal may be required to pay Lone Pine a termination fee of \$2.75 million as liquidated damages if the Arrangement is not completed in certain circumstances, and a termination fee of \$1.5 million as liquidated damages if the Arrangement is not completed in certain other circumstances and also provides that Lone Pine may be required to pay Arsenal a termination fee of \$1.5 million as liquidated damages if the Arrangement is not completed in certain circumstances. The Arrangement Agreement also contains certain non-solicitation covenants of Arsenal in favour of Lone Pine.

This Circular contains a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, a copy of which is attached as Appendix E.

See "*The Arrangement – The Arrangement Agreement*" and Appendix E to this Circular for the entire text of the Arrangement Agreement.

Final Order

Completion of the Arrangement requires the satisfaction of several conditions and the approval of the Court. See "*Part I – Procedure for the Arrangement to Become Effective*". Subject to the terms of the Arrangement Agreement, if the requisite securityholder approvals are obtained at the Meetings, an application for the Final Order approving the Arrangement is expected to be made on September 9, 2016 at 11:00 a.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. On the application, the Court will consider the fairness of the Arrangement. See "*The Arrangement – Court Approvals*".

Stock Exchange Listing Matters

None of the Lone Pine Shares are listed on any exchange. The Arsenal Shares are currently listed on the TSX under the symbol "AEI". On June 23, 2016, the last trading day prior to the date of the announcement of the Arrangement, the closing price of the Arsenal Shares on the TSX was \$1.42 per Arsenal Share. On August 4, 2016, the last trading day prior to the date of this Circular, the closing price of the Arsenal Shares on the TSX was \$1.21 per Arsenal Share. It is expected that the Arsenal Shares will be delisted from the TSX on completion of the Arrangement.

There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date of this Circular, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans, and there is no certainty that the TSX will approve such listing, conditionally or otherwise, or, if approved, as to the timing of the listing of the NewCo Shares for trading through the facilities of the TSX. If listing approval is ultimately obtained, trading in the NewCo Shares is expected to commence concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter.

Approval of the listing of the NewCo Shares may include requiring that all securities of NewCo held by principals of NewCo be subject to escrow under escrow agreements administered by the TSX in accordance with National Policy 46-201 - *Escrow for Initial Public Offerings* ("**NP 46-201**").

See "*Part I – Stock Exchange Listing Matters*".

Other Approvals

It is a condition precedent to the completion of the Arrangement that all requisite regulatory approvals be obtained. See "*Part I – The Arrangement – Other Approvals*" and "*Part I – Material Terms of the Arrangement Agreement*".

Procedure for Exchange of Lone Pine Share Certificates and Arsenal Share Certificates

The Letters of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares) are being mailed, together with this Circular, to each registered LPR Canada Shareholder as of the Lone Pine Record Date and to each registered Arsenal Shareholder as of the Arsenal Record Date. Each LPR Canada Shareholder and Arsenal Shareholder must deposit certificates representing, or deliver direct registration statement ("**DRS**") advice statement(s) in respect of, such shareholder's LPR Canada Shares or Arsenal Shares (other than Arsenal Shares issued upon settlement of the Arsenal Share Awards under the Arrangement), as applicable, together with a properly completed and signed Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares), and all other required documents to the Depository at the address set forth in the applicable Letter of Transmittal in order to receive the NewCo Shares to which such LPR Canada Shareholder or Arsenal Shareholder is entitled under the Arrangement. It is recommended that registered LPR Canada Shareholders and registered Arsenal Shareholders complete, sign and return the Letters of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares) with accompanying LPR Canada Share

certificates, Arsenal Share certificates or DRS Advice Statements to the Depositary as soon as possible. If you are a non-registered holder of LPR Canada Shares or Arsenal Shares and have received these materials through your broker or through another intermediary, you will not receive a Letter of Transmittal and you should follow the instructions of your intermediary.

Questions in respect of the exchange of LPR Canada Shares and Arsenal Shares may be directed to the Depositary, Alliance, at 1-877-537-6111 (North American Toll Free).

See "*Part I – Procedure for Exchange of Lone Pine Shares and Arsenal Shares*".

Dissent Rights

LPR Canada Shareholder Dissent Rights

Pursuant to the Interim Order and the ABCA, LPR Canada Shareholders have the right to dissent in respect of the LPR Canada Arrangement Resolution by providing a written objection to the LPR Canada Arrangement Resolution to LPR Canada, c/o Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower, as provided in the Interim Order, not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the LPR Canada Meeting, provided that the Dissenting LPR Canada Shareholder has not voted his, her or its LPR Canada Shares at the LPR Canada Meeting either in person or by proxy with respect to the LPR Canada Arrangement Resolution, the Dissenting LPR Canada Shareholder exercises the Dissent Rights in respect of all of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder, and such holder also complies with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. See "*Part I – Dissent Rights*".

If the Arrangement becomes effective, each Dissenting LPR Canada Shareholder shall receive the applicable NewCo Share Consideration for its LPR Canada Shares, provided that the NewCo Shares received by any Dissenting LPR Canada Shareholder pursuant to the Arrangement shall be, and be deemed to be, cancelled immediately following the amalgamation of LPR Canada and ABSub contemplated by the Arrangement, and each such Dissenting LPR Canada Shareholder shall: (a) cease to have any rights as a holder of LPR Canada Shares (other than to receive NewCo Shares, which shall thereafter be cancelled pursuant to the Arrangement) and shall be removed from the applicable register(s) of LPR Canada Common Shares; (b) cease to have any rights as a holder of NewCo Shares and shall not be recorded in the register of NewCo Shares maintained by or on behalf of NewCo; and (c) shall only have the right to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder at the Effective Time, and the fair value of such LPR Canada Shares shall be determined as of the close of business on the last Business Day before the day on which the LPR Canada Arrangement Resolution is passed. For certainty, the NewCo Shares cancelled in accordance with the foregoing shall cease to be issued or outstanding.

A Dissenting LPR Canada Shareholder who, for any reason (including, for certainty, withdrawal of an exercise of its Dissent Right), is not ultimately entitled to be paid by NewCo (or a successor thereto) the fair value of its LPR Canada Shares in respect of which it validly exercised its Dissent Right shall not be reinstated as a holder of LPR Canada Shares but shall for all purposes be deemed to have participated in the Arrangement on the same basis as an LPR Canada Shareholder that is not a Dissenting LPR Canada Shareholder.

See Appendices D and J for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

Arsenal Shareholder Dissent Rights

Pursuant to the Interim Order and the ABCA, Arsenal Shareholders (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) have the right to dissent in respect of the Arsenal Arrangement Resolution by providing a written objection to the Arsenal Arrangement Resolution to Arsenal, c/o Borden Ladner Gervais LLP, at 1900, 520 – 3rd Ave S.W., Calgary, Alberta, T2P 0R3, Attention: David Madsen, as provided in the Interim Order, not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the

Arsenal Meeting, provided that the Dissenting Arsenal Shareholder has not voted his, her or its Arsenal Shares at the Arsenal Meeting either in person or by proxy with respect to the Arsenal Arrangement Resolution, the Dissenting Arsenal Shareholder exercises the Dissent Rights in respect of all of the Arsenal Shares held by the Dissenting Arsenal Shareholder, and such holder also complies with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. See "*Part I – Dissent Rights*".

If the Arrangement becomes effective, each Dissenting Arsenal Shareholder shall receive the applicable NewCo Share Consideration for its Arsenal Shares, provided that the NewCo Shares received by any Dissenting Arsenal Shareholder pursuant to the Arrangement shall be, and be deemed to be, cancelled immediately following the exchange of Arsenal Shares for NewCo Shares contemplated by the Arrangement, and each such Dissenting Arsenal Shareholder shall: (a) cease to have any rights as a holder of Arsenal Shares (other than to receive NewCo Shares, which shall thereafter be cancelled pursuant to the Arrangement) and shall be removed from the register of Arsenal Shares; (b) cease to have any rights as a holder of NewCo Shares and shall not be recorded in the register of NewCo Shares maintained by or on behalf of NewCo; and (c) shall only have the right to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the Arsenal Shares held by the Dissenting Arsenal Shareholder at the Effective Time. For certainty, the NewCo Shares cancelled in accordance with the foregoing shall cease to be issued or outstanding.

A Dissenting Arsenal Shareholder who, for any reason (including, for certainty, withdrawal of an exercise of its Dissent Right), is not ultimately entitled to be paid by NewCo (or a successor thereto) the fair value of its Arsenal Shares in respect of which it validly exercised its Dissent Right shall not be reinstated as a holder of Arsenal Shares but shall be deemed to have participated in the Arrangement on the same basis as an Arsenal Shareholder that is not a Dissenting Arsenal Shareholder.

See Appendices D and J for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

No Dissent Rights for Holders of LPR Canada Incentive Awards or Arsenal Incentive Awards

For certainty, holders of LPR Canada Incentive Awards and holders of Arsenal Incentive Awards shall not have any right to dissent in respect of the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution, as applicable. See "*Part I – Dissent Rights*".

LPRI Shareholder Appraisal Rights

Pursuant to the DGCL, LPRI Shareholders have the right to demand an appraisal of the LPRI Shares registered in that LPRI Shareholder's name by providing a written demand for appraisal of the LPRI Shares to LPRI, c/o Bennett Jones LLP, 4500, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower, on or before 9:45 a.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of the vote on the adoption of the LPRI Arrangement Resolution at the LPRI Meeting, provided that the Dissenting LPRI Shareholder has not voted his, her or its LPRI Shares at the LPRI Meeting either in person or by proxy in favour of the LPRI Arrangement Resolution, and such holder also complies with Section 262 of the DGCL. See "*Part I – Dissent Rights*".

If the Arrangement becomes effective, each Dissenting LPRI Shareholder will be entitled to be paid the fair value of the LPRI Shares in respect of which the holder dissents in accordance with Section 262 of the DGCL. See Appendix J for a copy of Section 262 of the DGCL.

Procedure to Dissent

LPR Canada Shareholders and Arsenal Shareholders

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set out in Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right to dissent.** Persons who are beneficial owners of LPR Canada Shares or Arsenal Shares registered in the name of a broker or other intermediary (or an agent or nominee thereof) who wish to dissent should be aware that only the Registered Holder of such Shares is entitled to dissent. Accordingly,

a Beneficial Holder desiring to exercise Dissent Rights must make arrangements for such Shares to be registered in such holder's name prior to the time the written objection to the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution, as applicable, is required to be received by LPR Canada or Arsenal, as applicable, or, alternatively, make arrangements for the Registered Holder of such Shares to dissent on such holder's behalf. Pursuant to the Interim Order, a Shareholder may not exercise Dissent Rights in respect of only a portion of such holder's Shares. See "*Part I – Dissent Rights*" and *Appendix D – Interim Order*.

LPRI Shareholders

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set out in Section 262 of the DGCL may result in the loss of any right to dissent.** Persons who are beneficial owners of LPRI Shares registered in the name of a broker or other intermediary (or an agent or nominee thereof) who wish to dissent should be aware that only the Registered Holder of such Shares is entitled to dissent. Accordingly, a Beneficial Holder desiring to exercise Dissent Rights must make arrangements for such Shares to be registered in such holder's name prior to the time the written objection to the LPRI Arrangement Resolution is required to be received by LPRI or, alternatively, make arrangements for the Registered Holder of such Shares to dissent on such holder's behalf. See "*Part I – Dissent Rights*".

Dissent Rights as a Condition to Closing of the Arrangement

It is a closing condition in favour of Arsenal that there shall not have been validly exercised Dissent Rights (that have not been withdrawn) by LPR Canada Shareholders holding more than 10% of the aggregate number of outstanding LPR Canada Shares. It is a closing condition in favour of LPR Canada that there shall not have been validly exercised Dissent Rights (that have not been withdrawn) by Arsenal Shareholders holding more than 10% of the aggregate number of outstanding Arsenal Shares. See "*Part I – Material Terms of the Arrangement Agreement – Conditions Precedent to the Arrangement*".

Certain Canadian Federal Income Tax Considerations

A Resident Holder who exchanges, pursuant to the Arrangement, LPR Canada Shares for NewCo Shares will generally be considered to have disposed of such LPR Canada Shares on a tax-deferred basis, unless such Resident Holder chooses to recognize a capital gain (or sustain a capital loss).

A Non-Resident Holder who exchanges, pursuant to the Arrangement, LPR Canada Shares for NewCo Shares pursuant to the amalgamation of LPR Canada and ABSUB, will generally be considered to have disposed of such LPR Canada Shares on a tax-deferred basis.

Non-Resident Holders should consult their own tax advisors with respect to any Canadian tax reporting obligations in respect of the Arrangement, including, in particular, the disposition of LPRI Shares as a result of their cancellation pursuant to the Merger.

A Holder who exchanges, pursuant to the Arrangement, Arsenal Shares for NewCo Shares will generally be considered to have disposed of such Arsenal Shares on a tax-deferred basis, unless such Holder chooses to recognize a capital gain (or sustain a capital loss). A Non-Resident Holder of Arsenal Shares should generally not be subject to any Canadian federal income tax on any capital gain realized in respect of such exchange, provided that the Arsenal Shares are not "taxable Canadian property" to such Non-Resident Holder for purposes of the Tax Act.

This Circular contains a summary of the principal Canadian federal income tax considerations relevant to Resident Holders and Non-Resident Holders and which relate to the Arrangement and the above comments are qualified in their entirety by reference to such summary. See "*Part I – Certain Canadian Federal Income Tax Considerations*".

Other Tax Considerations

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Lone Pine Shareholders or Arsenal Shareholders who may be subject to tax outside of Canada,

including those who are resident in jurisdictions other than Canada, should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions and, if applicable, with respect to tax implications in such jurisdictions of holding NewCo Shares following completion of the Arrangement. Lone Pine Shareholders and Arsenal Shareholders should also consult their own tax advisors regarding Canadian federal, provincial or territorial tax considerations of the Arrangement or, if applicable, of holding NewCo Shares following completion of the Arrangement.

Risk Factors

The risk factors relating to Lone Pine and Arsenal will generally continue to apply to NewCo following completion of the Arrangement and will generally not be affected by the Arrangement. The risks associated with Lone Pine are set out in *Appendix G – Information Concerning Lone Pine* and the risks associated with Arsenal are described in Arsenal's AIF under the heading "*Risk Factors*".

There are a number of additional risk factors relating to the Arrangement, the activities of NewCo and the ownership of NewCo Shares following completion of the Arrangement, which you should carefully consider. These risk factors are set out under "*Part I – Risk Factors*".

Expenses of the Arrangement

The estimated costs to be incurred by Lone Pine and Arsenal in connection with the Arrangement and related matters, including accounting, legal fees and costs of the preparation, printing and mailing of the Circular and fees payable to the TSX, are expected to be approximately \$2.1 million. This amount does not include change of control or severance payments to officers, employees and certain consultants of Arsenal or Lone Pine, estimated to be in an amount of \$2.4 million.

Shareholders are strongly encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to the information contained in this Circular, the consequences of the Arrangement and the holding of Lone Pine Shares, Arsenal Shares and NewCo Shares.

PART I – THE ARRANGEMENT

Overview of the Arrangement

The Arrangement will give effect to a business combination of Lone Pine and Arsenal, primarily through: (i) first, a reorganization of the Lone Pine corporate group and shareholdings, such that NewCo becomes the ultimate parent company of both LPR Canada and LPRI, the LPR Canada Shareholders receive NewCo Shares in substitution for their LPR Canada Shares, and the outstanding LPRI Shares are cancelled; and (ii) second, the acquisition by NewCo of all outstanding Arsenal Shares in exchange for NewCo Shares. Upon completion of the Arrangement, the fully-diluted NewCo Shares then outstanding or issuable by NewCo will be owned or issuable to former Lone Pine stakeholders, as to 77% of the total, and to former Arsenal stakeholders, as to 23% of the total, all as more particularly described in this Circular.

Parties to the Arrangement

Lone Pine

LPR Canada is a privately-held oil and gas exploration, development and production company amalgamated under the ABCA and headquartered in Calgary, Alberta. LPR Canada's reserves, producing properties and exploration prospects are located in the provinces of Alberta, British Columbia, Québec, Newfoundland and Labrador, Nova Scotia and the Northwest Territories. The registered office of LPR Canada is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7.

LPRI is a privately-held Delaware corporation that is the controlling shareholder of LPR Canada through ownership of a single Class C multiple voting share in the capital of LPR Canada (the "**LPR Canada Class C Multiple Voting Share**") carrying a 75% voting interest.

Liberty Harbor PF LPR LLC and Goldman Sachs & Co., and their affiliates, collectively own or control approximately 65% of the outstanding LPR Canada Common Shares and LPRI Class A Stock, and approximately 80% of the outstanding LPR Canada Preferred Shares and LPRI Class B Stock. See *Part II – General Proxy Matters – Voting Securities and Principal Holders Thereof* and *Appendix G – Information Concerning Lone Pine – Principal Lone Pine Shareholders*. Assuming completion of the Arrangement, such shareholders will collectively own or control approximately 60% of outstanding NewCo Shares. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement – Principal Securityholders*.

For information concerning Lone Pine, including with respect to shareholder overlap as between LPR Canada and LPRI and the relative economic rights of the LPR Canada Shares and the LPR Canada Class C Multiple Voting Share (and value impact on the LPRI Shares), see Appendix G – Information Concerning Lone Pine.Arsenal

Arsenal is a corporation amalgamated under the ABCA and is engaged in the exploration for, and the development and production of, oil and natural gas. Arsenal's current activities are focused in Central and East Central Alberta. The Arsenal Shares are traded on the TSX under the symbol "AEI". On June 23, 2016, the last trading day prior to the announcement of the proposed Arrangement, the closing price of the Arsenal Shares on the TSX was \$1.42 per Arsenal Share. On August 4, 2016, the closing price of the Arsenal Shares on the TSX was \$1.21 per Arsenal Share. Additional information relating to Arsenal is available on Arsenal's SEDAR profile at www.sedar.com. The registered office of Arsenal is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3.

NewCo

NewCo is a corporation incorporated by LPRI, as incorporator, under the ABCA on July 29, 2016 for the sole purpose of participating in the Arrangement. Other than ABSub and DESub, NewCo has no subsidiaries and no assets. Since incorporation, NewCo has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of NewCo is located at Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7. The sole director of NewCo is Tim S. Granger.

A copy of the audited financial statements of NewCo for the period as at July 29, 2016 is attached hereto as Appendix H– *Audited Financial Statements of NewCo (Pre-Arrangement)* of this Circular.

ABSub

ABSub is a wholly-owned subsidiary of NewCo and was incorporated under the ABCA on July 29, 2016 for the sole purpose of participating in the Arrangement. ABSub does not have any subsidiaries or any assets. Since incorporation, ABSub has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of ABSub is located at Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7. The sole director of ABSub is Tim S. Granger.

DESub

DESub is a wholly-owned subsidiary of NewCo and was incorporated under the DGCL on August 1, 2016 for the sole purpose of participating in the Arrangement. DESub does not have any subsidiaries or any assets. Since incorporation, DESub has carried on no business and has conducted no activities other than in connection with the Arrangement and as otherwise described in this Circular. The registered office of DESub is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808 in New Castle County, Delaware. The sole director of DESub is Tim S. Granger.

The Arrangement

The terms of the Arrangement are the result of arm's length negotiations between representatives of Lone Pine and Arsenal and their respective advisors. On August 2, 2016, LPR Canada and Arsenal entered into an amended and restated arrangement agreement dated effective June 23, 2016, a copy of which is attached as Appendix E to this Circular. The Arrangement Agreement provides for the implementation of the Arrangement, pursuant to which: (a) NewCo will directly or indirectly acquire all of the outstanding Arsenal Shares and all of the outstanding Lone Pine Shares; (b) each LPR Canada Incentive Award that is outstanding at the effective time specified in the Plan of Arrangement will be terminated and cancelled in exchange for Replacement Lone Pine RSU; (c) NewCo will become the ultimate parent company of the OpCos; (d) the LPR Canada Shareholders and the Arsenal Shareholders will be issued NewCo Shares; and (e) all outstanding LPRI Shares will be cancelled for no consideration pursuant to the Merger. On completion of the Arrangement, NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos.

The description of the Arrangement in this Circular is a summary only and is qualified in its entirety by reference to the full text of the Arrangement Agreement, the Plan of Arrangement and all appendices and schedules thereto. **Shareholders are strongly encouraged to read this Circular, including the Arrangement Agreement, the Plan of Arrangement and all appendices and schedules thereto in their entirety. Shareholders should consult their respective tax, legal and financial advisors.**

Background to the Arrangement

The terms of the Arrangement are the result of arm's length negotiations between LPR Canada and Arsenal and their respective advisors. The following is a summary of material events leading up to the negotiation of the Arrangement Agreement and the meetings, negotiations, discussions and actions of the applicable parties that preceded the execution of the Arrangement Agreement and the public announcement of the Arrangement.

Background in respect of LPR Canada

In early 2015, Lone Pine initiated a process to identify, examine and consider a range of strategic opportunities available to Lone Pine in response to current market conditions. The Lone Pine Board, and its strategic advisors, investigated various options to enhance Lone Pine Shareholder value, including the potential of a business combination transaction with Arsenal. The Arrangement is in furtherance of Lone Pine's strategic business plan and is the result of these strategic investigations.

Background in respect of Arsenal

Commodity prices began to deteriorate towards the end of the third quarter of 2014 and by the end of 2014, WTI was trading at less than U.S.\$60 per barrel. Commodity prices continued to deteriorate during 2015 with WTI trading below U.S.\$36 per barrel in December 2015 and below U.S.\$30 per barrel for periods in January 2016. The collapse of commodity prices, including the drop in forecast commodity prices, had various adverse effects on Arsenal including decreased cash flow from operations and a reduction of Arsenal's reserves values. On January 8, 2016, upon completion of its semi-annual review, Arsenal's borrowing base was established at \$40 million and Arsenal's credit facilities were amended to comprise a revolving syndicated facility of \$30 million, an operating line facility of \$10 million and a supplemental syndicated facility of \$15 million (the "**Supplemental Facility**"), with the Supplemental Facility due to be paid on or prior to May 26, 2016. Arsenal's borrowings at the time were estimated at \$51 million. On February 23, 2016, Arsenal's management met with its syndicate of bankers and was advised at such meeting that given the decline in oil and gas prices, Arsenal's borrowing base would likely be re-determined at a number closer to \$26 million. However, no official amendment to Arsenal's borrowing base was made at that time.

In response, Arsenal examined strategic and financial means to improve its capital structure. Arsenal took various proactive measures, including the suspension of its monthly dividend in the first quarter of 2016, a reduction of its G&A expenses, and a significantly reduced capital expenditure program for 2016. On February 1, 2016, Arsenal announced the marketing of selective asset dispositions, including some or all of its U.S. properties and various non-core Canadian properties. Arsenal also explored alternative debt refinancing opportunities as well as alternatives for equity financings. Unfortunately, no such financing alternatives were available to Arsenal on terms that were acceptable. Concurrently, Arsenal also explored potential corporate transactions.

On March 10, 2016, Arsenal's banking syndicate, in association with their appointed financial advisor, began the process of reviewing Arsenal's financial position and projections. On May 27, 2016, Arsenal announced the closing of the sale of all of its oil and natural gas properties located in the United States for a sales price of U.S.\$34 million, the proceeds of which were used to pay down its bank credit facilities. Following the completion of the sale, Arsenal had repaid approximately \$70 million of bank indebtedness over an 18 month period and estimated its then current debt at \$11.7 million.

On June 2, 2016, Arsenal announced that it had entered into an amending agreement with its syndicate of bankers pursuant to which its borrowing base was further reduced to \$6 million. At the time Arsenal estimated that its outstanding bank borrowings were approximately \$9.3 million. Arsenal was given until June 30, 2016 to cure the shortfall and until August 31, 2016 to repay all outstanding bank indebtedness. In addition, in accordance with the amending agreement, Arsenal was required to: (i) appoint a Chief Restructuring Officer ("**CRO**"); and (ii) to pay \$130,000 in bank fees. Additionally, the interest rate applicable to all of Arsenal's borrowing was increased by 200 basis points. Arsenal concurrently announced that it had entered into letters of intent with two potential purchasers to sell additional oil and gas assets for gross proceeds of \$12.0 million, which sales closed on June 24, 2016 and June 28, 2016, respectively, the proceeds of which were used to repay all of Arsenal's bank borrowings. On June 29, 2016 Arsenal closed its interest rate swap and on June 30, 2016 was able to release the CRO. By June 30, 2016, Arsenal had repaid all of its bank debt and the only amount owing at the time to its lenders were those amounts under its 2016 crude swap contracts.

Background to the Arrangement

On April 28, 2016, a representative of Lone Pine contacted Arsenal on an unsolicited basis with respect to pursuing a corporate transaction with Arsenal. On the same day, Arsenal entered into a confidentiality agreement with Lone Pine

as well as with a public company ("**PubCo**") that had also approached Arsenal regarding a potential corporate transaction. On May 5, 2016, Arsenal received a proposal from NBF to serve as financial advisor should Arsenal wish to pursue any strategic alternatives and on May 9, 2016 the Arsenal Board met to discuss the potential transactions with Lone Pine and PubCo. On May 13, 2016 Arsenal received letters of intent from each of Lone Pine and PubCo. From late April, 2016 until the execution of the first letter of intent, as discussed below, Arsenal also met with a number of financial advisors regarding other potential corporate transactions and was taking steps to actively pursue other strategic alternatives. On May 16, 2016, NBF gave a presentation to the Arsenal Board in respect of the two proposed corporate transactions, including in respect of the financial metrics of each. At such meeting the Arsenal Board authorized management to pursue a corporate transaction with PubCo and approved the execution of the letter of intent with PubCo.

On May 25, 2016, PubCo terminated the letter of intent in accordance with its terms and Arsenal entered into the letter of intent with Lone Pine, which provided that Arsenal and Lone Pine, on a non-binding basis, would pursue a business combination transaction. The Arsenal Board then convened on June 1, 2016 to consider the proposal from Lone Pine and received presentations from each of NBF and the senior officers of Arsenal. The Arsenal Board discussed at length, among other matters, Arsenal's current circumstances and go-forward strategic considerations, including the implications and risks of continuing on its own, and the implications and risks of pursuing the Arrangement. The status of Arsenal's semi-annual review of its credit facilities was discussed in detail and the favourable solution that the proposal would provide for various stakeholders, if completed, including the strength of a combined larger entity, the negotiation of new credit facilities and a higher Licensee Liability Rating with the Alberta Energy Regulator. Following the deliberations and discussions held at the meeting of the Arsenal Board, the Arsenal Board authorized Arsenal to continue working with LPR Canada to negotiate a definitive agreement in respect of the corporate transaction.

Between May 25, 2016 and June 23, 2016, with the assistance of their respective legal and financial advisors, as applicable, each of Arsenal and LPR Canada continued to conduct their due diligence reviews and the parties negotiated the definitive terms of the Arrangement Agreement and related documentation. The due diligence reviews included: (a) information concerning the business, operations, property, assets, financial conditions, operating results and the prospects of each of Arsenal and LPR Canada; (b) historical information regarding the trading price and volumes of the Arsenal Shares; (c) current and prospective industry, economic and market conditions and trends affecting Arsenal and LPR Canada; (d) the financial position of combined entity especially in the face of possible continued volatility in commodity prices and its ability to fund its ongoing operations, in light of the capital expenditures required in connection therewith and the ability of the combined entity to fund such capital expenditures; (e) the expected benefits of the proposed Arrangement for Arsenal, LPR Canada and their stakeholders, and the combined entity following the completion of the proposed Arrangement; (f) the risks associated with the completion and non-completion of the proposed Arrangement; and (g) the specific terms of the draft Arrangement Agreement.

On June 7, 2016, the Arsenal Board met to authorize the appointment of NBF to act as its financial advisor in respect of the proposed corporate transaction with LPR Canada and to provide the Arsenal Board with an opinion as to whether the proposed terms of the Arrangement were fair, from a financial point of view, to Arsenal and the Arsenal Shareholders. The appointment was subject to the approval of the banking syndicate. From June 7, 2016 to June 22, 2016, the Arsenal Board received regular updates from management of Arsenal in respect of the ongoing due diligence, the negotiations in respect of the terms of the definitive agreement between the parties, the most recent discussions between management of Arsenal and LPR Canada and the status of the pending Canadian property sales.

On June 21, 2016, Arsenal's lenders approved the appointment of NBF as Arsenal's financial advisor in respect of the Arrangement, and Arsenal executed an engagement letter with NBF in connection therewith.

On June 22, 2016, the Arsenal Board met with its legal and financial advisors to review in detail the terms and conditions of the proposed Arrangement Agreement, the Support Agreements and other related matters and to receive a presentation from management on the results of the due diligence that had been conducted on LPR Canada. Arsenal's legal advisors advised the Arsenal Board in respect of its fiduciary duties, specifically in the context of the Arrangement Agreement. Management also provided an overview of Arsenal's current and proposed operations and strategic considerations regarding the Arrangement, as well as a detailed analysis of the operations of LPR Canada, valuation metrics and other relevant analysis and considerations. At the meeting, NBF provided the Arsenal Board

with its detailed financial analysis and advice in respect of Arsenal, LPR Canada and the proposed Arrangement and, following the meeting, on June 23, 2016, NBF delivered its verbal opinion that, as at June 23, 2016 and subject to the review of the final form of definitive documents, the consideration to be received by Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Arsenal and the Arsenal Shareholders. Following further deliberations, based, in part again on the advice and analysis provided by NBF the Arsenal Board unanimously: (a) determined that the Arrangement is in the best interests of Arsenal and the Arsenal Shareholders; (b) determined that the consideration to be received by Arsenal Shareholders pursuant to the Arrangement is fair to the Arsenal Shareholders; (c) approved the Arrangement and the entering into of the Arrangement Agreement; and (d) resolved to recommend that Arsenal Shareholders vote in favour of the Arrangement Resolution.

The LPR Canada Board met on June 13, 2016 to review the draft terms of the Arrangement Agreement and on June 23, 2016 after close of markets, Arsenal and LPR Canada entered into the Arrangement Agreement, the Arsenal Support Agreements and the LPR Canada Support Agreements. A news release announcing the Arrangement was issued by Arsenal on June 24, 2016 before markets opened. Arsenal and LPR Canada entered into the amended and restated Arrangement Agreement on August 2, 2016 dated effective June 23, 2016 to reflect updated timelines for the Arrangement and to update the mechanics of the business combination transaction.

NBF delivered the written Fairness Opinion, and on August 5, 2016 the Arsenal Board approved this Circular and the mailing thereof to Arsenal Shareholders and confirmed its determination and recommendations as made on June 23, 2016, following the June 22, 2016 meeting. The LPR Board approved this Circular and the mailing thereof to LPR Canada Shareholders and confirmed its determination and recommendations as made at the July 28, 2016 meeting of the LPR Canada Board.

Effect of the Arrangement

General

On completion of the Arrangement, LPR Canada Shareholders and Arsenal Shareholders (including holders of Arsenal Shares issued upon the settlement of outstanding Arsenal Share Awards immediately prior to the Effective Time) will receive NewCo Shares, and NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos.

It is anticipated that the Arrangement will be completed on or about September 12, 2016, if the requisite securityholder approvals, court approval, TSX approvals and required governmental and regulatory approvals are obtained, and subject to the satisfaction or waiver of the other conditions to the completion of the Arrangement.

On completion of the Arrangement, former Lone Pine Securityholders and any person to whom Lone Pine (or any subsidiary of Lone Pine) may have committed to grant or cause to be granted Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine or of NewCo will hold an aggregate of 77% of the outstanding NewCo Shares and former Arsenal Shareholders will hold an aggregate of 23% of the outstanding NewCo Shares, in each case calculated on a fully-diluted basis. For the purposes of calculating such percentages, the number of NewCo Shares held by former Lone Pine Securityholders includes:

- a. NewCo Shares issued to former Lone Pine Shareholders in exchange for their LPR Canada Shares;
- b. NewCo Shares issuable on settlement of the Replacement Lone Pine RSUs granted by NewCo pursuant to the Arrangement; and
- c. NewCo Shares issuable in respect of the 2016 NewCo Awards.

Former LPRI Shareholders will not hold any NewCo Shares following completion of the Arrangement and the issuance of NewCo Shares following completion of the Arrangement in connection with the settlement, exercise or vesting of Replacement Lone Pine RSUs and 2016 NewCo Awards will not modify the aggregate proportionate holdings of NewCo Shares as between former Lone Pine Securityholders and the additional persons described above, on the one hand, and former Arsenal Securityholder, on the other, as noted above.

For greater certainty, the 77% of NewCo Shares and 23% of NewCo Shares anticipated to be held respectively by former LPR Canada Securityholders and certain additional persons described above, on the one hand, and former Arsenal Securityholders, on the other, on completion of the Arrangement, is calculated on the basis of fully-diluted share capital of 100,000,000 NewCo Shares, meaning that immediately after Closing: (a) an aggregate of 97,730,618 NewCo Shares will be issued and outstanding, of which 74,730,618 NewCo Shares will be held by former LPR Canada Shareholders and 23,000,000 NewCo Shares will be held by former Arsenal Securityholders; and (b) 2,269,382 NewCo Shares will be issuable on: (i) settlement of the Replacement Lone Pine RSUs, of which 1,165,294 will be settled the 15th Business Day following Closing and 217,033 will vest on January 31, 2017 and subsequently be settled; and (ii) exercise or settlement of the 2016 NewCo Awards. In addition, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. As the number of NewCo Shares reserved for issuance under the NewCo Incentive Plans is based on a percentage of the issued and outstanding NewCo Shares from time to time, the number of NewCo Shares reserved for issuance thereunder will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards. See "*Part I – The Arrangement – Effect of the Arrangement – Approval of the NewCo Incentive Plans*".

It is anticipated that the NewCo Options forming part of the 2016 NewCo Awards will be exercisable for NewCo Shares for a five-year term, at an exercise price per share equal to the volume-weighted average trading price of the NewCo Shares on the TSX for the five (5) trading days preceding the date of grant. The 2016 NewCo Awards are anticipated to be granted on the tenth trading day following completion of the Arrangement. See *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Arsenal Shares are currently listed on the TSX under the symbol "AEI". It is expected that the Arsenal Shares will be delisted from the TSX on completion of the Arrangement. There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date of this Circular, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans, and there is no certainty that the TSX will approve such listing, conditionally or otherwise, or, if approved, as to the timing of the listing of the NewCo Shares for trading through the facilities of the TSX. If listing approval is ultimately obtained, trading in the NewCo Shares is expected to commence concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter. Approval of the listing of the NewCo Shares may include requiring that all securities of NewCo held by principals of NewCo be subject to escrow under escrow agreements administered by the TSX in accordance with NP 46-201. See "*Part I - Stock Exchange listing Matters*".

On completion of the Arrangement, NewCo is anticipated to have production of over 4,000 boe/d (approximately 71% oil and liquids), proved plus probable reserves of 18.7 MMboe (net) as of December 31, 2015, and a \$55 million credit facility. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Effect on Lone Pine Securityholders

Pursuant to the Arrangement, each LPR Canada Shareholder will receive NewCo Shares at an exchange ratio of 0.5544092 NewCo Share for each LPR Canada Common Share then held and 0.8117105 NewCo Share for each LPR Canada Preferred Share then held. For the purposes of determining the number of NewCo Shares to be issued in respect of each LPR Canada Share, the LPR Canada Preferred Shares were valued as if each such share had notionally converted to a LPR Canada Common Share based on the "Accretion Rate" of the LPR Canada Preferred Shares (within the meaning of the share terms governing such shares).

Pursuant to the Merger under Section 251 of the DGCL, DESub will be merged with and into LPRI, the separate existence of DESub shall cease, and LPRI as the surviving corporation will be a wholly-owned subsidiary of NewCo and continue to exist under the laws of the State of Delaware. All outstanding LPRI Shares will be cancelled for no consideration pursuant to the Merger, and the outstanding shares of common stock of DESub will be converted into shares of common stock of the surviving corporation.

Cancellation of the LPRI Shares under the Merger as proposed is, in the context of the broader transaction contemplated by the Arrangement, a corollary of the nominal value of the LPRI Shares in relation to the corresponding LPR Canada Shares. Any issuance of NewCo Shares in respect of the LPRI Shares that was based on a proportionate value attribution would involve fractional interests that would, under the Arrangement terms, be cancelled.

See under the headings "*Lone Pine*" and "*Description of Share Capital*" in *Appendix G – Information Concerning Lone Pine*.

Although the Arrangement provides for cancellation of the LPRI Shares pursuant to the Merger, holders thereof (or their affiliates or related parties, as applicable) will participate in the benefits of the overall transaction provided for under the Arrangement and receive consideration thereunder in their respective capacities as holders of corresponding LPR Canada Shares, through the conversion or exchange of the LPR Canada Shares for NewCo Shares pursuant to the other steps of the Arrangement, and their ongoing equity interest, as holders of such NewCo Shares, in the combined undertakings of LPR Canada, LPRI and Arsenal, which will be subsidiaries of NewCo following completion of the Arrangement.

Pursuant to the Arrangement, each LPR Canada Incentive Award that is outstanding at the effective time specified in the Plan of Arrangement shall be terminated and cancelled in exchange for a Replacement Lone Pine RSU on substantially the same terms and conditions as are applicable to the LPR Canada Incentive Award (including with respect to vesting), with NewCo as obligor under the Replacement Lone Pine RSUs in the place of LPR Canada with respect to the Replacement Lone Pine RSUs, except that: (a) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Preferred Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement Lone Pine RSU, the NewCo Share Consideration with respect to each LPR Canada Preferred Share; (b) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Common Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement Lone Pine RSU, the NewCo Share Consideration with respect to each LPR Canada Common Share; (c) a former holder of LPR Canada Incentive Awards shall not be entitled to receive, on the settlement and redemption of Replacement Lone Pine RSUs issued in exchange therefor, any shares in the capital stock of LPRI; (d) each Replacement Lone Pine RSU issued under the Arrangement in respect of a LPR Canada Incentive Award that vested in accordance with its terms prior to the Effective Time shall be settled and redeemed on the 15th Business Day following the Effective Date through the issuance by NewCo of the applicable NewCo Share Consideration; and (e) each Replacement Lone Pine RSU issued under the Arrangement in respect of a LPR Canada Incentive Award that was not vested in accordance with its terms prior to the Effective Time shall be settled and redeemed within fifteen (15) days of the vesting date for that Replacement Lone Pine RSU, through the issuance by NewCo of the applicable NewCo Share Consideration.

The LPR Canada Shares reserved for issuance under the LPR Canada Incentive Plan will be reduced to zero.

See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Effect on the Arsenal Securityholders

Pursuant to the Arrangement, Arsenal Shareholders will receive 1.1417218 NewCo Shares for each Arsenal Share then held. All outstanding Arsenal Options will be terminated.

Each Arsenal Option that is outstanding at the Effective Time will be surrendered to Arsenal and terminated for nominal consideration pursuant to the terms of the Option Termination and Share Award Settlement Agreements. In

connection with the Arrangement, all Arsenal Share Awards shall, as contemplated by the terms of the Arsenal Share Award Plan, vest and be settled by Arsenal effective as of 11:59 p.m. on the day immediately prior to the Effective Date (but conditional upon the Arrangement thereafter becoming effective on the Effective Date), through the issuance of Arsenal Shares from treasury. No cash payments will be made by Arsenal in respect of the settlement of Arsenal Share Awards. The Arsenal Incentive Plans will be terminated and cease to exist at the time specified in the Plan of Arrangement.

See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Approval of the NewCo Incentive Plans

Subject to obtaining requisite shareholder approvals, on completion of the Arrangement, NewCo will adopt the NewCo Incentive Plans. Pursuant to the rules of the TSX, at the Meetings, Lone Pine Shareholders and Arsenal Shareholders will be asked to approve a resolution authorizing and approving the adoption by NewCo of the NewCo Incentive Plans and the reservation for issuance thereunder at any time of a maximum of 8% of the issued and outstanding NewCo Shares from time to time. The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to its NewCo Shares to be received in connection with the Arrangement. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of each NewCo Incentive Plans is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

See *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans* for a description of each NewCo Incentive Plans and the text of the NewCo Incentive Plan Resolution.

Post-Arrangement Structure

On completion of the Arrangement, NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos. See "*Part I – Arrangement Steps*". See also *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*, for a diagram illustrating the organizational structure of NewCo immediately following completion of the Arrangement.

Reasons for, and Anticipated Benefits of, the Arrangement

In the course of its evaluation of the Arrangement, each of the Lone Pine Boards and the Arsenal Board consulted with their respective senior management, financial advisors and legal counsel, as applicable, reviewed a significant amount of information and considered a number of factors, including, but not limited to, the following:

1. *Acquisition of Additional Production.* The Arrangement advances Lone Pine's Canadian expansion by resulting in a combined company with approximately 4,000 boe/d comprised of approximately 71% oil and liquids and 29% natural gas.
2. *Access to Credit.* The Arrangement is expected to provide NewCo with access to a senior secured credit facility of \$55 million backed by two Canadian chartered banks following completion of the Arrangement.

3. *Access to Development Plays.* The Arrangement is expected to provide NewCo with access to expanded participation in emerging development-play opportunities.
4. *Access to Capital.* Following completion of the Arrangement, NewCo is expected to have greater access to capital than would be available to Lone Pine or Arsenal separately.
5. *Available Tax Pools.* It is expected that the OpCos will in aggregate have combined Canadian federal income tax pools of approximately \$225 million, plus Canadian federal income tax non-capital loss carry-forwards in the amount of \$264 million.
6. *Market for the NewCo Shares.* It is a condition of the Closing of the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. There is no assurance that NewCo will satisfy the original listing requirements of the TSX, or as to the timing or receipt of TSX listing approval; however, if listing is ultimately obtained, trading in the NewCo Shares to be issued to LPR Canada Shareholders and Arsenal Shareholders, including the NewCo Shares reserved for issuance under the NewCo Incentive Plans, will be freely tradable on the TSX, unless subject to escrow conditions. See "*Part I – Stock Exchange Listing Matters*".
7. *Benefits from Synergies.* Lone Pine and Arsenal expect that NewCo will deliver cost savings through operating synergies. Lone Pine and Arsenal expect cost savings to come from optimizing business practices, improving logistics and realizing efficiencies in overlapping operations. In addition, Lone Pine and Arsenal expect NewCo to benefit from capital efficiencies through capital reallocation opportunities, including through improved project design and sequencing, the elimination of redundant spending and by targeting capital budgets to high priority projects. Equally important, but less quantifiable, anticipated benefits include balancing of short/long commodity positions, application of project and operating experience to a broader pool of assets and improved use of infrastructure.
8. *Tax Deferral.* In general, Holders who exchange their LPR Canada Shares or Arsenal Shares, as applicable, for NewCo Shares pursuant to the Arrangement will be considered to have disposed of such LPR Canada Shares or Arsenal Shares, as applicable, on a tax-deferred basis for Canadian federal income tax purposes.
9. *Likelihood of the Arrangement Being Completed.* The likelihood of the Arrangement being completed is considered by each of the Lone Pine Boards and the Arsenal Board to be high in light of the absence of significant closing conditions outside the control of either or both of Lone Pine and/or Arsenal, other than obtaining the applicable approval of Lone Pine Securityholders and Arsenal Securityholders at the Meetings, the approval by the Court of the Arrangement and other regulatory and stock exchange approvals.

There is a risk that Lone Pine and Arsenal may not realize the anticipated benefits of the Arrangement. See "*Part I – Risk Factors*". In addition, the risk factors relating to Arsenal and Lone Pine, including risk factors related to the amount of Lone Pine's tax pools, will continue to apply to NewCo. See *Appendix G – Information Concerning Lone Pine* and Arsenal's AIF under the heading "*Risk Factors*".

Arrangement Steps

The following summarizes the steps that will occur under the Plan of Arrangement on the Effective Date if all conditions to the completion of the Arrangement have been satisfied or waived. The following description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement attached as Schedule A to the Arrangement Agreement, which is attached as Schedule E to this Circular.

Commencing at the Effective Time, the events and transactions set out below shall occur and be deemed to occur, except as otherwise stated, sequentially in five (5) minute increments, in the following order, without any further act or formality required on the part of any person:

1. *Termination of Arsenal Shareholder Rights Plan.* The second amended and restated rights agreement dated as of June 18, 2015 between Arsenal and Alliance, as rights agent, shall terminate and cease to have any force or effect, and any and all rights issued thereunder shall terminate and be cancelled for no consideration;
2. *Termination of Arsenal Incentive Awards.* The Arsenal Incentive Plans shall terminate and cease to have any force or effect, and all Arsenal Incentive Awards outstanding at the Effective Time shall terminate and be cancelled for no consideration;
3. *Exchange of LPR Canada Shares for NewCo Shares by Canadian Holders and by Dissenting LPR Canada Shareholders.*
 - (a) Each LPR Canada Preferred Share held by a Canadian Holder and/or by a Dissenting LPR Canada Shareholder shall be simultaneously transferred to and acquired by NewCo (free and clear of any encumbrances), and such former holder shall be issued and entitled to receive from NewCo, with respect to each LPR Canada Preferred Share, 0.8117105 of a NewCo Share; and
 - (b) Each LPR Canada Common Share held by a Canadian Holder and/or by a Dissenting LPR Canada Shareholder shall be simultaneously transferred to and acquired by NewCo (free and clear of any encumbrances), and such former holder shall be issued and entitled to receive from NewCo, with respect to each LPR Canada Common Share, 0.5544092 of a NewCo Share;
4. *Merger of LPRI and DESub.* Subject to the Merger having become effective in accordance with the Merger Agreement, the DGCL and other applicable laws of the State of Delaware, and concurrently with the time on the Effective Date at which the Merger becomes effective (the "**Merger Time**"), NewCo shall cause DESub to perform its obligations under the Merger Agreement and proceed to complete the remaining transactions provided for in Section 2.4 of the Plan of Arrangement, in accordance with the terms and conditions of the Plan of Arrangement, and following the completion thereof, LPRI will be a wholly-owned subsidiary of NewCo;
5. *Amalgamation of LPR Canada and ABSub.* Simultaneously with the Merger Time, LPR Canada and ABSub shall amalgamate and continue as one corporation under the ABCA as "Lone Pine Resources Canada Ltd." ("**LPR AmalCo**"). On the amalgamation, the outstanding LPR Canada Class C Multiple Voting Share held by LPRI immediately before the amalgamation will be converted into the Class B multiple voting share of LPR AmalCo to be held by LPRI. Persons that were LPR Canada Shareholders (other than NewCo) immediately prior to the amalgamation shall be entitled to be issued from NewCo, for each LPR Canada Common Share held immediately before the amalgamation, 0.8117105 of a NewCo Share, and for each LPR Canada Preferred Share held immediately before the amalgamation and 0.5544092 of a NewCo Share for each LPR Canada Common Share held immediately before the amalgamation. Each outstanding common share of ABSub, all of which are owned by NewCo immediately before the amalgamation, shall be converted into one (1) common share of LPR AmalCo such that LPR AmalCo will be a direct and indirect wholly-owned subsidiary of NewCo;
6. *Treatment of Dissenting LPR Canada Shareholders.* The NewCo Shares received by any Dissenting LPR Canada Shareholder will be cancelled immediately following the amalgamation of LPR Canada and ABSub and each Dissenting LPR Canada Shareholder will cease to have any rights as a holder of NewCo Shares and will have only the right to be paid by NewCo, of an amount equal to the fair value of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder at the Effective Time;
7. *Exchange of LPR Canada Incentive Awards for Replacement Lone Pine RSUs.* Each LPR Canada Incentive Award that is outstanding at the Effective Time, shall be terminated and cancelled in exchange solely for a Replacement Lone Pine RSU;
8. *Exchange of Arsenal Shares for NewCo Shares.* Each Arsenal Share (including those held by Dissenting Arsenal Shareholders) shall be, and shall be deemed to be, simultaneously transferred to and acquired by NewCo (free and clear of any encumbrances), and the former holder thereof shall be issued by and entitled to receive from NewCo, for each Arsenal Share transferred, 1.1417218 NewCo Shares; and

9. *Treatment of Dissenting Arsenal Shareholders.* The NewCo Shares received by any Dissenting Arsenal Shareholder will be cancelled immediately following the exchange of Arsenal Shares for NewCo Shares and each Dissenting Arsenal Shareholder will cease to have any rights as a holder of NewCo Shares and will have only the right to be paid by NewCo, of an amount equal to the fair value of the Arsenal Shares held by the Dissenting Arsenal Shareholder at the Effective Time.

The full text of the Plan of Arrangement is attached as Schedule A to the Arrangement Agreement, a copy of which is attached as Appendix E to this Circular.

Material Terms of the Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement and the Plan of Arrangement attached thereto. The Arrangement Agreement contains covenants, representations and warranties of and from each of the parties thereto and various conditions precedent, both mutual and with respect to each party thereto. The following summary of certain material provisions of the Arrangement Agreement is qualified in its entirety by the text of the Arrangement Agreement, a copy of which is attached as Appendix E to this Circular and reference is made to the full text thereof. You are encouraged to read the Arrangement Agreement and Plan of Arrangement in their entirety.

The Arrangement Agreement provides that NewCo will directly or indirectly acquire all of the outstanding Lone Pine Shares and all of the outstanding Arsenal Shares and Lone Pine Shareholders and Arsenal Shareholders will become holders of NewCo Shares by way of the Plan of Arrangement under Section 193 of the ABCA and a merger pursuant to Section 251 of the DGCL, pursuant to which, on the Effective Date, on the terms and subject to the conditions contained in the Plan of Arrangement, Arsenal Shareholders and LPR Canada Shareholders (other than Shareholders who validly exercise Dissent Rights) will receive the NewCo Share Consideration.

Arsenal Covenant Regarding Non-Solicitation

Under the Arrangement Agreement, Arsenal covenants and agrees that, during the period from the date of the Arrangement Agreement until the earlier of: (a) the Effective Time; or (b) the date that the Arrangement Agreement is terminated, except with the written consent of LPR Canada or as otherwise expressly permitted or specifically contemplated by the Arrangement Agreement:

1. Arsenal shall immediately cease and cause to be terminated all existing discussions and negotiations, if any, including, without limitation, through any of its Representatives (as defined in the Arrangement Agreement), with any person (other than LPR Canada and its Representatives) with respect to any Acquisition Proposal. Arsenal shall discontinue access to any of its confidential information and not allow or establish access to any of its confidential information, or any data room (virtual or otherwise) containing the same, and shall immediately request the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with Arsenal relating to an Acquisition Proposal. Arsenal shall not terminate, amend, release or waive, or forbear in the enforcement of, any provision of any confidentiality agreements with persons other than LPR Canada, including any "standstill" provisions thereunder, or enter into or participate in any discussions, negotiations or agreements to terminate, amend, release or waive, or forbear in respect of, any rights or other benefits under any confidentiality agreements. Arsenal shall specifically enforce all standstill, non-disclosure, non-solicitation and similar covenants of which it is a beneficiary;
2. Subject to paragraphs (3) and (4) below, Arsenal shall not, directly or indirectly, do or authorize or permit any of its Representatives to do any of the following:
 - (a) solicit, facilitate, initiate or encourage any Acquisition Proposal (including by furnishing any non-public information concerning Arsenal, or permitting any visit to any facilities or properties of Arsenal);
 - (b) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish or provide access to any non-public information with respect to Arsenal's business,

- properties, operations or condition (financial or otherwise) in connection with an Acquisition Proposal, or otherwise cooperate in any way with, or assist, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing;
- (c) release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including any "standstill" provisions thereunder;
 - (d) withdraw or change, or propose to withdraw or change, in any manner adverse to LPR Canada, the approval of the Arsenal Board of the Arrangement or the recommendation of the Arsenal Board that the Arsenal Shareholders vote in favour of the Arrangement; or
 - (e) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal, or publicly announce an intention to accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;
3. Notwithstanding the covenants described in paragraph (2) above, Arsenal and its Representatives may, prior to the Effective Date, enter into, or participate in, discussions or negotiations with a Person who seeks to initiate such discussions or negotiations and, subject to the entering into by such Person of a confidentiality agreement substantially similar to the Arsenal Confidentiality Agreement (as defined in the Arrangement Agreement), may furnish to such Person information concerning Arsenal and its business, properties and assets, in each case if, and only to the extent that:
- (a) such Person has first made a Superior Proposal; and
 - (b) at least one (1) Business Day prior to entering into or participating in any discussion or negotiations or furnishing information, Arsenal provides prompt notice to LPR Canada of the Superior Proposal and provides a copy of the Superior Proposal, or, if no written Superior Proposal has been received, a description of the material terms and conditions of the Superior Proposal and such other information as LPR Canada may reasonably request;
4. Arsenal shall promptly notify LPR Canada and in any event by 10:00 a.m. (Calgary time) on the day following the date on which it receives or becomes aware of any Acquisition Proposal (or a material amendment thereto) and include a copy of any written Acquisition Proposal (or amendment) or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of the Acquisition Proposal (including the identity of the person or persons making the Acquisition Proposal and the indicative consideration involved), together with a copy of any information provided by Arsenal to the person or persons making the Acquisition Proposal (if not previously provided to LPR Canada) and such other information as LPR Canada may reasonably request;
5. If Arsenal is in receipt of a Superior Proposal, it shall give LPR Canada, verbally and in writing, at least five (5) complete Business Days advance notice of any decision by the Arsenal Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Arsenal Directors have determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the Person making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such five (5) Business Day period, Arsenal agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, modify or change its recommendation in respect of the Arrangement or waive any provision of any standstill obligation with respect thereto. In addition, during such five (5) Business Day period Arsenal shall, and shall cause its financial and legal advisors to, negotiate in good faith with LPR Canada and its financial and legal advisors, to make such adjustments in the terms and conditions of the Arrangement Agreement as would enable Arsenal to proceed with the Arrangement as amended rather than the Superior Proposal. If LPR Canada proposes to amend the Arrangement Agreement to provide that the Arsenal Shareholders shall receive a value per share equal to or having a value greater than the value per share provided in the Superior Proposal and so advises the Arsenal Directors prior to the expiry of such five (5) Business Day period, the Arsenal Directors shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions and shall

not withdraw, modify or change their recommendation in respect of the Arrangement. For certainty, LPR Canada shall have no obligation to make or negotiate any changes to the Arrangement Agreement in the event that Arsenal receives a Superior Proposal. Each successive modification of any Superior Proposal shall constitute a new Superior Proposal for purposes of the requirement to initiate an additional three (3) Business Day notice period;

6. If required by LPR Canada, Arsenal shall, subsequent to the five (5) Business Day notice period contemplated by paragraph (5) above, reaffirm its recommendation of the Arrangement by press release promptly, and in any event, within two (2) Business Days of being requested to do so by LPR Canada, if: (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Arsenal Board determines that a proposed amendment to the terms of the Plan of Arrangement would result in an Acquisition Proposal no longer being a Superior Proposal; and
7. Arsenal shall ensure that its Representatives are aware of the non-solicitation provisions the Arrangement Agreement. Arsenal shall be responsible for any breach of the non-solicitation provisions of the Arrangement Agreement by its Representatives.

If: (a) the Arsenal Board accepts, recommends or approves, or Arsenal enters into an agreement to implement, a Superior Proposal; or, (b) a *bona fide* Acquisition Proposal (or intention to make one) is publicly announced, proposed, offered or made to Arsenal or to the Arsenal Shareholders prior to termination of the Arrangement Agreement, and after such Acquisition Proposal has been announced, proposed, offered or made the Arsenal Shareholders do not approve the Arrangement, the Arrangement is not submitted for their approval or the Arrangement is not otherwise completed in the manner contemplated in the Arrangement Agreement, and whether before or after termination of the Arrangement Agreement, such Acquisition Proposal, as originally proposed or subsequently amended, or any other Acquisition Proposal respecting Arsenal, is completed within 12 months of the date the first referenced Acquisition Proposal is announced, proposed, offered or made, the Arrangement Agreement may be terminated and Arsenal shall pay to LPR Canada the LPR Canada Termination Fee (as defined in the Arrangement Agreement), as liquidated damages.

LPR Canada agrees that all information that may be provided to it by Arsenal with respect to any Acquisition Proposal pursuant the non-solicitation covenants of the Arrangement Agreement shall be treated as if it were "Confidential Information" as that term is defined in the Arsenal Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Arsenal Confidentiality Agreement or in order to enforce its rights under the Arrangement Agreement in legal proceedings.

Conditions Precedent to the Arrangement

Mutual Conditions Precedent

The respective obligations of the parties to the Arrangement Agreement to consummate the transactions contemplated therein are subject to the satisfaction, on or before the Effective Time or such other time specified, of the following conditions:

1. the Interim Order shall have been granted on or before August 5, 2016, in form and substance satisfactory to LPR Canada and Arsenal, each acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to LPR Canada or Arsenal, acting reasonably, on appeal or otherwise;
2. the Merger Agreement shall have been entered into in form and substance satisfactory to LPR Canada and Arsenal, each acting reasonably;
3. the articles and by-laws of NewCo shall be satisfactory to LPR Canada and Arsenal, each acting reasonably;
4. the LPR Canada Arrangement Resolution shall have been approved by the LPR Canada Shareholders in accordance with the Interim Order;

5. the Final Order shall have been granted on or before September 15, 2016, in form and substance satisfactory to LPR Canada and Arsenal, each acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to LPR Canada or Arsenal, each acting reasonably, on appeal or otherwise;
6. the Effective Date shall be not later than September 16, 2016;
7. the terms and conditions of the Merger Agreement shall have been complied with;
8. the Articles of Arrangement to be sent to the Registrar in connection with the Arrangement shall be in form and substance satisfactory to LPR Canada and Arsenal, each acting reasonably;
9. the TSX shall have conditionally approved the listing of the NewCo Shares on terms and conditions satisfactory to LPR Canada and Arsenal, each acting reasonably;
10. on the Effective Date, each of LPR Canada and Arsenal shall be satisfied, acting reasonably, that the NewCo Shares issuable to the LPR Canada Shareholders and the Arsenal Shareholders, as applicable, pursuant to the Arrangement: (i) shall not be subject to any hold period, restricted period or seasoning period under Securities Laws (as defined in the Arrangement Agreement) that shall not have been satisfied on the Effective Date; (ii) shall have been conditionally accepted for listing on the TSX, subject only to the filing of customary post-closing documentation; (iii) shall not require registration under the U.S. Securities Act, whether on the basis of the exemption provided for in Section 3(a)(10) thereof or otherwise; and (iv) shall be issuable on a basis that is tax effective under the Tax Act for the LPR Canada Shareholders and the Arsenal Shareholders, as applicable;
11. if the transactions contemplated by the Arrangement Agreement are subject to pre-merger notification under Part IX of the *Competition Act* (Canada), the Competition Act Clearance (as defined in the Arrangement Agreement) shall have been obtained;
12. each of the directors and officers of Arsenal shall have entered into and delivered a mutual release in favour of Arsenal and LPR Canada, in form and substance satisfactory to LPR Canada, acting reasonably, with effect as of the Effective Time;
13. the lenders under the Credit Facilities (as defined in the Arrangement Agreement) shall have consented to the Arrangement on terms and conditions satisfactory to Arsenal and LPR Canada, each acting reasonably; and arrangements satisfactory to Arsenal and LPR Canada, each acting reasonably, shall have been made with the lenders (or affiliates thereof, as applicable) with respect to repayment of amounts outstanding under the Credit Facilities and termination or continuation of outstanding derivative instruments for which the Credit Facilities provide credit support, on the Effective Date or as the lenders (or such affiliates, as applicable) may otherwise agree;
14. all other required regulatory, governmental and third party authorizations, approvals or consents necessary under Applicable Laws (as defined in the Arrangement Agreement) and contractual arrangements in connection with completion of the Arrangement or any other transaction contemplated by the Arrangement Agreement shall have been obtained on terms and conditions satisfactory to Arsenal and LPR Canada, each acting reasonably;
15. holders of not more than 10% of the issued and outstanding Arsenal Shares, and not more than 10% of the issued and outstanding LPR Canada Shares, shall have validly exercised and not withdrawn Dissent Rights (if Dissent Rights are granted by the Court); and
16. no action shall have been taken under any Applicable Law, and no Applicable Law or Order (as defined in the Arrangement Agreement) shall have been enacted, made, promulgated, issued or amended, and no proceeding shall have been threatened or commenced by or before any Governmental Authority (as defined in the Arrangement Agreement), that: (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transaction contemplated by the Arrangement Agreement; or (ii)

results in any assessment of material costs or damages directly or indirectly relating to the Arrangement or any other transaction contemplated by the Arrangement Agreement.

The foregoing conditions are for the mutual benefit of the parties and may be waived, in whole or in part, by either party to the Arrangement Agreement at any time and from time to time without prejudice to any other rights which such party may have.

Conditions to the Obligations of Arsenal

The obligations of Arsenal to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Time or such other time specified, of the following conditions:

1. the representations and warranties made by LPR Canada in the Arrangement Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date, and except as affected by transactions contemplated or permitted by the Arrangement Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change (as defined in the Arrangement Agreement) or have a Material Adverse Effect (as defined in the Arrangement Agreement) in respect of LPR Canada or materially impede completion of the Arrangement, and LPR Canada shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying the same on behalf of LPR Canada;
2. LPR Canada shall have complied with its covenants in the Arrangement Agreement, except where the failure to have complied in all material respects with its covenants, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of LPR Canada or materially impede completion of the Arrangement, and LPR Canada shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying the same on behalf of LPR Canada;
3. LPR Canada shall have furnished Arsenal with certified copies of: (i) the resolutions duly passed by the LPR Canada Board approving the Arrangement Agreement and the consummation of the transactions contemplated hereby; and (ii) the LPR Canada Arrangement Resolution;
4. no Material Adverse Change in respect of LPR Canada shall have occurred on or after the date of the Arrangement Agreement and prior to the Effective Time;
5. immediately prior to the Effective Time, the Net Debt (as defined in the Arrangement Agreement) of LPR Canada shall not exceed the amount set out in LPR Canada's Disclosure Letter to the Arrangement Agreement, and LPR Canada shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer, or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying on behalf of LPR Canada the amount of Net Debt of LPR Canada at such time;
6. LPR Canada shall have delivered to Arsenal copies of the Lone Pine Support Agreements, and each Lone Pine Support Agreement shall be in full force and effect and the parties thereto shall have complied with their obligations thereunder;
7. no act or proceeding against or affecting LPR Canada shall have been threatened or instituted by or before any Governmental Authority, and no Applicable Law or Order shall have been enacted, made, promulgated, issued or amended, which in the sole judgment of Arsenal, acting reasonably, in either case has had or, if the Arrangement was completed, would result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or would materially impede completion of the Arrangement;

8. NewCo and Arsenal shall have entered into and delivered a mutual release in favour of each of the directors and officers of Arsenal, in form and substance satisfactory to Arsenal and LPR Canada, each acting reasonably, with effect as of the Effective Time; and
9. Arsenal shall be satisfied, acting reasonably, that adequate provision has been made for the payment of the Change of Control Payment amounts provided for in Section 2.9(h) of the Arrangement Agreement.

The foregoing conditions are for the benefit of Arsenal and may be waived by Arsenal in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Arsenal may have.

Conditions Precedent in Favour of Lone Pine

The obligations of LPR Canada to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

1. the representations and warranties made by Arsenal in the Arrangement Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date, and except as affected by transactions contemplated or permitted by the Arrangement Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or materially impede completion of the Arrangement, and Arsenal shall have provided to LPR Canada a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to LPR Canada, acting reasonably, certifying the same on behalf of Arsenal;
2. Arsenal shall have complied with its covenants in the Arrangement Agreement, except where the failure to have complied in all material respects with its covenants, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or materially impede completion of the Arrangement, and Arsenal shall have provided to LPR Canada a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to LPR Canada, acting reasonably, certifying the same on behalf of Arsenal;
3. Arsenal shall have furnished LPR Canada with certified copies of: (i) the resolutions duly passed by the Arsenal Board approving the Arrangement Agreement and the consummation of the transactions contemplated hereby; and (ii) the Arsenal Arrangement Resolution;
4. no Material Adverse Change in respect of Arsenal shall have occurred on or after the date of the Arrangement Agreement and prior to the Effective Time;
5. Arsenal shall not have: (i) disposed of any properties, other than its Princess West and Chauvin properties pursuant to the Excluded Dispositions (as defined in the Arrangement Agreement), in each case on terms and conditions consistent in all material respects with those set out in the Arsenal Disclosure Letter (or otherwise consented to in writing by LPR Canada); and (ii) sold its Chauvin property (or enter into any agreement providing therefor) otherwise than pursuant to the Excluded Dispositions on terms and conditions consistent in all material respects with those set out in the Arsenal Disclosure Letter (or otherwise consented to in writing by LPR Canada) and provided in any event that the net proceeds realized by Arsenal from the sale (or to be realized by Arsenal pursuant to completion of the sale in accordance with the agreement), after giving effect to any and all adjustments, shall be not less than \$7.7 million;
6. immediately prior to the Effective Time, the Net Debt of Arsenal shall not exceed the amount set out in the Arsenal Disclosure Letter, and Arsenal shall have provided to LPR Canada a certificate, signed by its chief executive officer and chief financial officer, or such other of its senior officers as may be acceptable to LPR Canada, acting reasonably, certifying on behalf of Arsenal the amount of Net Debt of Arsenal at such time;

7. total Closing Costs (as defined in the Arrangement Agreement) shall not exceed the amount set out in the Arsenal Disclosure Letter, and Arsenal shall have provided to LPR Canada a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to LPR Canada, acting reasonably, certifying on behalf of Arsenal the amount and composition of such Closing Costs;
8. no act or proceeding against or affecting Arsenal shall have been threatened or instituted by or before any Governmental Authority, and no Applicable Law or Order shall have been enacted, made, promulgated, issued or amended, which in the sole judgment of LPR Canada, acting reasonably, in either case has had or, if the Arrangement was completed, would result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or would materially impede completion of the Arrangement;
9. all outstanding Arsenal Incentive Awards shall have been exercised, surrendered for cancellation or otherwise dealt with to the satisfaction of LPR Canada, acting reasonably; and
10. Arsenal shall have delivered to LPR Canada copies of the Arsenal Support Agreements, and each Arsenal Support Agreement shall be in full force and effect and the parties thereto shall have complied with their obligations thereunder.

The foregoing conditions are for the benefit of LPR Canada and may be waived by LPR Canada in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which LPR Canada may have.

Notice and Effect of Failure to Comply with Conditions

Pursuant to the Arrangement Agreement, each party thereto shall give prompt notice to the other party of the occurrence, or failure to occur, at any time from the date of the Arrangement Agreement until the Effective Date, of any event or state of facts which occurrence or failure would, or would be likely to:

1. cause any of the representations or warranties of such party contained in the Arrangement Agreement to be untrue or inaccurate in any material respect; or
2. result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party to the Arrangement Agreement; provided, however, that no such notification shall affect the representations or warranties of the parties or the conditions to the obligations of the parties thereunder.

If any of the conditions precedent set out in the mutual conditions precedent, conditions to the obligations of LPR Canada or conditions to the obligations of Arsenal in the Arrangement Agreement will not be satisfied, complied with or waived by the party for whose benefit such conditions are provided on or before the date required for the satisfaction or performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate the Arrangement Agreement; provided that, prior to the filing of the Articles of Arrangement, the party intending to rely thereon has delivered a written notice to the other party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters that the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent; and provided, further, that the party intending to rely thereon shall provide in such notice that the other party shall be entitled to cure any breach of a covenant, representation and warranty or other matter within five (5) Business Days after receipt of such notice (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date (as defined in the Arrangement Agreement)). More than one (1) such notice may be delivered by a party to the Arrangement Agreement.

Termination

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

1. by mutual written consent of LPR Canada and Arsenal;
2. as provided for in the Arrangement Agreement with respect to the notice and effect of LPR Canada or Arsenal's failure to comply with the mutual conditions precedent, conditions precedent in favour of LPR Canada or conditions precedent in favour of Arsenal, as applicable, provided that the failure to satisfy the particular condition precedent being relied upon as a basis for termination did not occur as a result of a breach by the party seeking to rely thereon of any of its covenants or other obligations under the Arrangement Agreement;
3. by LPR Canada upon the occurrence of a Lone Pine Damages Event;
4. by Arsenal upon the occurrence of an Arsenal Damages Event; or
5. by Arsenal, upon the occurrence of a Lone Pine Damages Event pursuant to the Arsenal Board's decision to accept, recommend or approve a Superior Proposal, or act by Arsenal to enter into an agreement to implement a Superior Proposal, and the payment by Arsenal to Lone Pine of Lone Pine Termination Fee, provided that Arsenal has complied with its covenants regarding non-solicitation.

If the Arrangement Agreement is terminated, no party thereto shall have any liability or further obligation to the other thereunder, except with respect to the obligations set out with respect to: (a) agreements as to damages and other arrangements contained in Article 6 of the Arrangement Agreement and the general provisions contained in Article 8 of the Arrangement Agreement; and (b) each party's obligations under the Confidentiality Agreement (as defined in the Arrangement Agreement), which, in each case, shall survive such termination.

Payment of Break Fees

Arsenal Damages Events

If, at any time before the termination of the Arrangement Agreement (provided there is no material breach by LPR Canada of the Arrangement Agreement):

1. the Arsenal Board withdraws or changes any of its recommendations or determinations referred to in the Arrangement Agreement in a manner adverse to LPR Canada, or resolves to do so before the Effective Date, or has failed to publicly reaffirm its recommendation of the Arrangement when required to do so (unless LPR Canada is in breach of its obligations thereunder or there occurs a Material Adverse Change in respect of LPR Canada and the withdrawal or change relates to such breach or Material Adverse Change);
2. a *bona fide* Acquisition Proposal (or intention to make one) is publicly announced, proposed, offered or made to Arsenal or to the Arsenal Shareholders prior to termination of the Arrangement Agreement, and after such Acquisition Proposal has been announced, proposed, offered or made the Arsenal Shareholders do not approve the Arrangement, the Arrangement is not submitted for their approval or the Arrangement is not otherwise completed in the manner contemplated in the Arrangement Agreement, and whether before or after termination of the Arrangement Agreement, such Acquisition Proposal, as originally proposed or subsequently amended, or any other Acquisition Proposal respecting Arsenal, is completed within 12 months of the date the first referenced Acquisition Proposal is announced, proposed, offered or made;
3. the Arsenal Board accepts, recommends or approves, or Arsenal enters into an agreement to implement, a Superior Proposal;
4. Arsenal breaches any of its covenants or other obligations with respect to non-solicitation;

5. Arsenal breaches any of its covenants or other obligations in the Arrangement Agreement (other than those with respect to non-solicitation), which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Arsenal does not cure the breach within five (5) Business Days after receipt of written notice thereof from LPR Canada (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
6. Arsenal breaches any of its representations or warranties made in the Arrangement Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Arsenal does not cure the breach within five (5) Business Days after receipt of written notice thereof from LPR Canada (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date)

(each, a "**Lone Pine Damages Event**"),

then, if the Arrangement Agreement is terminated by LPR Canada upon the occurrence of a Lone Pine Damages Event or the acceptance of a Superior Proposal by Arsenal, Arsenal shall pay the sum of \$2,750,000 (or, in the event of a breach of paragraph 5 or 6 above, and provided that no other Lone Pine Damages Event has occurred, the sum of \$1,500,000) (the "**Lone Pine Termination Fee**") to LPR Canada in immediately available funds to an account designated by LPR Canada: (a) within two (2) Business Day after the first to occur of any one (1) of the Arsenal Damages Events contemplated by paragraphs 1, 2 and 3 above; or (b) in the case of paragraph 2 above, after such Acquisition Proposal is completed. Following a Lone Pine Damages Event, Arsenal shall be deemed to hold the Lone Pine Termination Fee in trust for LPR Canada. Arsenal shall only be obligated to pay the Lone Pine Termination Fee once.

Lone Pine Damages Events

If, at any time before the termination of the Arrangement Agreement pursuant to Article 7 thereof (provided there is no material breach by Arsenal of the Arrangement Agreement):

1. LPR Canada breaches any of its covenants or other obligations made in the Arrangement Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of LPR Canada, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and LPR Canada does not cure the breach within five (5) Business Days after receipt of written notice thereof from Arsenal (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
2. LPR Canada breaches any of its representations or warranties made in the Arrangement Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of LPR Canada, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and LPR Canada does not cure the breach within five (5) Business Days after receipt of written notice thereof from Arsenal (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date)

(each, an "**Arsenal Damages Event**"),

then, if the Arrangement Agreement is terminated pursuant by Arsenal upon the occurrence of an Arsenal Damages Event, LPR Canada shall pay the sum of \$1,500,000 (the "**Arsenal Termination Fee**") to Arsenal in immediately available funds to an account designated by Arsenal within two (2) Business Days after the first to occur of any one (1) of the Lone Pine Damages Events. Following an Arsenal Damages Event, LPR Canada shall be deemed to hold

the Arsenal Termination Fee in trust for Arsenal. LPR Canada shall only be obligated to pay the Arsenal Termination Fee once.

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA and Section 251 of the DGCL. The following procedural steps must be taken for the Arrangement to become effective:

1. the LPR Canada Arrangement Resolution must be approved by LPR Canada Shareholders and the holders of LPR Canada Incentive Awards at the LPR Canada Meeting in the manner required by applicable Laws and the Interim Order;
2. the Arsenal Arrangement Resolution must be approved by Arsenal Securityholders at the Arsenal Meeting in the manner required by applicable Laws and the Interim Order;
3. the LPRI Arrangement Resolution must be approved by the LPRI Shareholders at the LPRI Meeting in the manner required by applicable Laws;
4. the Arrangement must be approved by the Court and the Final Order obtained;
5. all conditions precedent to the Arrangement set out in the Arrangement Agreement must be satisfied or waived by the appropriate party; and
6. the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar and the Certificate of Merger must be filed with the Secretary of State for the State of Delaware.

Timing

If the Meetings are held as scheduled and are not adjourned and the other necessary conditions at that point in time are satisfied or waived, Lone Pine and Arsenal intend to jointly apply for the Final Order approving the Arrangement on September 9, 2016. If the Final Order is obtained on September 9, 2016 in form and substance satisfactory to Lone Pine and Arsenal, and all other conditions set out in the Arrangement Agreement, are satisfied or waived by the applicable parties, Lone Pine and Arsenal expect the Effective Date will be on or about September 12, 2016. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on September 9, 2016.

The Lone Pine Meetings

LPR Canada Meeting

The LPR Canada Meeting will be held at the offices of LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 at 9:30 a.m. (Calgary time) on September 8, 2016 for the purposes set out in the LPR Canada Notice of Meeting. The business of the LPR Canada Meeting will be to: (a) consider and vote upon the LPR Canada Arrangement Resolution; (b) consider and vote upon the NewCo Incentive Plan Resolution; and (c) transact such other business as may properly be brought before the LPR Canada Meeting or any adjournment thereof. See *Appendix A – LPR Canada Arrangement Resolution* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Lone Pine Record Date for the determination of LPR Canada Securityholders entitled to receive notice of, and to vote at, the LPR Canada Meeting is July 27, 2016. Only LPR Canada Securityholders whose names have been entered in the register of LPR Canada Shareholders and LPR Canada Incentive Awards at the close of business on the Lone Pine Record Date will be entitled to receive notice of and to vote at the Meeting. To the extent a LPR Canada

Shareholder transfers the ownership of any of its LPR Canada Shares after the Lone Pine Record Date and the transferee of those LPR Canada Shares establishes that it owns such LPR Canada Shares and requests, at least 10 days before the LPR Canada Meeting, that the transferee's name be included in the list of LPR Canada Shareholders entitled to vote at the LPR Canada Meeting, such transferee shall be entitled to vote such LPR Canada Shares at the LPR Canada Meeting.

LPRI Meeting

The LPRI Meeting will be held at the offices of LPRI at Suite 1100, 640 – 5th Avenue S.W., Calgary, Alberta, T2P 3G4) at 9:45 a.m. (Calgary time) on September 8, 2016, or as soon thereafter as the LPR Canada Meeting is completed, for the purposes set out in the LPRI Notice of Meeting. The business of the LPRI Meeting will be to: (a) consider and vote upon the LPRI Arrangement Resolution; and (b) transact such other business as may properly be brought before the LPRI Meeting or any adjournment thereof. See *Appendix B – LPRI Arrangement Resolution*.

Lone Pine Shareholder Approvals Required for the Arrangement

LPR Canada Approval

The LPR Canada Arrangement Resolution must be approved by not less than: (a) 66⅔% of the votes cast by the holders of LPR Canada Common Shares present in person or by proxy at the LPR Canada Meeting; (b) 66⅔% of the votes cast by the holders of LPR Canada Common Shares and the holders of LPR Canada Incentive Awards which entitle the holder thereof to be issued LPR Canada Common Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; (c) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares present in person or by proxy at the LPR Canada Meeting; and (d) 66⅔% of the votes cast by the holders of LPR Canada Preferred Shares and the holders of LPR Canada Incentive Awards which entitle the holder thereof to be issued LPR Canada Preferred Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting. Each LPR Canada Common Share shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Canada Common Share held. Each LPR Canada Preferred Share shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Preferred Share held. Each holder of LPR Canada Incentive Awards shall be entitled to vote with respect to the LPR Canada Arrangement Resolution on the basis of one vote for each LPR Canada Common Share and each LPR Canada Preferred Share issuable to such holder on the exercise or settlement of the LPR Canada Incentive Award, as applicable.

The NewCo Incentive Plans will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

Notwithstanding the foregoing, the LPR Canada Arrangement Resolution authorizes the LPR Canada Board, without further notice to, or approval of, the LPR Canada Securityholders, subject to the terms of the Arrangement Agreement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement or to revoke the LPR Canada Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See "*Part II – General Proxy Matters – Appointment and Revocation of Proxy*", *Appendix A – LPR Canada*

Arrangement Resolution and Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans.

LPRI Approval

The LPRI Arrangement Resolution must be approved by an affirmative vote of the majority of the votes entitled to be cast on the Merger. Effective as of July 27, 2016, the Lone Pine Record Date for the LPRI Meeting, each share of LPRI Class A Stock will carry the right to one (1) vote per share of LPRI Class A Stock and each share of LPRI Class B Stock will carry the right to approximately 1.269 votes per share of LPRI Class B Stock.

See *Appendix B – LPRI Arrangement Resolution*.

Recommendation of the Lone Pine Boards

The LPR Canada Board and the LPRI Board have each unanimously determined that the Arrangement is in the best interests of LPR Canada and LPRI, respectively, and their respective shareholders, and is fair to the LPR Canada Shareholders and the LPRI Shareholders, respectively.

The Lone Pine Boards unanimously recommend, respectively, that the LPR Canada Securityholders vote FOR the LPR Canada Arrangement Resolution, the LPR Canada Shareholders vote FOR the NewCo Incentive Plan Resolution and that the LPRI Shareholders vote FOR the LPRI Arrangement Resolution.

In reaching their respective conclusions and formulating their respective recommendations, each of the Lone Pine Boards considered a number of factors, including the expected benefits of the Arrangement, and the risks associated with completing the Arrangement, and the nature and extent of the ongoing ownership interest that the Lone Pine Securityholders will have in NewCo (and therefore the combined undertakings of LPR Canada, LPRI and Arsenal as subsidiaries of NewCo) following completion of the Arrangement. With respect to LPRI and the LPRI Shareholders, the LPRI Board also considered, among other things, the nominal value of the LPRI assets, the overlapping shareholder bases of LPRI and LPR Canada, and the participation by holders of LPRI Shares (or their affiliates or related parties, as applicable) in the benefits of the Arrangement in their respective capacities as holders of LPR Canada Shares.

The discussion of the information and factors considered and given weight by each of the Lone Pine Boards is not intended to be exhaustive. In reaching the determination to approve and recommend the LPR Canada Arrangement Resolution, the LPRI Arrangement Resolution and the NewCo Incentive Plan Resolution, as applicable, neither Lone Pine Board assigned any relative or specific weight to the factors that were considered, and LPR Canada Directors and LPRI Directors, as applicable, may have given a different weight to each factor.

Lone Pine Support Agreements

Certain LPR Canada Securityholders holding an aggregate of approximately 54% of the outstanding LPR Canada Common Shares, 69% of the outstanding LPR Canada Preferred Shares, 54% of the outstanding LPR Canada Incentive Awards pursuant to which LPR Canada Common Shares are issuable on exercise or settlement thereof and 52% of the LPR Canada Incentive Awards pursuant to which LPR Canada Preferred Shares are issuable on exercise or settlement thereof have entered into Support Agreements pursuant to which they agreed to vote all LPR Canada Securities that they beneficially own or exercise control or direction over in favour of the LPR Canada Arrangement Resolution, subject to the provisions of the Lone Pine Support Agreements. The obligations of each director, officer or other Lone Pine Securityholder under the Lone Pine Support Agreements shall automatically terminate on the termination of the Arrangement Agreement in accordance with its terms if the Arrangement is not completed by September 16, 2016 or such later date as may be agreed to by the parties or if the Arrangement is amended to decrease the consideration payable to the Lone Pine Securityholders under this Arrangement.

See "*Part I – Interests of Certain Persons or Companies*".

The Arsenal Meeting

The Arsenal Meeting will be held at the Calgary Petroleum Club, at 2:30 p.m. (Calgary time) on September 8, 2016 for the purposes set out in the Arsenal Notice of Meeting. The business of the Arsenal Meeting will be to: (a) consider and vote upon the Arsenal Arrangement Resolution; (b) consider and vote upon the NewCo Incentive Plan Resolution; and (c) transact such other business as may properly be brought before the Arsenal Meeting or any adjournment thereof. See *Appendix C – Arsenal Arrangement Resolution* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Arsenal Record Date for the determination of Arsenal Securityholders entitled to receive notice of, and to vote at, the Arsenal Meeting is July 25, 2016. Only Arsenal Securityholders whose names have been entered in the register of Arsenal Shareholders, holders of Arsenal Options and holders of Arsenal Share Awards at the close of business on the Arsenal Record Date will be entitled to receive notice of and to vote at the Arsenal Meeting. To the extent an Arsenal Shareholder transfers the ownership of any of its Arsenal Shares after the Arsenal Record Date and the transferee of those Arsenal Shares establishes that it owns such Arsenal Shares and requests, at least 10 days before the Arsenal Meeting, that the transferee's name be included in the list of Arsenal Shareholders entitled to vote at the Arsenal Meeting, such transferee shall be entitled to vote such Arsenal Shares at the Meeting.

Approval of Arsenal Shareholders Required for the Arrangement

The Arsenal Arrangement Resolution must be approved by not less than: (a) 66 $\frac{2}{3}$ % of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting; (b) 66 $\frac{2}{3}$ % of the votes cast by Arsenal Shareholders, the holders of Arsenal Share Awards and the holders of Arsenal Options, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (c) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting after excluding the votes cast in respect of the 1,980,219 Arsenal Shares (or 10.2% of the issued and outstanding Arsenal Shares) beneficially owned or controlled by persons whose votes may not be included under MI 61-101.

The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

Notwithstanding the foregoing, the Arsenal Arrangement Resolution authorizes the Arsenal Board, without further notice to or approval of Arsenal Shareholders, subject to the terms of the Arrangement Agreement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement or to revoke the Arsenal Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See Appendix C and Appendix K to this Circular for the full text of the Arsenal Arrangement Resolution and NewCo Incentive Plan Resolution, respectively.

Recommendation of the Arsenal Board

The Arsenal Board, and after consideration of other relevant matters, including the fairness opinion of NBF, has unanimously concluded that the Arrangement is in the best interests of Arsenal and is fair to the Arsenal Shareholders, and unanimously recommends that Arsenal Securityholders vote FOR the Arsenal Arrangement Resolution and that the Arsenal Shareholders vote FOR the NewCo Incentive Plan Resolution.

During the course of its deliberations and in arriving at its recommendations, the Arsenal Board reviewed, considered and discussed numerous factors in connection with the proposed Arrangement, including but not limited to:

- information concerning the business, operations, property, assets, financial condition, operating results and prospects of each of Lone Pine and Arsenal;
- current and prospective industry, economic and market conditions and trends affecting Lone Pine and Arsenal;
- other options available to Arsenal in respect of debt or equity financings or corporate transactions;
- the Fairness Opinion which concluded that as of the date of the Fairness Opinion, the consideration to be received by the Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders (see "*Part I – Arsenal Fairness Opinion*");
- the anticipated benefits of the Arrangement (see "*Part I – Reasons For, and Anticipated Benefits of, the Arrangement*");
- the risks and possible benefits associated with pursuing alternatives to the Arrangement including pursuing Arsenal's business plan on a stand-alone basis; and
- the risks associated with completion of the Arrangement.

In its review of the proposed terms of the Arrangement, the Arsenal Board also considered a number of elements of the transaction that provide protection to the Arsenal Shareholders:

- the Arsenal Arrangement Resolution must be approved by not less than: (i) 66⅔% of the votes cast by Arsenal Shareholders, present in person or by proxy at the Arsenal Meeting; (ii) 66⅔% of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (iii) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal meeting after excluding the votes not permitted to be included under MI 61-101;
- the Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the Arrangement is fair to the Arsenal Securityholders;
- under the Arrangement Agreement, the Arsenal Board retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement; and
- Arsenal Shareholders (including holders of Arsenal Shares issued upon settlement of Arsenal Share Awards prior to the Effective Time) will be granted the right to dissent with respect to the Arsenal Arrangement Resolution and receive the fair value of their Arsenal Shares through a court proceeding in which a court could determine that the fair value is more than, equal to, or less than the consideration under the Arrangement.

Arsenal Fairness Opinion

In connection with the evaluation by the Arsenal Board of the Arrangement, the Arsenal Board considered, among other things, the Arsenal Fairness Opinion. In addition to the delivery of the verbal Fairness Opinion provided to the Arsenal Board on June 23, 2016, the written Fairness Opinion states that as of June 23, 2016 and subject to the assumptions contained therein, the consideration to be received by Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders. The following summary of the Arsenal Fairness Opinion is qualified in its entirety by reference to the full text of the Arsenal Fairness Opinion, a copy of which is attached as Appendix F to this Circular. Arsenal Shareholders are urged to, and should, read the Arsenal Fairness Opinion in its entirety. The Arsenal Fairness Opinion is not a recommendation as to how Arsenal Shareholders should vote in respect of the Arsenal Arrangement Resolution. NBF provided the Fairness Opinion for the exclusive use of the Arsenal Board in connection with its consideration of the Arrangement, and the Fairness Opinion may not be relied upon by any other person without the express written consent of NBF.

Engagement

Pursuant to an engagement letter between Arsenal and NBF dated June 21, 2016, Arsenal engaged NBF to act as financial advisor to the Arsenal Board to assist in connection with the Arrangement and to, among other things, to provide the Arsenal Board with its opinion as to the fairness, from a financial point of view, of the consideration to be received by the Arsenal Shareholders pursuant to the Arrangement.

On June 23, 2016, NBF orally delivered the Arsenal Fairness Opinion to the Arsenal Board (subsequently confirmed in writing), which states that, in the opinion of NBF, as of June 23, 2016 and based on and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders.

NBF's Credentials

NBF is a leading Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Arsenal Fairness Opinion is the opinion of NBF and the form and content has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of the Opinion

The Arsenal Fairness Opinion does not address the relative merits of the Arrangement as compared to other business strategies or transactions that might be available with respect to Arsenal or Arsenal's underlying business decision to effect the Arrangement. The Arsenal Fairness Opinion does not address any terms of the Arrangement Agreement, or the Plan of Arrangement, except as specifically set out therein and only deals with the fairness, from a financial point of view as to the consideration received by Arsenal Shareholders.

NBF has not been engaged to prepare a Formal Valuation (as such term is defined in MI 61-101) of Arsenal or Lone Pine or a valuation of any of the respective securities or assets of Arsenal or Lone Pine and the Arsenal Fairness Opinion should be construed accordingly.

The full text of the Arsenal Fairness Opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations of the review undertaken by NBF in rendering the Arsenal Fairness Opinion, is attached as Appendix F to this Circular. The Arsenal Fairness Opinion was provided for the information and assistance of the Arsenal Board in connection with its consideration of the Arrangement. The Arsenal Fairness Opinion does not address the merits of the underlying decision by Arsenal to enter into the Arrangement Agreement or the Arrangement and does not constitute, nor should it be construed as, a recommendation to any Shareholder as to how such Shareholder should vote with respect to the LPR Canada Arrangement Resolution, the Arsenal Arrangement Resolution or any related matter.

Fees

Arsenal will pay fees to NBF in connection with its services, as financial advisor, including fees paid in respect of the delivery of the Fairness Opinion. The fees payable to NBF in connection with the delivery of the Arsenal Fairness Opinion are not contingent upon completion of the Arrangement. Arsenal has also agreed to reimburse NBF for certain expenses and to indemnify it against certain liabilities arising out of or in connection with its engagement.

Relationship with Interested Parties

NBF's controlling shareholder, a Canadian chartered bank (the "**Bank**"), was a syndicate member under Arsenal's syndicated Credit Facilities. The syndicated Credit Facilities were fully re-paid by Arsenal on June 28, 2016 and currently have a nil balance. NBF advised Arsenal independently of the Bank and did not consult the Bank in providing its services under its engagement with Arsenal.

As of the date of the Arsenal Fairness Opinion, other than the Bank's commitments under the Credit Facilities described above, there are no other understandings, agreements or commitments between NBF and Arsenal, Lone Pine or any of their respective associates or affiliates, with respect to any future business dealings. NBF may, in the future, as it has in the past, perform financial advisory or investment banking services for or participate in financings involving Arsenal or Lone Pine as the case may be.

NBF's affiliates, directors, officers and employees may have investments in Arsenal, Lone Pine and other participants in the Arrangement or the solicitation process or their respective affiliates, subsidiaries, investment funds and portfolio companies.

Arsenal Support Agreements

Certain Arsenal Securityholders, including all of the directors and officers of Arsenal, holding in the aggregate approximately: (a) 11.2% of the issued and outstanding Arsenal Shares; and (b) 34.5% of the outstanding Arsenal Incentive Awards, have entered into Support Agreements pursuant to which they agreed to vote all Arsenal Securities that they beneficially own or exercise control or direction over in favour of the Arsenal Arrangement Resolution, subject to the provisions of the Arsenal Support Agreements.

The obligations of each director, officer or other Arsenal Securityholder under the Arsenal Support Agreements shall automatically terminate on the termination of the Arrangement Agreement in accordance with its terms if the Arrangement is not completed by September 16, 2016 or such later date as may be agreed to by the parties or if the Arrangement is amended to decrease the consideration payable to the Arsenal Shareholders under this Arrangement.

Court Approvals

Interim Order

On August 2, 2016, the Court granted the Interim Order facilitating the calling of the LPR Canada Meeting and Arsenal Meeting and prescribing the conduct of the LPR Canada Meeting and the Arsenal Meeting and other matters. The Interim Order is attached as Appendix D to this Circular.

Final Order

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement is approved by LPR Canada Securityholders, LPRI Shareholders and Arsenal Securityholders at the Lone Pine Meetings and the Arsenal Meeting, respectively, in the manner required by the Interim Order, LPR Canada and Arsenal will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for September 9, 2016 at 11:00 a.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W.,

Calgary, Alberta. At the hearing, any LPR Canada Securityholders, LPRI Shareholders and Arsenal Securityholders or any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon LPR Canada and Arsenal a notice of intention to appear indicating whether such securityholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such securityholder or other interested party intends to advocate before the Court and any evidence or materials which such party intends to present to the Court, on or before noon (Calgary time) on August 31, 2016. Service of such notice shall be effected by service upon the solicitors for Lone Pine at Bennett Jones LLP, 4500, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower, and upon the solicitors for Arsenal at Borden Ladner Gervais LLP, at 1900, 520 – 3rd Ave S.W., Calgary, Alberta, T2P 0R3, Attention: David Madsen. See "*Notice of Originating Application*".

The Court has been advised that the Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act, pursuant to Section 3(a)(b) thereof, with respect to the issuance of securities pursuant to the Arrangement.

Each of Lone Pine and Arsenal have been advised by its counsel that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Lone Pine and Arsenal may determine not to proceed with the Arrangement.

Although there have been a number of judicial decisions considering Section 193 of the ABCA and applications to various arrangements, there have not been, to the knowledge of Lone Pine or Arsenal, any recent significant decisions which would apply in this instance. LPR Canada Securityholders and Arsenal Securityholders should consult with their legal advisors with respect to legal rights available to them in relation to the Arrangement.

Interests of Arsenal Directors and Executive Officers in the Arrangement

Except as described below, management of Arsenal is not aware of any material interest direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer of Arsenal or anyone who has held office as such since the beginning of Arsenal's last financial year or of any associate or affiliate of any of the foregoing in the Arrangement.

Arsenal Shares

As at August 5, 2016, the directors and executive officers of Arsenal and their associates and affiliates beneficially owned, controlled or directed, directly or indirectly, an aggregate of 2,204,544 Arsenal Shares (excluding Arsenal Shares underlying outstanding Arsenal Incentive Awards).

All of the Arsenal Shares held by such directors and executive officers of Arsenal and their associates and affiliates will be treated in the same manner under the Arrangement as Arsenal Shares held by any other Arsenal Shareholder. If the Arrangement is completed the directors and executive officers of Arsenal and their associates and affiliates will receive in exchange for such Arsenal Shares, an aggregate of 2,516,976 NewCo Shares.

The number of Arsenal Shares held by each individual director and executive officer and their respective associates and affiliates are set out in the table below under "*Summary of Interests of Directors and Executive Officers in the Arrangement*".

Arsenal Options and Arsenal Share Awards

As at August 5, 2016, the directors and executive officers of Arsenal held an aggregate of 147,334 Arsenal Options, none of which are anticipated to be in-the-money and all of which have vested and are exercisable.

As at August 5, 2016, the directors and executive officers of Arsenal held Arsenal Share Awards pursuant to which an aggregate of 399,877 Arsenal Shares will be issued upon settlement of such Arsenal Share Awards. The Arrangement will result in the acceleration of vesting of all unvested Arsenal Share Awards and all such Arsenal Share Awards will be settled by the issuance of Arsenal Shares immediately prior to the Effective Time.

It is anticipated that, prior to the Effective Date, all of the holders of Arsenal Incentive Awards will have entered into Option Termination and Share Award Settlement Agreements whereby they will, conditional upon the completion of the Arrangement: (i) agree to terminate all of their Arsenal Options for no additional consideration; (ii) acknowledge and agree to a payout multiplier of 1.0 in respect of the performance warrants comprising part of the Arsenal Share Awards; and (iii) acknowledge that the Arsenal Share Awards will vest and be fully settled at 11:59 p.m. on the day preceding the Effective Date, conditional on the completion of the Arrangement.

If the Arrangement is completed it is anticipated that the directors and executive officers of Arsenal will receive in exchange for all Arsenal Share Awards held by them, an aggregate of 456,548 NewCo Shares.

The Arsenal Options and Arsenal Share Awards held by each individual director and executive officer are set out in the table below under "*Summary of Interests of Directors and Executive Officers in the Arrangement*".

Lone Pine and NewCo Shares

As at August 5, 2016, the directors and executive officers of Arsenal held no securities of Lone Pine or NewCo.

Arsenal Employee Obligations

If the Arrangement is completed, it is anticipated that officers, employees and certain consultants of Arsenal will receive, in the aggregate, approximately \$1.8 million in severance in connection with the Arrangement. The severance to be received by each executive officer is set out in the table below under "*Summary of Interests of Directors and Executive Officers in the Arrangement*".

Employment Agreements with NewCo

It is anticipated that Mr. van Winkoop, the President and Chief Executive Officer of Arsenal, will enter into an employment agreement with NewCo, effective upon completion of the Arrangement, to serve as Vice President, Exploration of NewCo. It is currently anticipated that Mr. van Winkoop's employment agreement will contain terms of a nature similar to the employment agreements currently in place between Lone Pine and its vice presidents, and that Mr. van Winkoop will receive an annual salary of \$235,000.

Continuing Insurance Coverage for Directors and Officers of Arsenal

Pursuant to the Arrangement Agreement, Arsenal has agreed to maintain in effect without any reduction in amount or scope, for six years from the Effective Time, customary policies of director' and officers' liability insurance providing coverage comparable to the coverage provided by the directors' and officers' policies obtained by Arsenal that are in effect immediately prior to the Effective Time and providing coverage in respect of claims arising from facts or events that occurred on or prior to the Effective Time and which will cover all claims made prior to the Effective Date or within six years of the Effective Date.

Summary of Interests of Arsenal Directors and Executive Officers in the Arrangement

The interests of the directors and executive officers of Arsenal and their respective associates and affiliates in the Arrangement are summarized in the following table. The Arsenal Board was aware of these interests and considered them, among other matters, when recommending approval of the Arrangement to Arsenal Securityholders.

Name and Position	Number of Arsenal Shares⁽¹⁾	Number of Arsenal Options⁽¹⁾⁽²⁾	Number Arsenal Shares underlying Arsenal Share Awards⁽¹⁾	Cash Payment to be made pursuant to severance payments⁽³⁾	Salary Paid under NewCo Employment Contract⁽⁴⁾
Tony van Winkoop President and Chief Executive Officer ⁽¹⁾	390,283	32,000	99,692	\$540,500 ⁽⁵⁾	\$235,000
J. Paul Lawrence Vice President, Finance and Chief Financial Officer	133,032	33,000	66,189	\$139,750	-
Ron Forth Vice President, Engineering	182,021	31,000	66,852	\$263,900	-
Gjoa Taylor Vice President, Land	34,378	17,334	66,168	\$263,900	-
William Hews Director	153,697	8,000	25,244	-	-
R. Neil MacKay Director	865,598	8,000	25,244	-	-
Bill Powers Director	36,250	8,000	25,244	-	-
Derek Petrie Director	409,285	10,000	25,244	-	-
Total	2,204,544	147,334	399,877	\$1,208,050	\$235,000

Notes:

- (1) Number of Arsenal Shares, Arsenal Options or Arsenal Share Awards beneficially owned, controlled or directed, directly or indirectly. All of the Arsenal Share Awards will become vested and will settle immediately before the Effective Time and conditional upon the subsequent consummation of the Arrangement.
- (2) All Arsenal Options are out of the money and will be terminated for no additional consideration under the Arrangement and in accordance with terms of the Option Termination and Share Award Settlement Agreements. All Arsenal Share Awards will be settled in accordance with the terms of the Arsenal Share Award Plan immediately prior to the effective time.
- (3) Reflects severance payable to the executive officers, before all withholding taxes.
- (4) Represents the anticipated base salary payable to Mr. van Winkoop as an executive officer of NewCo following completion of the Arrangement.
- (5) Mr. van Winkoop's employment agreement with Arsenal currently provides for a 'change of control' severance payment of \$540,500 that would be payable to him on completion of the Arrangement. In connection with his anticipated appointment and service as Vice President, Exploration of NewCo following completion, however, and subject to mutual agreement on the definitive terms and conditions thereof, Mr. van Winkoop has confirmed a willingness to forego one-half of this payment to \$270,250.

Interests of Lone Pine Directors and Executive Officers in the Arrangement

Except as described below, management of Lone Pine is not aware of any material interest direct or indirect, by way of beneficial ownership or otherwise of any director or executive officer of Lone Pine or anyone who has held office as such since the beginning of Lone Pine's last financial year or of any associate or affiliate of any of the foregoing in the Arrangement.

Lone Pine Shares and LPR Canada Incentive Awards

As at August 5, 2016, the directors and executive officers of Lone Pine and their associates and affiliates beneficially own, or control or direct, directly or indirectly, zero Lone Pine Shares and 950,209 Lone Pine Incentive Awards (of which 724,129 are vested). Each LPR Canada Incentive Award granted to members of the Lone Pine Board (except for Mr. Granger who was granted LPR Canada Incentive Awards in his capacity as President and Chief Executive Officer) that is settled under the terms of the Lone Pine Incentive Plan entitles the holder thereof to 0.75 of a LPR Canada Preferred Share, 0.75 of an LPRI Class B Stock, 0.25 of a LPR Canada Common Share and 0.25 of an LPRI Class A Stock. Each LPR Canada Incentive Award granted to Lone Pine's current and former employees, including executive officers, that is settled under the terms of the Lone Pine Incentive Plan entitles the holder thereof to 0.80 of a LPR Canada Preferred Share, 0.80 of a LPRI Class B Stock, 0.20 of a LPR Canada Common Share and 0.20 of a LPRI Class A Stock.

All of the Lone Pine Securities held by such directors and executive officers of Lone Pine and their associates and affiliates will be treated in the same manner under the Arrangement as Lone Pine Securities held by any other Lone Pine Securityholder. If the Arrangement is completed, approximately: (a) 718,898 NewCo Shares will be issuable to directors and executive officers of Lone Pine and their associates and affiliates following the Effective Time in respect of Replacement Lone Pine RSUs; and (b) 449,071 NewCo Shares will be issuable on the exercise, vesting or settlement, as applicable, of 2016 NewCo Awards to current directors, officers and employees of Lone Pine following the Effective Time comprising 332,646 NewCo Shares in respect of NewCo Options and 116,426 NewCo Shares in respect of NewCo PSUs.

It is anticipated that the 2016 NewCo Awards, which will be granted in connection with completion of the Arrangement in respect of the grantees' services during the 2016 financial year, all as permitted under the terms of the Arrangement, will be allocated as follows:

<u>Grantee(s)</u>	<u>Number of NewCo PSUs</u>	<u>Number of NewCo Options</u>
Tim S. Granger, President and Chief Executive Officer	55,440	110,882
Mimi Lai, Vice President, Finance, Chief Financial Officer and Corporate Secretary	30,493	63,757
Robert (Bob) Guy, Vice President, Operations	30,493	63,757
Current non-officer employees of Lone Pine (in aggregate)	Zero	437,983
Current non-executive directors of Lone Pine (in aggregate)	Zero	94,250
Total	116,426	770,629

The foregoing NewCo Options and NewCo PSUs are included in the calculation on a fully-diluted basis of the 77% proportionate interest in NewCo that will be held in aggregate by former Lone Pine Securityholders and certain additional persons following the completion of the Arrangement. See "*Part 1 – The Arrangement – Effect of the Arrangement – Effect on Lone Pine Securityholders*".

It is anticipated that the NewCo Options will be exercisable for NewCo Shares for a five-year term, at an exercise price per share equal to the volume-weighted average trading price of the NewCo Shares on the TSX for the five (5) trading days preceding the date of grant. The 2016 NewCo Awards are anticipated to be granted on the tenth trading day following completion of the Arrangement. See *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

The Lone Pine Securities held by each individual director and executive officer and their respective associates and affiliates are set out in the table below under "*Summary of Interests of Lone Pine Directors and Executive Officers in the Arrangement*".

Arsenal and NewCo Shares

As at August 5, 2016, the directors and executive officers of Lone Pine held no securities of Arsenal or NewCo.

Lone Pine Employee Obligations

If the Arrangement is completed, it is anticipated that officers, employees and certain consultants of Lone Pine will receive, in the aggregate, approximately \$627,900 in severance in connection with the Arrangement. The severance to be received by each individual is set out in the table below under "*Summary of Interests of Directors and Executive Officers in the Arrangement*".

Summary of Interests of Lone Pine Directors and Executive Officers in the Arrangement

The interests of the directors and executive officers of Lone Pine and their respective associates and affiliates in the Arrangement are summarized in the following table, other than the grant of NewCo PSUs and NewCo Options. The Lone Pine Board was aware of these interests and considered them, among other matters, when recommending approval of the Arrangement to Lone Pine Securityholders.

Name and Position	Number of Lone Pine Shares⁽¹⁾	Number of LPR Canada Incentive Awards⁽¹⁾⁽²⁾	Number of Lone Pine Shares underlying LPR Canada Incentive Awards⁽¹⁾	Cash Payment to be made pursuant to severance payments	Salary Paid under NewCo Employment Contract⁽³⁾
Tim S. Granger Director, President & CEO	-	418,410	334,728 LPR Canada Preferred Shares 83,682 LPR Canada Common Shares	N/A	\$300,000
Mimi Lai Vice President, Finance, Controller and Corporate Secretary	-	33,891	27,113 LPR Canada Preferred Shares 6,778 LPR Canada Common Shares	N/A	\$245,750
Douglas W. Axani Vice President, Exploration	-	225,941	180,753 LPR Canada Preferred Shares	\$627,900	-

			45,188 LPR Canada Common Shares		
Robert (Bob) Guy					
Vice President, Operations	-	-	-	N/A	\$240,000
Shona F. Mackenzie					
Former Vice President, Engineering & Exploitation	-	-	-	N/A	N/A
Patrick R. McDonald					
Director	-	62,762	47,072 LPR Canada Preferred Shares	N/A	N/A
			15,690 LPR Canada Common Shares		
David M. Fitzpatrick					
Director	-	41,841	31,381 LPR Canada Preferred Shares	N/A	N/A
			10,460 LPR Canada Common Shares		
Terence (Tad) B. Flynn					
Director	-	-	-	N/A	N/A
Will E. D. Matthews					
Director	-	41,841	31,381 LPR Canada Preferred Shares	N/A	N/A
			10,460 LPR Canada Common Shares		
Ajay Sabherwal					
Director	-	41,841	31,381 LPR Canada Preferred Shares	N/A	N/A
			10,460 LPR Canada Common Shares		
Robert B. Wonnacott					
Director	-	41,841	31,381 LPR Canada Preferred Shares	N/A	N/A
			10,460 LPR Canada Common Shares		
Total	zero	908,368	715,190 LPR Canada Preferred Shares	\$627,900	\$785,750
			193,178 LPR Canada Common Shares		

Notes:

- (1) Number of Lone Pine Shares,
- (2) LPR Canada Incentive Awards beneficially owned, controlled or directed, directly or indirectly. Includes the restricted share units or any other rights to acquire LPR Canada Shares granted pursuant to the 2014 equity incentive plan of LPR Canada dated January 31, 2014. Each LPR Canada Incentive Award that is outstanding at the Effective Time, shall be terminated and cancelled in exchange solely for a Replacement Lone Pine RSU.
- (3) Represents the anticipated base salary payable to each executive officer.

Securities Law Matters

Canada

Arsenal is a reporting issuer in each province of Canada. Neither Lone Pine nor NewCo is a reporting issuer in any province of Canada. The issue of NewCo Shares pursuant to the Arrangement will be made pursuant to exemptions from the prospectus requirements contained in applicable Canadian securities laws. Under applicable Canadian securities laws, the NewCo Shares issued pursuant to the Arrangement may be resold in Canada without hold period restrictions, provided: (i) that NewCo is a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (pursuant to Section 2.9 of NI 45-102, upon completion of the Arrangement NewCo will be deemed for this purpose to have been a reporting issuer from the time that Arsenal became a reporting issuer); (ii) the trade is not a "control distribution" as defined NI 45-102; (iii) no unusual effort is made to prepare the market or create a demand for those securities; (iv) no extraordinary commission or consideration is paid in respect of that trade; and (v) if the selling security holder is an insider or officer of NewCo (as such terms are defined in Securities Laws), the insider or officer has no reasonable grounds to believe that NewCo is in default of Securities Laws, except that any person, company or combination of persons or companies holding a sufficient number of NewCo Shares to affect materially the control of NewCo will be restricted in reselling such shares pursuant to applicable Securities Laws. In addition, unless otherwise exempted, existing hold periods on any LPR Canada Shares or Arsenal Shares in effect prior to the Effective Date will be carried forward to the NewCo Shares issued in exchange for such LPR Canada Shares or Arsenal Shares pursuant to the Arrangement. NewCo will become a reporting issuer in Canada upon completion of the Arrangement. Each LPR Canada Shareholder and Arsenal Shareholder is urged to consult such holder's professional advisors with respect to restrictions applicable to trades in NewCo Shares under Securities Laws.

Collateral Benefits Under MI 61-101

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among security holders, generally by requiring enhanced disclosure, approval by a majority of security holders excluding interested or related parties and, in certain instances, independent valuations and approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "business combinations" (as defined in MI 61-101) that terminate the interests of security holders without their consent. MI 61-101 provides that, in certain circumstances, where a "related party" (as defined in MI 61-101) of an issuer is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with an arrangement transaction (such as the Arrangement), such transaction may be considered a "business combination" for the purposes of MI 61-101 and subject to minority approval requirements.

If the Arrangement constitutes a "business combination", MI 61-101 requires that the Arsenal Arrangement Resolution be approved by a majority of the minority of Arsenal Shareholders. In determining minority approval for a business combination, Arsenal is required to exclude the votes attached to Arsenal Shares that, to the knowledge of Arsenal and its directors and officers after reasonable inquiry, are beneficially owned or over which control or direction is exercised by all "interested parties" and their "related parties" and "joint actors" all as defined in MI 61-101.

The Arrangement may be considered a "business combination" under MI 61-101 because the payments to and benefits to be received by certain executive officers and directors of Arsenal described under the heading "*The Arrangement – Interests of Arsenal Directors and Executive Officers in the Arrangement*." may be considered a "collateral benefit" for the purposes of MI 61-101.

For the purposes of MI 61-101, directors and executive officers of Arsenal receive a "collateral benefit" if they are entitled to receive, subject to certain exceptions, directly or indirectly, as a consequence of the Arrangement, an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of Arsenal or of another person, regardless of the existence of any offsetting costs to the related party or whether the benefit is provided, or agreed to, by Arsenal or another party to the Arrangement.

Each of the directors and executive officers hold Arsenal Share Awards. Conditional upon the completion of the Arrangement, all such Arsenal Share Awards shall vest immediately prior to the effective Time, such that all of the

Arsenal Shares to be issued pursuant to the settlement of all such Share Awards shall be issued immediately prior to the Effective Time. In addition, certain executive officers of Arsenal will receive change of control payments in amounts determined by their employment agreements as a result of the Arrangement. In connection with the Arrangement, Tony van Winkoop will enter into an employment agreement with NewCo and will receive a change of control payment pursuant to the terms of his current employment agreement with Arsenal as a result of the Arrangement. The accelerated vesting of the Arsenal Share Awards, the receipt of change of control amounts and Mr. van Winkoop's continued employment with NewCo may be considered to be "collateral benefits" received by the applicable directors and officers of Arsenal for the purposes of MI 61-101. MI 61-101 expressly excludes benefits from being "collateral benefits" if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party beneficially owns or exercises control or direction over less than 1% of the outstanding securities at the time the Arrangement was agreed to and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; and (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction.

Following disclosure by each of the directors and executive officers of Arsenal of the number of Arsenal Securities held by them, Arsenal has determined that, except as set forth below, each of the directors and executive officers of Arsenal who are receiving change of control payments or who hold Arsenal Share Awards subject to accelerated vesting, and their respective associated entities, beneficially own, or exercise control or direction over, less than 1% of the outstanding Arsenal Shares, on a partially-diluted basis, taking into account the number of Arsenal Options and Arsenal Share Awards which each of them holds. In addition, all of the benefits described above will be received solely in connection with the beneficiary's service as a director or employee of Arsenal, none are conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the director or executive officer for securities to be relinquished under the Arrangement, and the conferring of such benefit is not conditional on the director or executive officer supporting the Arrangement in any manner.

Each of Ron Forth, Paul Lawrence, Neil MacKay, Derek Petrie and Tony van Winkoop and their respective associated entities (collectively, the "**Excluded Arsenal Securityholders**"), beneficially own, or exercise control or direction over, more than 1% of the outstanding Arsenal Shares, on a partially-diluted basis, taking into account the number of Arsenal Options and Arsenal Share Awards which each of them holds. Accordingly, the Arsenal Securities controlled by such Excluded Arsenal Securityholders shall be excluded for the purposes of determining minority approval for the purposes of MI 61-101 in connection with Arsenal Arrangement Resolution. The Excluded Arsenal Securityholders hold, in the aggregate, 1,980,219 Arsenal Shares (or 10.2% of the issued and outstanding Arsenal Shares).

Arsenal is not required to obtain a formal valuation under MI 61-101 as no "interested party" (as defined in MI 61-101) of Arsenal is, as a consequence of the Arrangement, directly or indirectly acquiring Arsenal or its business or combining with NewCo and neither the Arrangement nor the transactions contemplated thereunder is a "related party transaction" (as defined in MI 61-101) for which Arsenal would be required to obtain a formal valuation. In addition, MI 61-101 requires Arsenal to disclose any "prior valuations" (as defined in MI 61-101) of Arsenal or its material assets or securities made within the 24-month period preceding the date of this Circular. After reasonable inquiry, neither Arsenal nor any director nor any executive officer of Arsenal has knowledge of any such "prior valuation".

See "*Interests of Directors and Executive Officers of Arsenal in the Arrangement*" for detailed information regarding the payments and other benefits to be received by each of the directors and executive officers in connection with the Arrangement.

United States

The securities to be issued pursuant to the Arrangement to Lone Pine Shareholders and Arsenal Shareholders have not been and will not be registered under the U.S. Securities Act or the securities laws of any U.S. state. Such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act and similar exemptions from state registration requirements. Section 3(a)(10) of the U.S. Securities Act exempts securities issued in exchange for securities, claims or property

interests (and not cash) from the general registration requirement where the fairness of the terms and conditions of the issuance and exchange of such securities have been approved by a court or governmental authority expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive adequate notice thereof. The fairness hearing must be open to everyone to whom securities would be issued in the proposed exchange, and timely and adequate notice of the hearing must be given to these persons. There cannot be any improper impediments to the appearance by those persons at the hearing. The court or governmental authority must: (a) be advised before the hearing that the issuer will rely on the Section 3(a)(10) exemption based on the court's or authorized governmental entity's approval of the transaction; (b) hold a hearing before approving the fairness of the terms and conditions of the transaction; (c) find, before approving the transaction, that the terms and conditions of the exchange are fair (procedurally and substantively) to those to whom securities will be issued; and (d) approve the fairness of the terms and conditions of the exchange. The Court is expressly authorized by law to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on August 2, 2016 and, subject to the approval of the Arrangement by Lone Pine Shareholders and Arsenal Shareholders, a hearing on the Arrangement will be held on September 9, 2016 by the Court. Prior to the hearing of the Final Order, the Court will be advised that NewCo will rely on the Section 3(a)(10) exemption based on the Final Order approving the Arrangement. The Final Order, if granted, will constitute the basis for the Section 3(a)(10) exemption from the registration requirements under the U.S. Securities Act with respect to the NewCo Shares to be issued to U.S. persons in connection with the Arrangement.

The NewCo Shares to be issued to LPR Canada Shareholders and Arsenal Shareholders who are U.S. persons following completion of the Arrangement will be freely tradable in the United States under the U.S. Securities Act, except by Persons who will be "affiliates" of NewCo on completion of the Arrangement or who have been affiliates of LPR Canada or Arsenal within three (3) months before the Effective Date. Under the U.S. Securities Act, "affiliates" of an issuer are individuals or entities that directly or indirectly through one (1) or more intermediaries control, are controlled by, or are under common control with, the issuer. Generally, executive officers and directors of the issuer as well as certain principal shareholders (10% or greater) of the issuer are deemed to be its affiliates. Any resale of such NewCo Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom.

Persons who are not affiliates of NewCo following completion of the Arrangement and who have not been so affiliated within 90 days of the resale in question may resell the NewCo Shares that they receive in connection with the Arrangement in the United States without restriction under the U.S. Securities Act.

Persons who are affiliates of NewCo following completion of the Arrangement or who have been affiliates within 90 days of the resale in question may not sell their NewCo Shares that they receive in connection with the Arrangement, in the absence of registration under the U.S. Securities Act, unless an applicable exemption from such registration requirements is available, such as the exemptions provided by Rule 144 under the U.S. Securities Act or Rule 904 of Regulation S under the U.S. Securities Act, if available.

Affiliates — Rule 144. In general, under Rule 144, persons who are affiliates of NewCo following completion of the Arrangement or who have been affiliates within 90 days of the resale in question will be entitled to sell in the United States, during any three-month period after, with respect to NewCo Shares, a period of one (1) year, the NewCo Shares that they receive in connection with the Arrangement, provided that the number of such shares sold does not exceed the greater of 1% of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange, the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about NewCo. Persons who are affiliates of NewCo following completion of the Arrangement will continue to be subject to the sale restrictions described in this paragraph with regard to their affiliated issuer's securities for so long as they continue to be affiliates of NewCo and for 90 days after the termination of such affiliation.

Affiliates — Regulation S. In general, under Regulation S, persons who are affiliates of NewCo solely by virtue of their status as an officer or director of NewCo may sell their NewCo Shares outside the United States in an "offshore transaction" if (i) no offer is made to a person in the United States, (ii) either (A) at the time the buyer's buy order

originated, the buyer is outside the United States, or the seller and any person acting on its behalf reasonably believes that the buyer is outside the United States, or (B) the transaction is executed in, on or through a "designated offshore securities market" (which would include a sale through the TSX or TSX-V) if neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States, and (iii) neither the seller, any affiliate of the seller or any person acting on any of their behalf engages in any "directed selling efforts in the United States". In the case of a sale of NewCo Shares by an officer or director who is an affiliate of NewCo solely by virtue of holding such position, there would be an additional requirement that no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker's commission. For purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the sale transaction. Certain additional restrictions are applicable to a holder of NewCo Shares who is an affiliate of NewCo after the Arrangement other than by virtue of his or her status as an officer or director of NewCo.

The foregoing discussion is only a general overview of certain requirements of U.S. Securities Laws applicable to the NewCo Shares received pursuant to the Arrangement. **All holders of NewCo Shares are urged to consult with their own counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Stock Exchange Listing Matters

None of the Lone Pine Shares are listed on any exchange. The Arsenal Shares are currently listed on the TSX under the symbol "AEI". On June 23, 2016, the last trading day prior to the date of the announcement of the Arrangement, the closing price of the Arsenal Shares on the TSX was \$1.42 per Arsenal Share. On August 4, 2016, the last trading day prior to the date of this Circular, the closing price of the Arsenal Shares on the TSX was \$1.21 per Arsenal Share. It is expected that the Arsenal Shares will be delisted from the TSX on completion of the Arrangement.

There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date of this Circular, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans, and there is no certainty that the TSX will approve such listing, conditional or otherwise, or, if approved, as to the timing of the NewCo Shares for trading through the facilities of the TSX. Approval of the listing of the NewCo Shares may include requiring that some or all of the securities of NewCo held by principals of NewCo be subject to escrow under escrow agreements administered by the TSX in accordance with NP 46-201, with one-quarter of the principals' securities released on the listing date of the NewCo Shares, one third of the remaining principals' securities released six months thereafter, one-half of the remaining principals' securities released twelve months following the listing date, and the balance released 18 months following the listing date. For purposes of the NP 46-201, a principal includes (a) a person or company who acted as a promoter of Lone Pine or Arsenal within two years before the Closing; (b) a director or senior officer of Lone Pine or Arsenal or any of their material operating subsidiaries at the time of the Closing; (c) a person or company that holds securities carrying more than 20% of the voting rights attached to, as applicable, Lone Pine's, Arsenal's or NewCo's outstanding securities immediately before and immediately after the Closing; (d) a person or company that (i) holds securities carrying more than 10% of the voting rights attached to, as applicable, Lone Pine's, Arsenal's or NewCo's outstanding securities immediately before and immediately after the Closing and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of Lone Pine, Arsenal or NewCo or any of their material operating subsidiaries. In determining whether escrow is appropriate for any or all of the principals of NewCo, the TSX will apply the principles of NP 46-201. If listing is ultimately obtained, trading in the NewCo Shares is expected to commence concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter.

Other Approvals

It is a condition precedent to the completion of the Arrangement that all requisite regulatory approvals be obtained. See "*Part I – Material Terms of the Arrangement Agreement – Conditions Precedent to the Arrangement*".

Procedure for Exchange of Lone Pine Shares and Arsenal Shares

Letters of transmittal (each, a "**Letter of Transmittal**") have been delivered to LPR Canada Shareholders and Arsenal Shareholders with this Circular. Each Letter of Transmittal sets out the procedure to be followed by LPR Canada Shareholders and Arsenal Shareholders to deposit their LPR Canada Shares and Arsenal Shares, respectively. If the Arrangement is approved by Lone Pine Securityholders and Arsenal Securityholders, LPR Canada Shareholders and Arsenal Shareholders must deposit certificates representing, or deliver DRS Advice Statements in respect of, such shareholder's LPR Canada Shares or Arsenal Shares (other than Arsenal Shares issued upon settlement of the Arsenal Share Awards under the Arrangement), as applicable, together with the applicable Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares), properly completed and duly executed, and all other required documents to the Depository at the address set forth in the applicable Letter of Transmittal.

It is each LPR Canada Shareholder's and Arsenal Shareholder's responsibility to ensure that the applicable Letter of Transmittal is received by the Depository. If the Arrangement is not completed, such Letter of Transmittal will be of no effect and the Depository will return all certificate(s) or DRS Advice Statement(s), as applicable, in respect of the deposited LPR Canada Shares or Arsenal Shares, and all other ancillary documents, to the holders thereof as soon as practicable at the address specified in the Letter of Transmittal, or failing such address being specified, to the holder thereof at the last address as it appears on the securities register of LPR Canada or Arsenal, as applicable. LPR Canada Shareholders and Arsenal Shareholders who hold their shares through a broker or other intermediary (or an agent or nominee thereof), will need to provide instructions to their broker or other intermediary (or an agent or nominee thereof) to complete the applicable Letter of Transmittal.

Registered LPR Canada Shareholders and Arsenal Shareholders are requested to tender to the Depository any share certificates representing or DRS Advice Statements in respect of, as applicable, their LPR Canada Shares or Arsenal Shares, as applicable, along with the duly completed Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares). Within five (5) Business Days after the Effective Date or as soon as practicable, the Depository will forward to each registered LPR Canada Shareholder and Arsenal Shareholder that submitted an effective Letter of Transmittal to the Depository, DRS Advice Statement(s) representing the NewCo Shares to which the registered LPR Canada Shareholder or Arsenal Shareholder is entitled under the Arrangement, to be sent to or at the direction of such LPR Canada Shareholder or Arsenal Shareholder. DRS Advice Statement(s) representing the NewCo Shares will be registered in such name or names as directed in the Letter of Transmittal, and will be either: (a) be sent to the address or addresses as such LPR Canada Shareholder or Arsenal Shareholder directed in its Letter of Transmittal; (b) if no such address is specified in the Letter of Transmittal, be sent to the last address of the former LPR Canada Shareholder shown on the register maintained by Computershare or Arsenal Shareholder as shown on the register maintained by Alliance; or (c) made available for pick up at the offices of the Depository in accordance with the instructions of the former LPR Canada Shareholder or former Arsenal Shareholder in the Letter of Transmittal.

A registered LPR Canada Shareholder or Arsenal Shareholder that does not submit an effective Letter of Transmittal prior to the Effective Date may take delivery of the DRS Advice Statement(s) in respect of the NewCo Shares to which such LPR Canada Shareholder or Arsenal Shareholder is entitled pursuant to the Arrangement, by delivering the certificate(s) representing or DRS Advice Statements in respect of, as applicable, the LPR Canada Shares or Arsenal Shares formerly held by it, as applicable, to the Depository at the office indicated in the Letter of Transmittal at any time prior to the third anniversary of the Effective Date. Such certificates (unless held in DRS) must be accompanied by a duly completed Letter of Transmittal, together with such other documents as the Depository may require. DRS Advice Statement(s) in respect of the NewCo Shares will be registered in such name or names as directed in the Letter of Transmittal, and will: (a) be sent to the address or addresses as such LPR Canada Shareholder or Arsenal Shareholder directed in its Letter of Transmittal; (b) if no such address is specified in the Letter of Transmittal, be sent to the last address of the LPR Canada Shareholder shown on the register maintained by Computershare or Arsenal Shareholder as shown on the register maintained by Alliance; or (c) made available for pick up at the office of the Depository in accordance with the instructions of the former LPR Canada Shareholder or former Arsenal Shareholder

in the Letter of Transmittal, within five Business Days of receipt by the Depository of the required certificates and documents, or as soon as practicable.

Pursuant to the terms of the Plan of Arrangement and subject to any Applicable Laws relating to unclaimed personal property, any certificates formerly representing LPR Canada Shares or Arsenal Shares (other than Arsenal Shares issued upon settlement of the Arsenal Share Awards under the Arrangement), if applicable, that are not deposited with the Depository together with a properly completed and duly executed Letter of Transmittal and any other documents the Depository reasonably requires on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such LPR Canada Shares or Arsenal Shares to receive the consideration that the holder is entitled pursuant to the Arrangement. In such case, the NewCo Shares that the holder is entitled to pursuant to the Arrangement (including any dividends or other distributions in respect of such NewCo Shares) shall be returned by the Depository to NewCo for cancellation.

A registered LPR Canada Shareholder or Arsenal Shareholder (as applicable), must deliver to the Depository at the office listed in the Letter of Transmittal:

1. the share certificates representing their LPR Canada Shares or Arsenal Shares (unless held in DRS, in which case the DRS Advice Statement representing the LPR Canada Shares or Arsenal Shares must be returned with the applicable Letter of Transmittal);
2. a Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares) in the form provided with this Circular, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
3. any other documentation required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution (as defined in the Letter of Transmittal). If a Letter of Transmittal is executed by a person other than the registered holder of the LPR Canada Share certificate(s) or Arsenal Shares certificate(s) deposited therewith, the LPR Canada Share certificate(s) or Arsenal Shares certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney, duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

The use of mail to transmit certificates representing the LPR Shares and Arsenal Shares and the applicable Letter of Transmittal is at each holder's risk. LPR Canada and Arsenal recommend that such certificates and documents be delivered by hand to the Depository and a receipt therefore be obtained or that registered mail be used and appropriate insurance be obtained.

The Depository will receive reasonable and customary compensation from NewCo for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liability under securities laws and expenses in connection therewith.

Treatment of Fractional NewCo Shares

No fractional NewCo Shares will be issued under the Arrangement. In lieu of any fractional NewCo Shares, each registered Shareholder otherwise entitled to a fractional interest in a NewCo Share shall receive the next lowest whole number of NewCo Shares. In calculating a fractional interest, all LPR Canada Shares or Arsenal Shares, as applicable, held by a Beneficial Holders shall be aggregated.

Lost Shares

If any certificate, which immediately before the effective time specified in the Plan of Arrangement represented one or more outstanding LPR Canada Shares or Arsenal Shares in respect of which, pursuant to the Arrangement, the holder was entitled to receive NewCo Shares has been lost, stolen or destroyed, upon the making of an affidavit by

the registered holder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver or make available for pick-up at its offices in exchange for such lost, stolen or destroyed certificate, DRS Advice Statement in respect of the NewCo Shares that such holder is entitled to receive pursuant to the Arrangement. When authorizing such delivery, the holder to whom DRS Advice Statement(s) in respect of such NewCo Shares is to be delivered shall, as a condition precedent to such delivery, give a bond satisfactory to NewCo and the Depositary in such amount as NewCo and the Depositary may direct, or otherwise indemnify NewCo and the Depositary in a manner satisfactory to NewCo and the Depositary, against any claim that may be made against NewCo and the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

Return of Shares

Should the Arrangement not be completed, any deposited Shares will be returned to the depositing Shareholder at Lone Pine's or Arsenal's expense upon written notice to the Depositary from Lone Pine or Arsenal, as applicable, by returning the deposited Shares (and any other relevant documents) by first class insured mail in the name of and to the address specified by the Shareholder in the applicable Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by Lone Pine's or Arsenal's transfer agent.

Dissent Rights

The following description of the rights of Dissenting Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of the securities held by it and is qualified in its entirety by reference to the full text of the Interim Order, Section 191 of the ABCA and Section 262 of the DGCL, which are attached to this Circular as Appendix D and Appendix J, respectively. A Dissenting Shareholder intending to exercise Dissent Rights should carefully consider and comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, and Section 262 of the DGCL, as applicable. **The statutory provisions covering the Dissent Rights are technical and complex. Failure to comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement, and Section 262 of the DGCL, as applicable, and to adhere to the procedures established therein, may result in the loss of all rights thereunder.**

LPR Canada Shareholder and Arsenal Shareholder Dissent Rights

The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

Pursuant to the Dissent Rights, a registered holder of LPR Canada Shares or Arsenal Shares (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) is entitled in addition to any other right such Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder may have, to dissent and be paid the fair value of the LPR Canada Shares or Arsenal Shares held by such holder, as applicable, determined as of the close of business on the last Business Day before the day on which the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution from which such holder dissents is passed. A registered holder may dissent only with respect to all LPR Canada Shares or Arsenal Shares held by such registered holder or on behalf of any one (1) Beneficial Holder and registered in the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder's name.

Only registered Shareholders may dissent. Persons who are Beneficial Holders of LPR Canada Shares or Arsenal Shares registered in the name of a broker or other intermediary (or an agent or nominee thereof) who wish to dissent, should be aware that they may do so only through the registered owner of such LPR Canada Shares or Arsenal Shares. Accordingly, a Beneficial Holder must make arrangements for the registered holder of his, her or its LPR Canada Shares or Arsenal Shares to dissent on his, her or its behalf. A registered holder, such as a broker, who holds LPR Canada Shares or Arsenal Shares as a nominee for Beneficial Holders, some of whom wish to dissent, must exercise Dissent Rights on behalf of such Beneficial Holders with respect to the LPR Canada Shares or Arsenal Shares held for such Beneficial Holders. In such case, the demand for dissent should set out the number of LPR Canada Shares or Arsenal Shares covered by it. Alternatively, a Beneficial Holder of LPR Canada Shares or Arsenal Shares desiring to

exercise Dissent Rights may make arrangements for the LPR Canada Shares or the Arsenal Shares beneficially owned by such Beneficial Holder to be registered in his, her or its name prior to the time the written objection to the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution, as applicable, is required to be received by LPR Canada or Arsenal, respectively.

To exercise such right, LPR Canada must receive from the Dissenting LPR Canada Shareholder a written objection to the LPR Canada Arrangement Resolution, delivered to LPR Canada, c/o Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower., not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the LPR Canada Meeting, and the Dissenting LPR Canada Shareholder must otherwise comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A LPR Canada Shareholder wishing to exercise Dissent Rights with respect to such holder's LPR Canada Shares must not vote the securities held by it in favor of the LPR Canada Arrangement Resolution.

To exercise such right, Arsenal must receive from the Dissenting Arsenal Shareholder a written objection to the Arsenal Arrangement Resolution, delivered to Arsenal, c/o Borden Ladner Gervais LLP, at 520 3 Ave SW #1900, Calgary, AB T2P 0R3, Calgary, Alberta, Attention: David Madsen, not later than 4:00 p.m. (Calgary time) on September 6, 2016 or the day that is two (2) Business Days immediately preceding the date of any adjournment of the Arsenal Meeting, and the Dissenting Arsenal Shareholder must otherwise comply with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. An Arsenal Shareholder wishing to exercise Dissent Rights with respect to such holder's Arsenal Shares must not vote the securities held by it in favor of the Arsenal Arrangement Resolution.

A vote against the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution or an abstention does not constitute a written objection. If either the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution is adopted, LPR Canada, Arsenal or the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder, where the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder has sent the required written objection, may apply to the Court to fix the fair value of the Dissenting Shareholder's applicable Shares. If the application is made, LPR Canada or Arsenal, as applicable, is required to send to each Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder a written offer to pay such Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder an amount considered by the directors of LPR Canada or Arsenal, as applicable, to be the fair value of the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder's applicable Shares. If such offer is not made or is not accepted, the Court shall fix the fair value of the applicable Shares, as applicable. There is no obligation on LPR Canada or Arsenal, as applicable, to apply to the Court. If an application is made by either party, the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder will be entitled to be paid the amount fixed by the Court for the Shares in respect of which the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder dissented. A Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder may make an agreement with LPR Canada or Arsenal, as applicable, for the purchase of such holder's Shares in the amount of the offer made by LPR Canada or Arsenal, as applicable, at any time before the Court pronounces an order fixing the fair value of the applicable Shares.

A Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Court will make an order fixing the fair value of the applicable Shares of all Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder who are parties to the application, giving judgment in that amount against NewCo and in favour of each of those Dissenting LPR Canada Shareholders or Dissenting Arsenal Shareholders, and fixing the time within which NewCo must pay that amount payable to the Dissenting LPR Canada Shareholders or Dissenting Arsenal Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder calculated from the date on which the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder ceases to have any rights as a LPR Canada Shareholder or Arsenal Shareholder, as applicable, until the date of payment.

If the Arrangement becomes effective, each Dissenting LPR Canada Shareholder shall receive the applicable NewCo Share Consideration for its LPR Canada Shares, provided that the NewCo Shares received by any Dissenting LPR

Canada Shareholder pursuant to the Arrangement shall be, and be deemed to be, cancelled immediately following the amalgamation of LPR Canada and ABSUB contemplated by the Arrangement, and each such Dissenting LPR Canada Shareholder shall: (a) cease to have any rights as a holder of LPR Canada Shares (other than to receive NewCo Shares, which shall thereafter be cancelled pursuant to the Arrangement) and shall be removed from the applicable register(s) of LPR Canada Common Shares; (b) cease to have any rights as a holder of NewCo Shares and shall not be recorded in the register of NewCo Shares maintained by or on behalf of NewCo; and (c) shall only have the right to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder at the Effective Time. The fair value of such LPR Canada Shares shall be determined as of the close of business on the last Business Day before the day on which the LPR Canada Arrangement Resolution is passed. For certainty, the NewCo Shares cancelled in accordance with the foregoing shall cease to be issued or outstanding.

If the Arrangement becomes effective, each Dissenting Arsenal Shareholder shall receive the applicable NewCo Share Consideration for its Arsenal Shares, provided that the NewCo Shares received by any Dissenting Arsenal Shareholder pursuant to the Arrangement shall be, and be deemed to be, cancelled immediately following the exchange of Arsenal Shares for NewCo Shares contemplated by the Arrangement, and each such Dissenting Arsenal Shareholder shall: (a) cease to have any rights as a holder of Arsenal Shares (other than to receive NewCo Shares, which shall thereafter be cancelled pursuant to the Arrangement) and shall be removed from the register of Arsenal Shares; (b) cease to have any rights as a holder of NewCo Shares and shall not be recorded in the register of NewCo Shares maintained by or on behalf of NewCo; and (c) shall only have the right to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the Arsenal Shares held by the Dissenting LPR Canada Shareholder at the Effective Time. The fair value of such Arsenal Shares shall be determined as of the close of business on the last Business Day before the day on which the Arsenal Arrangement Resolution is passed. For certainty, the NewCo Shares cancelled in accordance with the foregoing shall cease to be issued or outstanding.

Until the Dissenting Holder receives payment from NewCo of the amount equal to the fair value of its LPR Canada Shares or Arsenal Shares, the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder may withdraw its dissent, or LPR Canada or Arsenal, as applicable, may rescind the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder will be discontinued.

NewCo shall not make a payment to a Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that NewCo is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of NewCo would thereby be less than the aggregate of its liabilities. In such event, NewCo shall notify each Dissenting LPR Canada Shareholder or Arsenal Dissenting Arsenal Shareholder that it is unable lawfully to pay Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder for their LPR Canada Shares or Arsenal Shares, as applicable, in which case the Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder may, by written notice to NewCo within 30 days after receipt of such notice, withdraw such holder's written objection, in which case NewCo shall, subject to the terms of the Arrangement Agreement, be deemed to consent to the withdrawal and such Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder shall be reinstated with full rights as a NewCo Shareholder, failing which such Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder retains a status as a claimant against NewCo, to be paid as soon as NewCo is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of NewCo, but in priority to its shareholders.

A Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder who, for any reason (including, for certainty, withdrawal of an exercise of its Dissent Right) is not ultimately entitled to be paid by NewCo the fair value for its applicable Shares in respect of which it validly exercised its Dissent Right shall not be reinstated as a holder of LPR Canada Shares or Arsenal Shares, as applicable, but shall be deemed to have participated in the Arrangement on the same basis as an LPR Canada Shareholder or an Arsenal Shareholder, as applicable, that is not a Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder, as applicable.

In no case shall LPR Canada, Arsenal, NewCo or any other person be required to recognize a Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder as a Shareholder, as applicable, following completion of the Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting LPR Canada Shareholders or Dissenting Arsenal Shareholders. Any LPR Canada Shareholder or Arsenal Shareholder who may wish to exercise the Dissent Rights should carefully consider and comply with the provisions of the Interim Order, and Section 191 of the ABCA, the full text of which is set out in Appendix J to this Circular and consult his, her or its own legal advisor.

Unless otherwise waived, it is a closing condition in favour of Arsenal that there shall not have been validly exercised Dissent Rights (that have not been withdrawn) by LPR Canada Shareholders holding more than 10% of the aggregate number of outstanding LPR Canada Shares. Unless otherwise waived, it is a closing condition in favour of LPR Canada that there shall not have been validly exercised Dissent Rights (that have not been withdrawn) by Arsenal Shareholders holding more than 10% of the aggregate number of outstanding Arsenal Shares. See "*Part I – Material Terms of the Arrangement Agreement – Conditions Precedent to the Arrangement – Mutual Conditions Precedent*".

No Dissent Rights for Holders of LPR Canada Incentive Awards or Arsenal Share Awards

Holders of LPR Canada Incentive Awards and the holders of Arsenal Incentive Awards shall not have any right to dissent in respect of the LPR Canada Arrangement Resolution or the Arsenal Arrangement Resolution, as applicable.

LPRI Shareholder Appraisal Rights

LPRI Shareholders who do not vote in favor of the adoption of the Merger Agreement and who properly demand appraisal of their LPRI Shares will be entitled to appraisal rights in connection with the Merger under Section 262 of the ("**Section 262**") of the DGCL.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 which is attached to this Circular as Appendix J. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that LPRI Shareholders exercise their appraisal rights under Section 262.

Under Section 262, LPRI Shareholders who do not vote in favor of the adoption of the Merger Agreement and who otherwise follow the procedures set forth in Section 262 will be entitled to have their LPRI Shares appraised by the Delaware Court of Chancery and to receive payment in cash of the "fair value" of the shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, as determined by the Delaware Court of Chancery, together with interest, if any, to be paid upon the amount determined to be the fair value.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262. This Circular shall constitute the notice, and the full text of Section 262 is attached to this Circular as Appendix J. Any holder of LPRI Shares who wishes to exercise appraisal rights, or who wishes to preserve such holder's right to do so, should review the following discussion and Appendix J carefully because failure to timely and properly comply with the procedures specified will result in the loss of appraisal rights. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of common stock, LPRI believes that if a LPRI Shareholder considers exercising such rights, such LPRI Shareholder should seek the advice of legal counsel.

Filing Written Demand. Any LPRI Shareholders wishing to exercise appraisal rights must deliver to LPRI, before the vote on the adoption of the Merger Agreement at the LPRI Meeting, a written demand for the appraisal of the stockholder's LPRI Shares, and that stockholder must not vote in favour of the adoption of the Merger Agreement. A LPRI Shareholder wishing to exercise appraisal rights must hold of record the LPRI Shares on the date the written demand for appraisal is made and must continue to hold the LPRI Shares of record through the Effective Date of the Merger, since appraisal rights will be lost if the LPRI Shares are transferred prior to the Effective Date of the Merger. The LPRI Shareholder must not vote in favour of the adoption of the Merger Agreement. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favour of the adoption of the Merger Agreement, and it will constitute a waiver of the LPRI Shareholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, an LPRI Shareholder who submits a proxy and who wishes to

exercise appraisal rights must submit a proxy containing instructions to vote against the adoption of the Merger Agreement or abstain from voting on the adoption of the Merger Agreement. Neither voting against the adoption of the Merger Agreement, nor abstaining from voting or failing to vote on the proposal to adopt the Merger Agreement, will in and of itself constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote on the adoption of the Merger Agreement. The demand must reasonably inform LPRI of the identity of the holder as well as the intention of the holder to demand an appraisal of the "fair value" of the LPRI Shares held by the holder. An LPRI Shareholder's failure to make the written demand prior to the taking of the vote on the adoption of the Merger Agreement at the LPRI Meeting will constitute a waiver of appraisal rights.

Only a holder of record of LPRI Shares is entitled to demand an appraisal of the LPRI Shares registered in that LPRI Shareholder's name. A demand for appraisal in respect of LPRI Shares should be executed by or on behalf of the holder of record, fully and correctly, as the LPRI Shareholder's name appears on the LPRI Shareholder's certificate(s) or DRS Advice Statement(s), should specify the LPRI Shareholder's name and mailing address and the number of LPRI Shares registered in the LPRI Shareholder's name and must state that the person intends thereby to demand appraisal of the LPRI Shareholder's shares in connection with the Merger. If the LPRI Shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the LPRI Shares are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose that, in executing the demand, the agent is acting as agent for the record owner or owners. If the LPRI Shares are held in "street name" by a broker, bank or nominee, the broker, bank or nominee may exercise appraisal rights with respect to the LPRI Shares held for one or more beneficial owners while not exercising the rights with respect to the LPRI Shares held for other beneficial owners; in such case, however, the written demand should set forth the number of LPRI Shares as to which appraisal is sought and where no number of LPRI Shares is expressly mentioned the demand will be presumed to cover all LPRI Shares held in the name of the record owner. LPRI Shareholders who hold their LPRI Shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal pursuant to Section 262 should be sent or delivered to LPRI, c/o Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Scott H. D. Bower.

At any time within 60 days after the Effective Date of the Merger, any LPRI Shareholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the consideration offered pursuant to the Merger Agreement by delivering to LPRI, as the surviving corporation, a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the Effective Date of the Merger will require written approval of the surviving corporation. No appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any holder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that any holder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the merger consideration offered pursuant to the Merger Agreement within 60 days after the Effective Date of the Merger. If LPRI does not approve a request to withdraw a demand for appraisal when that approval is required, or, except with respect to any holder who withdraws such holder's right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the holder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration being offered pursuant to the Merger Agreement.

Notice by the Surviving Corporation. Within ten days after the Effective Date of the Merger, LPRI must notify each LPRI Shareholder who has made a written demand for appraisal pursuant to Section 262, and who has not voted in favor of the adoption of the Merger Agreement, that the Merger has become effective.

Filing a Petition for Appraisal. Within 120 days after the Effective Date of the Merger, but not thereafter, LPRI or any LPRI Shareholder who has complied with Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all dissenting holders. LPRI is under no obligation to and has no present intention to file a petition and holders should not assume that LPRI will file a petition. Accordingly, it is the LPRI Shareholder's obligation to initiate all necessary action to perfect his, her or its appraisal rights in respect of his, her or its LPRI Shares within the time prescribed in Section 262. Within 120 days after the Effective Date of the Merger, any LPRI Shareholder who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from LPRI a statement setting forth the aggregate number of LPRI Shares not voted in favor of the adoption of the Merger Agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within ten days after a written request therefor has been received by LPRI or within 10 days after the expiration of the period for delivery of demands for appraisal, whichever is later. Notwithstanding the foregoing, a person who is the beneficial owner of LPRI Shares held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from LPRI the statement described in this paragraph.

If a petition for an appraisal is timely filed by a LPRI Shareholder and a copy thereof is served upon LPRI, LPRI will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. After notice to the stockholders as required by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the holders who demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding; and if any holder fails to comply with the direction, the Delaware Court of Chancery may dismiss the proceedings as to the holder. If immediately before the merger or consolidation the shares of the class or series of stock as to which appraisal rights are sought are listed on a national securities exchange, the appraisal proceeding shall be dismissed with respect to such shares unless (i) the total number of shares for which appraisal is sought exceeds the lesser of 1% of the shares of the class or series, (ii) the value paid for such shares in the merger exceeds \$1 million, or (iii) the merger was effected pursuant to Sections 253 or 267 of the DGCL.

Determination of Fair Value. After the Delaware Court of Chancery determines the LPRI Shareholders entitled to appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding, the Delaware Court of Chancery shall determine the "fair value" of the LPRI Shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Unless the Court in its discretion determines otherwise for good cause shown, interest from the Effective Date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the Effective Date of the Merger and the date of payment of the judgment. At any time prior to the entry of judgment in the proceedings LPRI may pay to each LPRI Shareholder entitled to appraisal an amount in cash, in which case interest shall accrue only upon (i) the difference, if any, between the amount so paid and the fair value of the LPRI Shares as determined by the Delaware Court of Chancery, and (2) the interest theretofore accrued, unless paid at that time.

Holders considering seeking appraisal should be aware that the fair value of their LPRI Shares as so determined could be more than, the same as or less than the consideration they would receive pursuant to the Merger if they did not seek appraisal of their shares and that an investment banking opinion as to fairness from a financial point of view is not necessarily an opinion as to fair value under Section 262. Although LPRI believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court of Chancery, and LPRI Shareholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the merger consideration. LPRI does not anticipate offering more than the applicable merger consideration to any LPRI Shareholder exercising appraisal rights, and reserves the right to assert, in any appraisal proceeding, that for purposes of Section 262, the "fair value" of a LPRI Shares is less than the applicable merger consideration. The Delaware courts have stated that the methods which are generally considered

acceptable in the financial community and otherwise admissible in court may be considered in the appraisal proceedings. In addition, the Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenting holders' exclusive remedy.

If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the action (which do not include attorney's fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable under the circumstances. Upon application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by a stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, to be charged pro rata against the value of all the shares entitled to be appraised.

If any LPRI Shareholder who demands appraisal of LPRI Shares under Section 262 fails to perfect, successfully withdraws or loses such holder's right to appraisal, the LPRI Shareholder's LPRI Shares will be deemed to have been converted at the Effective Date of the Merger into the right to receive the merger consideration pursuant to the Merger Agreement. A LPRI Shareholder will fail to perfect, or effectively lose, the LPRI Shareholder's right to appraisal if no petition for appraisal is filed within 120 days after the Effective Date of the Merger. In addition, as indicated above, a stockholder may withdraw his, her or its demand for appraisal in accordance with Section 262 and accept the merger consideration offered pursuant to the Merger Agreement.

Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL will result in the loss of a LPRI Shareholder's statutory appraisal rights. Consequently, any LPRI Shareholder's wishing to exercise appraisal rights is urged to consult legal counsel before attempting to exercise those rights.

Certain Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of LPR Canada Shares, LPRI Shares or Arsenal Shares, as the case may be, who disposes of or exchanges, or is deemed to have disposed of or exchanged, an LPR Canada Share, LPRI Share or Arsenal Share, as applicable, pursuant to the Arrangement and who, for the purposes of the Tax Act and at all relevant times: (a) deals at arm's length with and is not affiliated with LPR Canada, LPRI, NewCo or Arsenal; (b) holds all LPR Canada Shares, LPRI Shares or Arsenal Shares, as applicable, and will hold all NewCo Shares acquired pursuant to the Arrangement (collectively, in this part referred to as the "**securities**"), as capital property; and (c) will not alone, or together with persons not dealing at arm's length with the beneficial owner for the purposes of the Tax Act, control NewCo or beneficially own shares in the capital stock of NewCo having a fair market value of more than 50% of the fair market value of all of the outstanding shares in the capital stock of NewCo immediately after the effective time of the share-for-share exchange of LPR Canada Shares or Arsenal Shares, as applicable, for NewCo Shares pursuant to the Arrangement (each, a "**Holder**"). The portions of this summary under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement*", "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement*" and "*Part I – Certain Canadian Federal Income Tax Considerations – Dissent Rights – Dissenting LPR Canada Shareholders and Dissenting Arsenal Shareholders*" are expressed in the joint opinion of Borden Ladner Gervais LLP, counsel to Arsenal, and Bennett Jones LLP, counsel to Lone Pine and NewCo, and the remainder of this summary is expressed solely in the opinion of Bennett Jones LLP, counsel to Lone Pine and NewCo (collectively, "**Counsel**").

The securities will generally be considered to be capital property to a person for the purposes of the Tax Act provided that the person does not use or hold those securities in the course of carrying on a business and has not acquired such securities in one (1) or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (a) that is a "financial institution" for purposes of the "mark-to-market property" rules; (b) that is a "specified financial institution"; (c) that is a partnership; (d) an interest in which would be a "tax shelter investment"; (e) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency reporting" rules; (f) that has entered or will enter into, in respect of the LPR Canada Shares, LPRI Shares, Arsenal Shares or NewCo Shares, as the case may be, a "synthetic disposition arrangement" or a

"derivative forward agreement"; (g) in respect of which LPRI is a "foreign affiliate"; (h) that is a "foreign affiliate" of a taxpayer resident in Canada; or (i) that is a corporation resident in Canada that is, or becomes, controlled by a non-resident corporation for the purposes of the "foreign affiliate dumping" rules in Section 212.3 of the Tax Act, all within the meaning of the Tax Act. **Any such Holders should consult their own tax advisors to determine the particular Canadian federal income tax consequences to them of the Arrangement.**

This summary does not address tax considerations for holders of LPR Canada Incentive Awards, Arsenal Share Awards or Arsenal Options arising from the Arrangement and does not address tax considerations relevant to Holders who previously acquired LPR Canada Shares, LPRI Shares or Arsenal Shares, as the case may be, on the exercise or settlement of LPR Canada Incentive Awards, Arsenal Share Awards, or Arsenal Options, as the case may be, or under any other employment benefit plan. Further, this summary does not address tax considerations relevant to Holders who previously acquired Arsenal Shares on a "flow through share" basis. **Any such Holders should consult their own tax advisors to determine the particular Canadian federal income tax consequences to them of the Arrangement.**

Counsel has been advised by Arsenal, and has assumed for the purposes of the summary which follows, that, at all relevant times prior to the exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement, the Arsenal Shares will be listed on a "designated stock exchange" and on a "recognized stock exchange", each within the meaning of the Tax Act (which includes the TSX). This summary also assumes that the NewCo Shares will be listed on a "designated stock exchange" within the meaning of the Tax Act (which includes the TSX) when issued in exchange for Arsenal Shares pursuant to the Arrangement and at all relevant times thereafter. This summary further assumes that LPRI is, at all relevant times, a non-resident of Canada for the purposes of the Tax Act.

This summary is based on the facts set out in this Circular, the assumptions set out herein, the current provisions of the Tax Act and the regulations thereto in force as at the date of this Circular, and Counsel's understanding of the current administrative and assessing practices and policies of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practice or policy, whether by legislative, regulatory, administrative or judicial action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may be different from those discussed herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement. The income and other tax consequences of acquiring, holding or disposing of securities will vary depending on a Holder's particular status and circumstances, including the country, province or territory in which the Holder resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. No representations are made with respect to the income tax consequences to any particular Holder. **Holders should consult their own tax advisors for advice with respect to the income tax consequences of the Arrangement and of acquiring, holding and disposing of NewCo Shares in their particular circumstances, including the application and effect of the income and other tax laws of any applicable country, province, state or local tax authority.**

This summary does not discuss any non-Canadian income or other tax consequences of the Arrangement. Holders resident or subject to taxation in a jurisdiction other than Canada should be aware that the Arrangement may have tax consequences both in Canada and in such other jurisdiction. **Such consequences are not described herein. Holders should consult with their own tax advisors with respect to their particular circumstances and the tax considerations applicable to them.**

Canadian Currency

For the purposes of the Tax Act, subject to certain exceptions (including where a taxpayer has made an election to compute its "Canadian tax results" in a currency other than Canadian currency), where an amount that is relevant in computing a taxpayer's "Canadian tax results" is expressed in a currency other than Canadian dollars, the amount must

be converted to Canadian dollars using the noon exchange rate quoted by the Bank of Canada for the day on which the amount arose (or another rate of exchange that is acceptable to the Minister of National Revenue).

Holder Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times and for the purposes of the Tax Act, is or is deemed to be resident in Canada and is not exempt from tax under Part I of the Tax Act (a "**Resident Holder**").

Exchange of LPR Canada Shares for NewCo Shares pursuant to the Arrangement

Tax-Deferred Rollover

In general, a Resident Holder who exchanges LPR Canada Shares for NewCo Shares pursuant to the Arrangement will be deemed to have disposed of such LPR Canada Shares under a tax-deferred share-for-share exchange pursuant to Section 85.1 of the Tax Act, unless such Resident Holder chooses to recognize a capital gain (or sustain a capital loss) as described in the immediately following paragraph. Except where a Resident Holder chooses to recognize a capital gain (or sustain a capital loss), the Resident Holder will be deemed to have disposed of the LPR Canada Shares for proceeds of disposition equal to the adjusted cost base of the LPR Canada Shares to such Resident Holder, determined immediately before the effective time of the share exchange, and the Resident Holder will be deemed to have acquired the NewCo Shares at an aggregate cost equal to such adjusted cost base of the LPR Canada Shares. The cost of the NewCo Shares must be averaged with the adjusted cost base of all other common shares of NewCo held by the Resident Holder as capital property to determine the adjusted cost base on a per share basis.

No Rollover

A **Resident** Holder may choose to realize a capital gain (or sustain a capital loss) in respect of the exchange of LPR Canada Shares for NewCo Shares pursuant to the Arrangement by including the capital gain (or capital loss) in computing its income for the taxation year in which the Arrangement takes place.

In such circumstances, the Resident Holder will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the fair market value of the NewCo Shares received exceeds (or is less than) the aggregate of the adjusted cost base of the LPR Canada Shares to the Resident Holder, determined immediately before the effective time of the share exchange, and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

In such circumstances, the cost of the NewCo Shares acquired on the exchange will be equal to their fair market value at the time they are acquired by such Resident Holder. The cost of the NewCo Shares must be averaged with the adjusted cost base of all other common shares of NewCo held by the Resident Holder as capital property to determine the adjusted cost base on a per share basis. **Resident Holders should consult their own tax advisors with respect to the appropriate methodology for valuing the NewCo Shares received pursuant to the Arrangement.**

Disposition of LPRI Shares on the Merger of LPRI and DESub

The Merger of LPRI and DESub pursuant to the Arrangement will not constitute a tax-deferred "foreign merger" for the purposes of the Tax Act. A Resident Holder will be considered to have disposed of its LPRI Shares which are cancelled on the Merger for nil proceeds and will, accordingly, sustain a capital loss equal to the Resident Holder's adjusted cost base of the LPRI Shares, determined immediately before the cancellation, plus any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

Exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement

Tax-Deferred Rollover

In general, a Resident Holder who exchanges Arsenal Shares for NewCo Shares pursuant to the Arrangement will be deemed to have disposed of such Arsenal Shares under a tax-deferred share-for-share exchange pursuant to Section 85.1 of the Tax Act, unless such Resident Holder chooses to recognize a capital gain (or sustain a capital loss) as described in the immediately following paragraph. Except where a Resident Holder chooses to recognize a capital gain (or sustain a capital loss), the Resident Holder will be deemed to have disposed of the Arsenal Shares for proceeds of disposition equal to the adjusted cost base of the Arsenal Shares to such Resident Holder, determined immediately before the effective time of the share exchange, and the Resident Holder will be deemed to have acquired the NewCo Shares at an aggregate cost equal to such adjusted cost base of the Arsenal Shares. The cost of the NewCo Shares must be averaged with the adjusted cost base of all other common shares of NewCo held by the Resident Holder as capital property to determine the adjusted cost base on a per share basis.

No Rollover

A Resident Holder may choose to realize a capital gain (or sustain a capital loss) in respect of the exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement by including the capital gain (or capital loss) in computing its income for the taxation year in which the Arrangement takes place.

In such circumstances, the Resident Holder will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the fair market value of the NewCo Shares received exceeds (or is less than) the aggregate of the adjusted cost base of the Arsenal Shares to the Resident Holder, determined immediately before the effective time of the share exchange, and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

In such circumstances, the cost of the NewCo Shares acquired on the exchange will be equal to their fair market value at the time they are acquired by such Resident Holder. The cost of the NewCo Shares must be averaged with the adjusted cost base of all other common shares of NewCo held by the Resident Holder as capital property to determine the adjusted cost base on a per share basis. **Resident Holders should consult their own tax advisors with respect to the appropriate methodology for valuing the NewCo Shares received pursuant to the Arrangement.**

Dividends on NewCo Shares (Post-Arrangement)

A Resident Holder who is an individual (other than certain trusts) will be required to include in income any dividends received or deemed to be received on the NewCo Shares, and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by NewCo as "eligible dividends" as defined in the Tax Act. There can be no assurance that dividends paid by NewCo will be designated as "eligible dividends". Dividends received or deemed to be received by an individual and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

A Resident Holder that is a corporation will be required to include in income any dividend received or deemed to be received on its NewCo Shares, and generally will be entitled to deduct an equivalent amount in computing its taxable income, subject to certain limitations in the Tax Act. A "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend that it receives or is deemed to receive on its NewCo Shares to the extent that the dividend is deductible in computing the corporation's taxable income. A holder of NewCo Shares that is, throughout the year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax on its "aggregate investment income" which is defined to include dividends that are not deductible in computing taxable income. Subsection 55(2) of the Tax Act provides that, where certain corporate holders of shares receive a dividend or deemed dividend in specified circumstances, all or part of such dividend may be treated as a capital gain from the disposition of capital property and not as a dividend. For a description of the tax treatment of capital gains and capital losses, see "*Part I –*

Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses" below.

Disposition of NewCo Shares (Post-Arrangement)

A Resident Holder that disposes or is deemed to dispose of a NewCo Share (other than a disposition to NewCo that is not a sale in the open market in the manner in which shares would normally be purchased by a member of the public in an open market) following completion of the Arrangement will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds of disposition of the NewCo Share exceeds (or is less than) the aggregate of the adjusted cost base to the Resident Holder of such NewCo Share, determined immediately before the disposition, and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain realized by a Resident Holder in a taxation year will be included in computing the Resident Holder's income in that taxation year as a taxable capital gain and, generally, one-half of any capital loss realized in a taxation year (an "**allowable capital loss**") must be deducted from the taxable capital gains realized by the Resident Holder in the same taxation year, in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized by a Resident Holder in a particular taxation year may be carried back and deducted in any of the three (3) preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Resident Holder in such taxation year, subject to and in accordance with the rules contained in the Tax Act.

Capital gains realized by an individual and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act. A Resident Holder that is, throughout the year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax on its "aggregate investment income" which is defined to include taxable capital gains.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a LPR Canada Share, LPRI Share, Arsenal Share or NewCo Share, as applicable, may be reduced by the amount of dividends received or deemed to be received by it on such share (or on a share for which the share has been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, directly or indirectly, through a partnership or a trust. Resident Holders to whom these rules may apply should consult their own tax advisors.

Holders Not Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times and for the purposes of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, LPR Canada Shares, LPRI Shares or Arsenal Shares, as the case may be, and will not use or hold, or be deemed to use or hold, NewCo Shares, in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This portion of the summary is not generally applicable to a Non-Resident Holder that is: (a) an insurer carrying on an insurance business in Canada and elsewhere; (b) a "financial institution" (as defined in the Tax Act); or (c) an "authorized foreign bank" (as defined in the Tax Act).

Status of LPRI Shares and LPR Canada Shares as "Taxable Canadian Property"

As neither the LPR Canada Shares nor the LPRI Shares are listed on a "designated stock exchange" within the meaning of the Tax Act, such LPR Canada Shares and LPRI Shares will generally constitute "taxable Canadian property", within the meaning of the Tax Act, to a Non-Resident Holder where, at any time during the 60-month period immediately preceding a disposition of the LPR Canada Shares or LPRI Shares, as applicable, more than 50% of the fair market value of such shares is derived, directly or indirectly, from one (1) or any combination of: (a) real or immoveable property situated in Canada; (b) "Canadian resource properties" (as defined in the Tax Act); (c) "timber

resource properties" (as defined in the Tax Act); and (d) any option in respect of, or interest in, such properties. As LPRI's only asset is the LPR Canada Class C Multiple Voting Share, and based on the current properties of LPR Canada, which consist primarily of "Canadian resource properties", it is anticipated that the LPR Canada Shares and LPRI Shares will constitute "taxable Canadian property" to a Non-Resident Holder at the time of a disposition of such shares by the Non-Resident Holder pursuant to the Arrangement. This may have a significant impact on the Non-Resident Holder's liability for tax and requirement to file tax returns under the Tax Act. **Non-Resident Holders should consult their own tax advisors.**

Disposition of LPRI Shares on the Merger of LPRI and DESub

The Merger of LPRI and DESub pursuant to the Arrangement will not constitute a tax-deferred "foreign merger" for the purposes of the Tax Act. A Non-Resident Holder will be considered to have disposed of its LPRI Shares which are cancelled on the Merger for nil proceeds. Where such LPRI Shares of a Non-Resident Holder constitute "taxable Canadian property" and do not constitute "treaty protected property", both within the meaning of the Tax Act, a Non-Resident Holder will sustain a capital loss equal to the Non-Resident Holder's adjusted cost base of the LPRI Shares, determined immediately before the cancellation, plus any reasonable costs of disposition. The tax consequences to a Non-Resident Holder of such capital loss will generally be the same as that described above under "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

Where the LPRI Shares deemed to have been disposed of by a Non-Resident Holder pursuant to the Merger constitute "taxable Canadian property" and do not constitute "treaty protected property", both within the meaning of the Tax Act, such Non-Resident Holder will be required to give notice, within 10 days, of any such disposition to the CRA under Section 116 of the Tax Act. Failure to do so can give rise to an assessment for penalties and interest. Such a Non-Resident Holder may also be required to file a tax return in Canada reporting any such disposition for each year in which a disposition occurs. Non-Resident Holders who dispose of LPRI Shares or other "taxable Canadian property" should consult their own tax advisors for advice having regard to their particular circumstances including regarding any resulting Canadian tax reporting requirements.

Amalgamation of LPR Canada and ABSUB pursuant to the Arrangement

The amalgamation of LPR Canada and ABSUB pursuant to the Arrangement will generally occur on a tax-deferred basis for Non-Resident Holders of LPR Canada Shares. A Non-Resident Holder whose LPR Canada Common Shares or LPR Canada Preferred Shares, as the case may be, are exchanged for NewCo Shares pursuant to the amalgamation will be deemed to have disposed of such LPR Canada Shares for proceeds of disposition equal to the adjusted cost base of the LPR Canada Shares to such Non-Resident Holder, determined immediately before the effective time of the amalgamation, and the Non-Resident Holder will be deemed to have acquired the NewCo Shares at an aggregate cost equal to such adjusted cost base of the LPR Canada Shares. The cost of the NewCo Shares must be averaged with the adjusted cost base of all other common shares of NewCo held by the Non-Resident Holder as capital property to determine the adjusted cost base on a per share basis.

Pursuant to the administrative position of the CRA, a Non-Resident Holder who disposes of LPR Canada Shares pursuant to the amalgamation will not be required to comply with the clearance certificate requirements of Section 116 of the Tax Act. In circumstances where a Non-Resident Holder's LPR Canada Shares constitute "taxable Canadian property", the NewCo Shares received by such Non-Resident Holder on the amalgamation will be deemed to be taxable Canadian property to such Non-Resident Holder at any time that is within 60 months after the amalgamation.

Exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement

A Non-Resident Holder who exchanges Arsenal Shares for NewCo Shares pursuant to the Arrangement and elects not to have the tax-deferral provisions of Section 85.1 of the Tax Act apply will not be subject to tax under the Tax Act on any capital gain realized on such exchange unless the Arsenal Shares are "taxable Canadian property" to the Non-Resident Holder at the effective time of the share-for-share exchange and the Arsenal Shares are not "treaty-protected property", each within the meaning of the Tax Act.

Generally, Arsenal Shares will not be considered "taxable Canadian property" to a particular Non-Resident Holder provided the Arsenal Shares are listed at that time on a "designated stock exchange" (which includes the TSX), unless at any particular time during the 60-month period that ends at that time: (a) one (1) or any combination of: (i) the Non-Resident Holder; (ii) persons with whom the Non-Resident Holder does not deal at arm's length; and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one (1) or more partnerships, owned 25% or more of the issued shares of any class of the capital stock of Arsenal; and (b) more than 50% of the fair market value of Arsenal Shares was derived directly or indirectly from one (1) or any combination of: (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, any of the foregoing property whether or not the property exists. Arsenal Shares may also be deemed to be taxable Canadian property in certain circumstances as set out in the Tax Act.

In the event that an Arsenal Share is taxable Canadian property to a Non-Resident Holder at the time of disposition, such Non-Resident Holder should consult its own tax advisor as to the Canadian tax consequences of the disposition. The tax consequences described above under "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Exchange of Arsenal Shares for NewCo Shares pursuant to the Arrangement*" will generally apply.

In circumstances where a Non-Resident Holder's Arsenal Shares constitute taxable Canadian property and such Arsenal Shares were exchanged for NewCo Shares pursuant to the Arrangement in circumstances where the tax-deferral provisions of Section 85.1 of the Tax Act apply, the NewCo Shares received by such Non-Resident Holder on the exchange will be deemed to be taxable Canadian property to such Non-Resident Holder at any time that is within 60 months after the exchange.

Dividends on NewCo Shares (Post-Arrangement)

Dividends paid or credited, or deemed to be paid or credited, on NewCo Shares to a Non-Resident Holder generally will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's jurisdiction of residence. The rate of withholding tax under the *Canada – U.S. Income Tax Convention (1980)* (the "**U.S. Treaty**") applicable to a Non-Resident Holder who is a resident of the United States for the purposes of the U.S. Treaty, is the beneficial owner of the dividend, is entitled to all of the benefits under the U.S. Treaty, and who holds less than 10% of the voting stock of NewCo, generally will be 15%. NewCo will be required to withhold the required amount of withholding tax from the dividend, and to remit it to CRA for the account of the Non-Resident Holder.

Disposition of NewCo Shares (Post-Arrangement)

A Non-Resident Holder that disposes or is deemed to dispose of a NewCo Share following completion of the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on such disposition unless the NewCo Shares are "taxable Canadian property" of the Non-Resident Holder at the effective time of the disposition and the NewCo Shares are not "treaty-protected property", each within the meaning of the Tax Act.

Generally, NewCo Shares will not be considered "taxable Canadian property" to any particular Non-Resident Holder provided the NewCo Shares are listed at that time on a "designated stock exchange" (which includes the TSX), unless: (A) at any particular time during the 60-month period that ends at that time: (a) one (1) or any combination of: (i) the Non-Resident Holder; (ii) persons with whom the Non-Resident Holder does not deal at arm's length; and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one (1) or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of NewCo; and (b) more than 50% of the fair market value of the NewCo Shares was derived directly or indirectly from one (1) or any combination of (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, any of the foregoing property whether or not the property exists; or (B) the NewCo Shares are otherwise deemed to be taxable Canadian property of the Non-Resident Holder under another provision of the Tax Act (including by virtue of the amalgamation and Section 85.1 deeming provisions described above).

In the event that a NewCo Share is taxable Canadian property to a Non-Resident Holder at the time of the disposition, such Non-Resident Holder should consult its own tax advisor as to the Canadian tax consequences of the disposition. The tax consequences described above under "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of NewCo Shares (Post-Arrangement)*" will generally apply.

Dissent Rights

Dissenting LPRI Shareholders

If the Merger becomes effective, a Dissenting LPRI Shareholder is entitled to receive payment in cash of the "fair value" of the LPRI Shares, as determined by the Delaware Court of Chancery (the "**LPRI Dissent Payment**"), together with interest, if any, to be paid upon the amount determined to be the fair value.

A Dissenting LPRI Shareholder who is a Resident Holder or who is a Non-Resident Holder whose LPRI Shares constitute "taxable Canadian property" will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the LPRI Dissent Payment received exceeds (or is less than) the aggregate of the adjusted cost base of the LPRI Shares to the Holder, and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" above.

Where the LPRI Shares deemed to have been disposed by a Non-Resident Holder pursuant to the Merger constitute "taxable Canadian property" and do not constitute "treaty-protected property", both within the meaning of the Tax Act, to the Non-Resident Holder, such Non-Resident Holder will be required to give notice of any such disposition and obtain a clearance certificate from the CRA under Section 116 of the Tax Act, failing which the purchaser will be required to withhold and remit to the CRA 25% of the gross purchase price of such LPRI Shares. It is Lone Pine's intention to withhold and remit such taxes to the CRA in the absence of receiving a valid and complete clearance certificate prior to the effective time of the Merger. Even where such taxes have been withheld and remitted to the CRA, Non-Resident Holders will nevertheless be required to notify the CRA within 10 days of the disposition of taxable Canadian property. Failure to do so can give rise to penalties and interest. Such a Non-Resident Holder may also be required to file a tax return in Canada reporting such disposition for each year in which the disposition occurs. **Non-Resident Holders who intend to exercise Dissent Rights in respect of LPRI Shares that constitute taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances including regarding any resulting Canadian tax reporting requirements.**

Any interest awarded to a Resident Holder who validly exercises appraisal rights in respect of LPRI Shares will be included in such Holder's income for the purposes of and in accordance with the Tax Act.

Dissenting LPR Canada Shareholders and Dissenting Arsenal Shareholders

A Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder, as the case may be, is entitled, if the Arrangement becomes effective, to have the NewCo Shares received by such shareholder pursuant to the Arrangement cancelled in exchange for a cash payment from NewCo equal to the fair value of such Holder's LPR Canada Shares or Arsenal Shares, as the case may be (the "**NewCo Dissent Payment**").

Provided that the amount of the NewCo Dissent Payment does not exceed the paid-up capital ("**PUC**") of the Holder's cancelled NewCo Shares as determined for the purposes of the Tax Act, the Holder will realize a capital gain (or sustain a capital loss) equal to the amount by which the NewCo Dissent Payment exceeds (or is less than) the aggregate of the adjusted cost base of the NewCo Shares to such Holder, determined immediately before the cancellation of such shares, and any reasonable costs of disposition, less any portion of the NewCo Dissent Payment that is on account of interest.

Whether the foregoing proviso is satisfied is a question of fact that can only be determined after the effective time of the Arrangement. If the proviso is not satisfied, the Holder will be deemed to have received a dividend from NewCo equal to the amount by which the NewCo Dissent Payment exceeds the PUC of the Holder's cancelled NewCo Shares. The Holder will also realize a capital gain (or sustain a capital loss) equal to the amount by which the NewCo Dissent

Payment (net of the deemed dividend, reasonable costs of disposition, and any portion of the payment that is on account of interest) exceeds (or is less than) the adjusted cost base of the NewCo Shares to such Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder, as the case may be, determined immediately before the cancellation of such shares.

The general tax consequences to a Resident Holder who validly exercises Dissent Rights of realizing a capital gain or sustaining a capital loss are described above under the heading, "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Losses*".

A Resident Holder who validly exercises Dissent Rights will be required to include in income any deemed dividend, the general tax consequences of which are described above under "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dividends on NewCo Shares (Post-Arrangement)*". Counsel has been advised that NewCo currently does not intend to designate any such deemed dividend as an "eligible dividend" for the purposes of the enhanced gross-up and dividend tax credit rules in the Tax Act.

Any interest awarded to a Resident Holder who validly exercises Dissent Rights will be included in such Holder's income for the purposes of and in accordance with the Tax Act.

A Non-Resident Holder who validly exercises Dissent Rights will not be subject to tax under the Tax Act on any capital gain realized on the cancellation of such Holder's NewCo Shares unless the NewCo Shares are "taxable Canadian property" to the Non-Resident Holder at the effective time of the disposition and the NewCo Shares are not "treaty-protected property", each within the meaning of the Tax Act. In circumstances where a Non-Resident Holder's LPR Canada Shares or Arsenal Shares, as the case may be, constituted taxable Canadian property and such LPR Canada Shares or Arsenal Shares, as the case may be, were exchanged for NewCo Shares pursuant to the Arrangement upon the amalgamation of LPR Canada and ABSUB or in circumstances where the tax-deferral provisions of Section 85.1 of the Tax Act apply, the NewCo Shares received by such Non-Resident Holder on the exchange will be deemed to be taxable Canadian property to such Non-Resident Holder at any time that is within 60 months after the exchange, including at the time of the cancellation of a Dissenting LPR Canada Shareholder or Dissenting Arsenal Shareholder's NewCo Shares. In the event that a NewCo Share is taxable Canadian property to a Non-Resident Holder who validly exercises Dissent Rights, such Non-Resident Holder should consult its own tax advisor as to the Canadian tax consequences of the disposition. NewCo and Lone Pine intend to make all necessary withholding required in respect of payments made to any Non-Resident Holder, including pursuant to the application of Section 116 of the Tax Act on the acquisition of LPR Canada Shares and NewCo Shares pursuant to the exercise of Dissent Rights. **Non-Resident Holders who intend to exercise Dissent Rights in respect of shares that constitute taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances including regarding any resulting Canadian tax reporting requirements.**

The portion of the NewCo Dissent Payment that is paid to a Non-Resident Holder as a deemed dividend will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's jurisdiction of residence. NewCo will be required to withhold the required amount of withholding tax from the dividend, and to remit it to CRA for the account of the Non-Resident Holder.

A Non-Resident Holder will not be subject to any Canadian withholding tax on any interest awarded to in respect of the exercise of Dissent Rights provided that such interest is not "participating debt interest", as that term is defined in the Tax Act.

Additional income tax considerations may be relevant to Holders who fail to perfect or withdraw their claims pursuant to the Dissent Rights. **Dissenting Shareholders should consult their own tax advisors with respect to the tax consequences to them of exercising Dissent Rights.**

Eligibility for Investment

Based on the current provisions of the Tax Act and subject to the provisions of any particular plan, the NewCo Shares, if listed on a "designated stock exchange", within the meaning of the Tax Act (which currently includes the TSX) or

if NewCo is otherwise a "public corporation" for the purposes of the Tax Act, will constitute qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered disability savings plan, a registered education savings plan, a tax-free savings account ("TFSA") or a deferred profit sharing plan.

Notwithstanding the foregoing, if the NewCo Shares are "prohibited investments", within the meaning of the Tax Act, for a particular RRSP, RRIF, or TFSA, the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, will be subject to a penalty tax under the Tax Act. The NewCo Shares will generally not be a "prohibited investment" for these purposes unless the annuitant under the RRSP or RRIF or the holder of the TFSA, as applicable: (a) does not deal at arm's length with NewCo for purposes of the Tax Act; or (b) has a "significant interest", as defined in the Tax Act, in NewCo. In addition, the NewCo Shares will generally not be a "prohibited investment" if the NewCo Shares are "excluded property" for purposes of the prohibited investment rules for an RRSP, RRIF or TFSA. **Holders who intend to hold the NewCo Shares in a RRSP, RRIF, or TFSA should consult their own tax advisors having regard to their own particular circumstances.**

Risk Factors

The risk factors relating to Lone Pine and Arsenal will generally continue to apply to NewCo following completion of the Arrangement and will generally not be affected by the Arrangement. The risks associated with Lone Pine are described in *Appendix G – Information Concerning Lone Pine* under the heading "Risk Factors" and the risks associated with Arsenal are described in Arsenal's AIF under the heading "Risk Factors". Additional information relating to Arsenal is available on Arsenal's SEDAR profile at www.sedar.com.

These are a number of additional risk factors relating to the Arrangement, the activities of NewCo and the ownership of NewCo Shares following completion of the Arrangement, which you should carefully consider. These risk factors are described below.

Failure to Realize the Anticipated Benefits of the Arrangement

While Lone Pine and Arsenal believe that completing the Arrangement will allow them to achieve the benefits described in this Circular (see "*Part I – Reasons for, and Anticipated Benefits of, the Arrangement*"), there is no guarantee that NewCo will realize any such benefits, whether as described herein or at all. Achieving the benefits of the Arrangement depends in part on successfully consolidating functions and integrating operations in a timely and efficient manner, as well as the ability of NewCo to realize the anticipated growth opportunities and synergies from integrating the Lone Pine and Arsenal businesses and operations

Required Approvals

Completion of the Arrangement requires that Lone Pine and Arsenal obtain judicial, securityholder and regulatory approvals. Such approvals include, without limitation, requisite securityholder approvals of all matters to be considered at the Meetings, issuance of the Final Order and conditional approval of the TSX for the listing of the NewCo Shares. Failure to obtain these approvals or other regulatory approvals on terms acceptable to each of the Lone Pine Boards and the Arsenal Board could result in a decision to not proceed with the Arrangement. If any of the required approvals cannot be obtained on terms satisfactory to each of the Lone Pine Boards and the Arsenal Board, or at all, the Arrangement Agreement may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval. In the event that the Arrangement Agreement cannot be amended so as to mitigate the negative consequences of the failure to obtain a required approval or consent, the Arrangement may not proceed. If the Arrangement is not completed, the market price of the Arsenal Shares may be adversely affected. See "*Part I – Material Terms of the Arrangement Agreement*".

TSX Review of Circular

This Circular and the Appendices hereto and the Arrangement have not been reviewed or pre-cleared by the TSX. There is a risk that the TSX may require further changes to the content of the Circular or the Appendices hereto, which may impact the anticipated timing of Closing. It is a condition of Closing that the TSX provide conditional listing

approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards or otherwise under the NewCo Incentive Plans. The timing or receipt of such listing approval, or NewCo's ability to satisfy the conditional listing requirements, is uncertain.

Termination of the Arrangement Agreement in Certain Circumstances

Each of the parties thereto has the right to terminate the Arrangement Agreement and not complete the Arrangement in certain circumstances. Accordingly, there is no certainty, nor can such parties provide any assurance, that the Arrangement Agreement will not be terminated by either LPR Canada or Arsenal before the completion of the Arrangement. For example, each party has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that, in the aggregate, have a Material Adverse Effect on the other party. Although a Material Adverse Effect excludes certain events that are beyond the control of Arsenal or LPR Canada, there is no assurance that such change having a Material Adverse Effect on a party will not occur before the Effective Date, in which case LPR Canada or Arsenal could elect to terminate the Arrangement Agreement and the Arrangement would not proceed. Failure to complete the Arrangement could negatively impact the trading price of the Arsenal Shares or otherwise adversely affect the business of Lone Pine and Arsenal.

Arrangement Costs and Termination Fees

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisory fees, must be paid by Lone Pine and Arsenal even if the Arrangement is not completed. If the Arrangement is completed, actual transaction costs incurred in connection with the Arrangement may be significantly higher than expected. Additional costs may be incurred in LPR Canada Shareholders or Arsenal Shareholders exercise Dissent Rights and receive a cash payment for their shares. Lone Pine and Arsenal are each liable for their own costs incurred in connection with the Arrangement. If the Arrangement is not completed for certain reasons, Lone Pine or Arsenal may be required to pay the Arsenal Termination Fee or Lone Pine Termination Fee, respectively. See "*Part I – Material Terms of the Arrangement Agreement – Termination*" and "*Part I – Material Terms of the Arrangement Agreement – Payment of Break Fees*".

Directors and officers of Arsenal may have interests in the Arrangement that are different from those of Arsenal Shareholders generally.

Certain directors and officers of Arsenal may have interests in the Arrangement that may be different from, or in addition to, the interests of Arsenal Shareholders generally including, but not limited to, accelerated vesting of their Arsenal Share Awards under the terms of the Arrangement Agreement, the receipt of change of control payments and Mr. van Winkoop's employment agreement with NewCo discussed under the heading "*Part I – The Arrangement – Interests of Arsenal Directors and Executive Officers in the Arrangement*". The Arsenal Board recommends voting in favour of the Arrangement. Nevertheless, Arsenal Shareholders should consider these interests in connection with their vote on the Arsenal Arrangement Resolution and the NewCo Incentive Plan Resolution, including whether these interests may have influenced Arsenal's directors and officers to recommend or support the Arrangement.

Directors and officers of Lone Pine may have interests in the Arrangement that are different from those of Lone Pine Shareholders generally.

Certain directors and officers of Lone Pine may have interests in the Arrangement that may be different from, or in addition to, the interests of Lone Pine Shareholders generally including, but not limited to, the receipt of 2016 NewCo Awards under the terms of the Arrangement Agreement discussed under the headings "*Part I – The Arrangement – Interests of Lone Pine Directors and Executive Officers in the Arrangement*". The Lone Pine Board recommends voting in favour of the Arrangement. Nevertheless, Lone Pine Shareholders should consider these interests in connection with their vote on the LPR Canada Arrangement Resolution, the LPRI Arrangement Resolution and the NewCo Incentive Plan Resolution, as applicable, including whether these interests may have influenced Lone Pine's directors and officers to recommend or support the Arrangement.

Fixed Consideration

Arsenal Shareholders will receive a fixed number of NewCo Shares pursuant to the Arrangement, rather than a variable number of NewCo Shares with a fixed market value. Because the number of NewCo Shares to be received in respect of each Arsenal Share pursuant to the Arrangement will not be adjusted to reflect any change in the market value of the Arsenal Shares, the market value of NewCo Shares received under the Arrangement may vary significantly from the market value expressed at the dates referenced in this Circular. If the value of the Lone Pine Shares relative to the market price of Arsenal Shares increases or decreases, the value of the consideration that Arsenal Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease. There can be no assurance that the value of the Lone Pine Shares relative to the market price of the Arsenal Shares immediately prior to the Effective Date will not be lower than the corresponding value or market price of such shares on the date of the Arsenal Meeting. In addition, the number of NewCo Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of Arsenal Shares. Many of the factors that affect the value of the Lone Pine Shares and market value of the Arsenal Shares are beyond the control of Lone Pine and Arsenal, respectively. These factors include fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

Decline in Market Price of Arsenal Shares

If the Arsenal Arrangement Resolution is not approved by the Arsenal Shareholders or the conditions precedent to the Arrangement are otherwise not satisfied or waived, the market price of the Arsenal Shares may decline to the extent that the current market price of the Arsenal Shares reflects a market assumption that the Arrangement will be completed. If the Arsenal Arrangement Resolution is not approved and the Arsenal Board decides to seek another similar transaction, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

The Arrangement may have Tax Consequences

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations applicable to certain Lone Pine Shareholders and certain Arsenal Shareholders – see "*Part I – Certain Canadian Federal Income Tax Considerations*". The Arrangement may have tax implications to other Lone Pine Securityholders and Arsenal Securityholders, and all such holders should consult their own tax advisors.

The Arrangement may also have tax consequences in other jurisdictions. Lone Pine Securityholders and Arsenal Securityholders who may be subject to tax outside of Canada, including those who are resident in jurisdictions other than Canada, should consult their own tax advisors with respect to the tax implications of the Arrangement, including whether or not the transactions may be taxable or give rise to any tax filing requirements. Lone Pine Securityholders and Arsenal Securityholders should also consult their own tax advisors regarding any non-Canadian tax implications of holding NewCo Shares following completion of the Arrangement.

Controlling Shareholder

In connection with the Creditor Protection Proceedings, holders of the previously outstanding unsecured senior notes of LPR Canada (including the shareholders other than LPRI identified below under "*Part II – Voting Securities and Principal Holders Thereof*") received, in exchange for their notes, LPR Canada Common Shares and LPRI Class A Stock, and were eligible to subscribe for and purchase LPR Canada Preferred Shares and LPRI Class B Stock. A former holder of the previously outstanding unsecured notes of LPR Canada currently holds a sufficient number of voting securities of Lone Pine to materially affect control of Lone Pine and will, following completion of the Arrangement, hold a sufficient number of voting securities of NewCo to materially affect control of NewCo, and in the absence of near unanimous disagreement by all other NewCo Shareholders will, in accordance with applicable corporate and securities laws, be able to positively determine the outcome of any matter requiring shareholder approval by ordinary resolution, including the election and removal of directors. The support of this shareholder will also be required for any matter requiring approval of the NewCo Shareholders by special resolution, such as amendments to NewCo's articles of incorporation, a sale of all or substantially all of the assets of NewCo, and certain business combination transactions. No party is likely to make a take-over bid for NewCo Shares or undertake another

acquisition proposal unless supported by this shareholder. Although it is anticipated that the interests of all NewCo Shareholders are generally aligned, each shareholder is entitled to act solely in its own interests in the exercise of its rights as a shareholder, whether those interests are consistent or conflict with (and any such conflict may be resolved against) the interests of NewCo or any of its shareholders or other stakeholders. Any conflict between such shareholder's interests, on the one hand, and the interests of NewCo or any of its other shareholders or other stakeholders, on the other, may be resolved contrary to the interests of NewCo or its other shareholders or other stakeholders. For further information, see "*Principal Securityholders*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Forward-Looking Statements May Prove to be Inaccurate

Shareholders are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statement or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate, including forward-looking statements pertaining to anticipated tax benefits of the transaction. Additional information on the risks, assumptions and uncertainties can be found in this Circular under the heading "*General Information – Forward-Looking Statements and Information*".

If the Arrangement is Not Completed, Arsenal's Future Business and Operations Could be Harmed

If the Arrangement is not completed, Arsenal may be subject to a number of additional material risks, including the following:

- Arsenal may have lost other opportunities that would have otherwise been available had the Arrangement Agreement not been executed, including, without limitation, opportunities not pursued as a result of affirmative and negative covenants made by it in the Arrangement Agreement, such as covenants affecting the conduct of its business outside the ordinary course of business;
- Arsenal may be unable to obtain additional sources of financing or conclude another sale, merger or amalgamation on as favourable terms, in a timely manner, or at all; and
- the obligations of Arsenal to pay the Lone Pine Termination Fee pursuant to the terms of the Arrangement Agreement in certain circumstances.

There are a number of additional risk factors relating to the activities of NewCo and the ownership of NewCo Shares following the Effective Date, which you should carefully consider. These risk factors are set out under the heading "*Risk Factors*" in Appendix I to the Circular.

Shareholders should carefully review and consider all risk factors, as well as the other information contained in the documents forming Lone Pine and Arsenal's disclosure records, before making a decision as to how to vote their Shares at the Meetings. **Shareholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Circular, the consequences of the Arrangement and the holding of Lone Pine Shares, Arsenal Shares and NewCo Shares.**

Interest of Certain Persons or Companies in Matters to be Acted Upon

None of the officers and directors of Lone Pine beneficially own, directly or indirectly, or exercise control or direction over any LPR Canada Shares (excluding LPR Canada Shares underlying outstanding LPR Canada Incentive Awards) or LPRI Shares (excluding LPR Canada Shares underlying outstanding LPR Canada Incentive Awards). See "*Part I – Interests of Lone Pine Directors and Executive Officers in the Arrangement*". Certain significant shareholders of Lone Pine, beneficially own, directly or indirectly, or exercise control or direction over LPR Canada Shares and LPRI Shares. See "*Part II – General Proxy Matters – Voting Securities and Principal Holders Thereof*".

The officers and directors of Arsenal, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,204,544 Arsenal Shares (excluding Arsenal Shares underlying outstanding Arsenal Share Awards), representing approximately 11.3% of the outstanding Arsenal Shares. See "*Part I – Interests of Arsenal Directors and Executive Officers in the Arrangement*".

Following completion of the Arrangement, it is anticipated that the directors and executive officers of NewCo and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 1,487,760 NewCo Shares (including the Replacement Lone Pine RSUs which will be settled the 15th Business Day following Closing, but excluding NewCo Options and NewCo PSUs underlying 2016 NewCo Awards), representing approximately 1.5% of the outstanding NewCo Shares (1.5% on a fully-diluted basis), assuming no Dissent Rights are exercised in respect of the Arrangement. See *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*.

Expenses of the Arrangement

The estimated costs to be incurred by Lone Pine and Arsenal in connection with the Arrangement and related matters, including accounting, legal fees and costs for the preparation, printing and mailing of the Circular and fees payable to the TSX, are expected to be approximately \$2.1 million. This amount does not include change of control or severance payments to officers, employees and certain consultants of Arsenal or Lone Pine, estimated to be in an amount of \$2.4 million.

Legal Matters

Certain legal matters relating to the Arrangement are to be passed upon by Bennett Jones LLP and Vinson & Elkins LLP on behalf of Lone Pine and NewCo and by Borden Ladner Gervais LLP and Dorsey & Whitney on behalf of Arsenal.

As at August 5, 2016, the partners and associates of Bennett Jones LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Lone Pine Shares. As at August 5, 2016, the partners and associates of Vinson & Elkins LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Arsenal Shares. As at August 5, 2016, the partners and associates of Borden Ladner Gervais LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Arsenal Shares.

Experts

Ernst & Young LLP, the auditors of Lone Pine and NewCo, are independent with respect to Lone Pine and NewCo within the meaning of the Rules of Professional Conduct of the Chartered Professional Accounts of Alberta and any applicable legislation or regulations.

Information relating to reserves herein was calculated by Sproule, the independent reserves engineers of Lone Pine. As at August 5, 2016, the principals of Sproule beneficially owned, directly or indirectly, less than 1% of the outstanding Lone Pine Shares

PART II – GENERAL PROXY MATTERS

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by management of Lone Pine and management of Arsenal to be used at the Meetings and any adjournments thereof. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Lone Pine and Arsenal who will not be specifically remunerated therefor. All costs of the solicitation for the Meetings will be borne by Lone Pine and Arsenal.

This proxy solicitation does not restrict the ability of a Securityholder who is entitled to vote at the Meetings to attend at such Meeting and cast their vote in person.

Appointment and Revocation of Proxies

Accompanying this Circular are forms of proxy for LPR Canada Shareholders, holders of LPR Canada Incentive Awards, LPRI Shareholders and Arsenal Securityholders. The persons named in the enclosed forms of proxy are directors and/or officers of LPR Canada, LPRI and Arsenal, as applicable. **A Securityholder desiring to appoint a person (who need not be a Securityholder) to represent such Securityholder at a Meeting other than the persons designated in the applicable accompanying form of proxy may do so either by inserting such person's name in the blank space provided in the applicable form of proxy or by completing another form of proxy.** To be effective, forms of proxy must be received by:

- a. in the case of LPR Canada Shares or LPRI Shares: Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the LPR Canada Meeting (namely, by 9:30 a.m., Calgary time, on September 6, 2016) or any adjournment thereof at which the proxy is to be used;
- b. in the case of LPR Canada Incentive Awards: LPR Canada at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4, facsimile (403) 292-8001 (Attention: Corporate Secretary) no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the LPR Canada Meeting (namely, by 9:30 a.m., Calgary time, on September 6, 2016) or any adjournment thereof at which the proxy is to be used; and
- c. in the case of Arsenal Securities: Alliance Trust Company, Suite 1010, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Arsenal Meeting (namely, by 2:30 p.m., Calgary time, on September 6, 2016) or any adjournment thereof at which the proxy is to be used.

Failure to so deposit a form of proxy shall result in its invalidation.

Lone Pine Resources Canada Ltd.

A registered holder of LPR Canada Securities that has given a proxy may revoke it: (a) by depositing an instrument in writing executed by the Securityholder or by the Securityholder's attorney duly authorized in writing (including, if the shareholder is a corporation, in its corporate name by a duly authorized director, officer or attorney thereof) at the registered office of LPR Canada, located at Suite 4500, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7, facsimile (403) 265-7219 (Attention: Colin Perry), at any time up to and including the last business day preceding the day of the LPR Canada Meeting or any adjournment thereof, or with the chair of the LPR Canada Meeting prior to the commencement of the LPR Canada Meeting on the day of the LPR Canada Meeting or any adjournment thereof; or (b) in any other manner permitted by law, including by attending the LPR Canada Meeting and voting their LPR Canada Shares in person.

Lone Pine Resources Inc.

A registered holder of LPRI Shares that has given a proxy may revoke it by: (a) submitting written notice of revocation to LPRI at Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4, facsimile (403) 292-8001 (Attention: Corporate Secretary), not later than September 7, 2016; (b) submitting a later dated proxy with new voting instructions not later than September 7, 2016; or (c) attending the LPRI Meeting and voting their LPRI Shares in person.

Arsenal Energy Inc.

An Arsenal Securityholder may revoke a proxy by an instrument in writing executed by the securityholder or by the securityholder's attorney authorized in writing and deposited either: (a) at the registered office of Arsenal, 1900, 520 - 3rd Avenue S.W., Calgary, Alberta, T2P 0R3, at any time up to and including the last business day preceding the day of the Arsenal Meeting or any adjournment thereof, at which the proxy is to be used, or with the chair of the Arsenal Meeting prior to the commencement of the Arsenal Meeting on the day of the Arsenal Meeting or any adjournment thereof; or (b) in any other manner permitted by law, including by attending the Arsenal Meeting and voting their Arsenal Securities in person.

Advice to Beneficial Holders of Shares

The foregoing information regarding the appointment and revocation of proxies is generally applicable only to Registered Holders of Lone Pine Securities or Arsenal Securities, being persons who are recorded as holders of Lone Pine Securities or Arsenal Securities in the applicable register of shareholders maintained by Lone Pine or Arsenal, or on their behalf by Computershare and Alliance, respectively, as registrar and transfer agent.

The information in this section is important to any Shareholder who does not hold their shares in their own name. Shareholders who beneficially own Lone Pine Shares or Arsenal Shares but do not appear on the records of Lone Pine or Arsenal as the registered holders thereof are referred to in this Circular as "**Beneficial Holders**". Shares owned by Beneficial Holders are typically registered in the name of a broker or other intermediary (or an agent or nominee thereof) or in the name of a depository of which the intermediary is a participant.

Only proxies deposited by a person whose name appears on the records of Lone Pine or Arsenal as the registered holder of Securities will be recognized and acted upon at the respective Meeting. Shares listed in an account statement provided by a broker or other intermediary (or an agent or nominee thereof) will, in most cases, not be registered in the person's own name on the records of Lone Pine or Arsenal but will more likely be registered under the name of the person's broker or other intermediary (or an agent or nominee thereof).

Brokers and other intermediaries holding shares on behalf of Beneficial Holders are to seek voting instructions from the Beneficial Holders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing and delivery procedures and provide their own return instructions to their clients, which should be carefully followed by Beneficial Holders in order to ensure that their Lone Pine Shares or Arsenal Shares are voted at the respective Meetings in accordance with their wishes. The voting instruction form supplied to a Beneficial Holder by its broker or other intermediary (or an agent or nominee thereof) may be very similar or even identical to the proxy form furnished to registered shareholders by Lone Pine or Arsenal, but its purpose is limited to instructing the registered shareholder (*i.e.*, the broker or other intermediary), or its agent or nominee, how the Lone Pine Shares or Arsenal Shares it holds on behalf of the Beneficial Holder are to be voted.

Beneficial Holders should ensure that instructions regarding the voting of their Lone Pine Shares or Arsenal Shares are properly communicated to the appropriate person well in advance of the Meetings.

A Beneficial Holder receiving a voting instruction form from their broker or other intermediary (or an agent or nominee thereof) cannot use that form to vote Lone Pine Shares or Arsenal Shares directly at a Meeting. Voting instructions must instead be communicated to the broker or other intermediary (or an agent or nominee thereof) (in accordance with their return instructions) well in advance of the respective Meeting in order to have the Lone Pine Shares or Arsenal Shares to which the instructions relate properly voted at the respective Meetings.

Although a Beneficial Holder may not be recognized directly at the respective Meeting for the purposes of voting shares that are registered in the name of their broker or other intermediary (or an agent or nominee thereof), a Beneficial Holder may, if properly appointed, attend the Meeting as proxyholder for the registered securityholder and vote their beneficially-held Shares in that capacity. Beneficial Holders who wish to attend a Meeting and indirectly vote their Shares as proxyholder for the registered securityholder, should enter their own names in the blank space on the voting instruction form or proxy document provided to them and return the same to their broker or other intermediary (or an agent or nominee thereof) in accordance with the instructions provided by such party well in advance of the respective Meeting.

Beneficial Holders should contact the broker or other intermediary (or an agent or nominee thereof) through which they hold Lone Pine Shares or Arsenal Shares if they have any questions regarding the voting of their securities.

Beneficial Holders should also instruct their broker or other intermediary to complete the applicable Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares) regarding the Arrangement with respect to the Beneficial Holders' LPR Canada Shares or Arsenal Shares, as applicable, as soon as possible in order to receive the NewCo Shares issuable pursuant to the Arrangement in exchange for such holder's LPR Canada Shares or Arsenal Shares, as applicable.

Lone Pine and Arsenal Record Date

The Lone Pine Record Date for determination of Lone Pine Securityholders entitled to receive notice of and to vote at the applicable Lone Pine Meetings is July 27, 2016. The Arsenal Record Date for determination of Arsenal Securityholders entitled to receive notice of and to vote at the Arsenal Meeting is July 25, 2016. Only Securityholders whose names have been entered in the register of LPR Canada Shareholders, LPR Canada Incentive Plan Awards, LPRI Shareholders, Arsenal Shareholders, holders of Arsenal Options or holders of Arsenal Share Awards, as applicable, on the close of business of the Lone Pine Record Date or Arsenal Record Date, as applicable, will be entitled to receive notice of and to vote at the respective Meetings.

Signature of Proxy

The applicable form of proxy must be executed by such Securityholders or his or her attorney authorized in writing, or if such Securityholders is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Lone Pine or Arsenal, as applicable).

Voting of Proxies

Only registered Lone Pine Securityholders or Arsenal Securityholders or duly appointed proxyholders are permitted to vote at the respective Meetings.

The persons named in the applicable form of proxy will vote the Securities in respect of which they are appointed in accordance with the direction of the Securityholder appointing them.

In the absence of such direction, the LPR Canada Securities will be voted FOR the approval of the LPR Canada Arrangement Resolution, LPR Canada Shares will be voted FOR the NewCo Incentive Plan Resolution, the LPRI Shares will be voted FOR the approval of the LPRI Arrangement Resolution, the Arsenal Securities will be voted FOR the approval of the Arsenal Arrangement Resolution and the Arsenal Shares will be voted FOR the NewCo Incentive Plan Resolution.

Exercise of Discretion of Proxy

The proxyholder has discretion under the applicable form of proxy to consider matters at the respective Meetings that may not yet be determined. As of the date hereof, management of Lone Pine and management of Arsenal know of no amendments, variations or other matters to come before any Meeting other than the matters set out in the applicable Notices of Meeting. Shareholders who are planning to return the applicable form of proxy are encouraged to review the Circular carefully before doing so.

Voting Securities and Principal Holders Thereof

LPR Canada

At the LPR Canada Meeting, LPR Securityholders will be asked to consider the items of business set out in the accompanying LPR Canada Notice of Meeting, including the LPR Arrangement Resolution and NewCo Incentive Resolution.

The by-laws of LPR Canada provide that two (2) persons present and holding and representing by proxy at least 5% of the shares entitled to vote at the meeting shall be a quorum.

The LPR Canada Arrangement Resolution must be approved by not less than: (a) 66 $\frac{2}{3}$ % of the votes cast by the holders of LPR Canada Common Shares present in person or by proxy at the LPR Canada Meeting; (b) 66 $\frac{2}{3}$ % of the votes cast by the holders of LPR Canada Common Shares and the holders of LPR Canada Incentive Awards, which entitle the holder thereof to be issued LPR Canada Common Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting; (c) 66 $\frac{2}{3}$ % of the votes cast by the holders of LPR Canada Preferred Shares present in person or by proxy at the LPR Canada Meeting; and (d) 66 $\frac{2}{3}$ % of the votes cast by the holders of LPR Canada Preferred Shares and the holders of LPR Canada Incentive Awards, which entitle the holder thereof to be issued LPR Canada Preferred Shares on the settlement and redemption thereof, voting together as a single class, present in person or by proxy at the LPR Canada Meeting.

As at the Lone Pine Record Date, for purposes of the approval of the LPR Arrangement Resolution, the following LPR Canada Securities are outstanding:

<u>Class of LPR Canada Securities</u>	<u>Number Outstanding</u>	<u>Number of Votes per Security</u>
LPR Canada Preferred Shares	74,999,996	one (1)
LPR Canada Common Shares	24,985,757	one (1)
LPR Canada Incentive Awards that settle in LPR Canada Preferred Shares	378,169	one (1)
LPR Canada Incentive Awards that settle in LPR Canada Preferred Shares	1,444,686	one (1)

The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

As at the Lone Pine Record Date, for purposes of the approval of the NewCo Incentive Plan Resolution, the following LPR Canada Shares are outstanding:

Class of LPR Canada Shares	Number Outstanding	Number of NewCo Shares Received as a Class	Number of Votes attached to NewCo Shares	Percentage of Voting Rights of the Class⁽¹⁾
LPR Canada Preferred Shares	74,999,996	0.8117105	60,878,284	62.7%
LPR Canada Common Shares	24,985,757	0.5544092	13,852,334	14.3%

Notes:

- (1) Includes the voting rights of the Arsenal Shares cast in respect of the NewCo Incentive Plan Resolution.

To the knowledge of the directors and executive officers of LPR Canada, as at the date hereof, no person or company beneficially owns or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to all shares of LPR Canada which will be voted at the LPR Canada Meeting, except as follows:

Name of Holder	Number and Class of Shares Held	Number of Votes Attached to Shares Held	Percentage of Class
Liberty Harbor PF LPR LLC ⁽¹⁾	12,151,020 LPR Canada Common Shares ⁽²⁾	12,151,020	48.6%
	46,783,543 LPR Canada Preferred Shares ⁽³⁾	46,783,543	62.4%
Goldman Sachs & Co.	4,019,793 LPR Canada Common Shares ⁽²⁾	4,019,793	16.1%
	15,476,905 LPR Canada Preferred Shares ⁽³⁾	15,476,905	20.6%

Notes:

- (1) Wholly-owned subsidiaries of The Goldman Sachs Group, Inc. are the general partner and the investment manager of Liberty Harbor PF LPR LLC. The Goldman Sachs Group, Inc. disclaims beneficial ownership of the shares owned by Liberty Harbor PF LPR LLC, except to the extent of its pecuniary interest therein, if any.
- (2) Each LPR Canada Common Share carries the right to one (1) vote at the LPR Canada Meeting.
- (3) Each LPR Canada Preferred Share carries the right to one (1) vote at the LPR Canada Meeting.

LPRI

At the LPRI Meeting, LPRI Shareholders will be asked to consider the items of business set out in the accompanying LPRI Notice of Meeting, including the LPRI Arrangement Resolution.

The by-laws of LPRI provide that a majority of the voting power of the shares entitled to vote at the meeting shall be a quorum.

The LPRI Arrangement Resolution must be approved by the majority of the votes entitled to be cast on the Merger.

As at the Lone Pine Record Date, for purposes of the approval of the LPRI Arrangement Resolution, there are 24,985,757 LPRI Class A Stock and 74,999,996 LPRI Class B Stock outstanding to which, as of the Lone Pine Record Date, are attached, in aggregate, approximately 120,161,418 votes, as follows:

Class of LPRI Shares	Number Outstanding	Number of Votes per Share	Total Voting Rights of the Class	Proportion of Total Voting Power
LPRI Class B Stock	74,999,996	1.269 ⁽¹⁾	95,175,661	79.21%
LPRI Class A Stock	24,985,757	1	24,985,757	20.79%

Note:

- (1) The voting rights attached to the shares of LPRI Class B Stock escalate over time based on a formula under the second amended and restated certificate of incorporation of LPRI dated January 31, 2014. On all matters on which LPRI Shareholders generally are entitled to vote, each holder of LPRI Class B Stock is entitled, for each such share held, to such number of votes as is equal to the "accreted value", which means, as of the record date for determining shareholders entitled to vote on the matter, one (1) plus an amount equal to the product determined by multiplying (i) 10% of the accreted value as of the most recent anniversary of January 31, 2016, by (ii) a fraction, the numerator of which shall be the number of days elapsed since such anniversary up to and including such record date and the denominator of which shall be 365 (or 366 in a leap year). Based on the Lone Pine Record Date of July 27, 2016, 178 days elapsed between January 31, 2016 and the Lone Pine Record Date and, accordingly, the formula yields a voting power per LPRI Class B Stock, for the items of business proposed to be considered at the LPRI Meeting, of 1.269 votes.

To the knowledge of the directors and executive officers of LPRI, as at the date hereof, no person or company beneficially owns or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to all shares of LPRI which will be voted at the LPRI Meeting, except as follows:

Name of Holder	Number and Class of Shares Held	Number of Votes Attached to Shares Held	Percentage of Class
Liberty Harbor PF LPR LLC ⁽¹⁾	46,783,543 LPRI Class B Stock	59,368,701 ⁽²⁾	62.38%
	12,151,020 LPRI Class A Stock	12,151,020 ⁽³⁾	48.63%
Goldman Sachs & Co.	15,476,905 LPRI Class B Stock	19,640,320 ⁽²⁾	20.64%
	4,019,793 LPRI Class A Stock	4,019,793 ⁽³⁾	16.09%

Notes:

- (1) Wholly-owned subsidiaries of The Goldman Sachs Group, Inc. are the general partner and the investment manager of Liberty Harbor PF LPR LLC. The Goldman Sachs Group, Inc. disclaims beneficial ownership of the shares owned by Liberty Harbor PF LPR LLC, except to the extent of its pecuniary interest therein, if any.
- (2) The voting rights attached to the LPRI Class B Stock escalate over time based on a formula under the amended and restated certificate of incorporation of LPRI dated January 31, 2014. On all matters on which LPRI Shareholders generally are entitled to vote, each holder of LPRI Class B Stock is entitled, for each such share held, to such number of votes as is equal to the "accreted value", which means, as of the record date for determining shareholders entitled to vote on the matter, one (1) plus an amount equal to the product determined by multiplying (i) 10% of the accreted value as of the most recent anniversary of January 31, 2016, by (ii) a fraction, the numerator of which shall be the number of days elapsed since such anniversary up to and including such record date and the denominator of which shall be 365 (or 366 in a leap year). Based on the Lone Pine Record Date of July 27, 2016, 178 days elapsed between January 31, 2016 and the Lone Pine Record Date and, accordingly, the formula yields a voting power per LPRI Class B Stock, for the items of business proposed to be considered at the LPRI Meeting, of 1.269 votes.
- (3) Each LPRI Class A Stock carries the right to one (1) vote at the LPRI Meeting.

Arsenal

At the Arsenal Meeting, Arsenal Securityholders will be asked to consider the items of business set out in the accompanying Arsenal Notice of Meeting, including the Arsenal Arrangement Resolution and NewCo Incentive Resolution.

The by-laws of Arsenal provide that a quorum of shareholders is present at a meeting of shareholders if at least two (2) persons are present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy, and who hold or represent by proxy in the aggregate not less than 5% of the outstanding Arsenal Shares entitled to be voted at the meeting.

As at the Arsenal Record Date, for purposes of the Arsenal Meeting and the items of business set out in the Arsenal Notice of Meeting, there are 19,494,623 Arsenal Shares outstanding. Each Arsenal Share is entitled to one (1) vote.

The Arsenal Arrangement Resolution must be approved by not less than (a) 66 $\frac{2}{3}$ % of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting; (b) 66 $\frac{2}{3}$ % of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or by proxy at the Arsenal Meeting; and (c) a simple majority of the votes cast by Arsenal Shareholders present in person or by proxy at the Arsenal Meeting after excluding the votes cast in respect of the Arsenal Shares beneficially owned or controlled by persons whose votes may not be included under MI 61-101.

As at the Arsenal Record Date, for purposes of the approval of the Arsenal Arrangement Resolution, the following Arsenal Securities are outstanding:

Class of Arsenal Securities	Number Outstanding	Number of Votes per Security
Arsenal Shares	19,494,623 ⁽¹⁾	one (1)
Arsenal Share Awards	650,389 ⁽²⁾	one (1)
Arsenal Options	273,237 ⁽³⁾	one (1)

Notes:

- (1) Includes the 1,980,219 Arsenal Shares (or 10.1% of the issued and outstanding Arsenal Shares), beneficially owned or controlled by persons whose votes may not be included under MI 61-101.
- (2) Represents the number of Arsenal Shares to be issued upon settlement of all outstanding Arsenal Share Awards.

The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

As at the Arsenal Record Date, for purposes of the approval of the NewCo Incentive Plan Resolution, the following Arsenal Shares are outstanding:

<u>Class of Arsenal Shares</u>	<u>Number Outstanding</u>	<u>Number of NewCo Shares Received as a Class</u>	<u>Number of Votes attached to NewCo Shares</u>	<u>Percentage of Voting Rights of the Class⁽¹⁾</u>
Arsenal Shares	19,494,623	1.1417218	22,257,436	23.0%

Notes:

- (1) Includes the voting rights of the Lone Pine Shares cast in respect of the NewCo Incentive Plan Resolution.

As at the Arsenal Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the Arsenal Shares:

<u>Name of Holder</u>	<u>Number and Class of Shares Held</u>	<u>Percentage of Class Voting Power</u>
Bruce Mitchell ⁽¹⁾	2,799,634 Common Shares	14.4% ⁽²⁾

Notes:

- (1) Number of shares for Bruce Mitchell as reported on the System for Electronic Disclosure by Insiders (SEDI) as of the date of this Circular and has not been independently verified by Arsenal.
- (2) Based on 19,494,623 Arsenal Shares issued and outstanding.

Interest of Informed Persons in Material Transactions

Other than as disclosed elsewhere in this Circular (including "*Part I – Securities Law Matters – Canada*" and the Appendices hereto, including *Appendix G – Information Concerning Lone Pine – Principal Lone Pine Shareholders*), neither Lone Pine nor Arsenal is aware of any material interest, direct or indirect, of any informed person of Lone Pine or Arsenal, any proposed director of NewCo, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of Lone Pine's, or Arsenal's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Lone Pine or Arsenal or any of their subsidiaries.

For the purposes of this Circular an "informed person" means a director or executive officer of Lone Pine or Arsenal, a director or executive officer of a person or company that is itself an "informed person" of Lone Pine or Arsenal and any person or company who beneficially owns, directly or indirectly, voting securities of Lone Pine or Arsenal or who exercises control or direction over voting securities of Lone Pine or Arsenal or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of Lone Pine or Arsenal.

Additional Information

Additional information relating to Arsenal is on SEDAR at www.sedar.com. Arsenal Securityholders may contact Arsenal at (403) 262-4854 to request copies of Arsenal's financial statements and MD&A. Financial information is provided in Arsenal's comparative financial statements and MD&A for Arsenal's most recently completed financial year and interim period.

APPENDIX A

LPR CANADA ARRANGEMENT RESOLUTION

1. the arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. ("**LPRI**"), Arsenal Energy Inc. ("**Arsenal**") and their respective securityholders, and Prairie Provident Resources Inc. ("**NewCo**") and providing for, among other things, the issuance of up to 100,000,000 common shares of NewCo to the securityholders of LPR Canada and Arsenal, substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached to the joint information circular of LPR Canada, LPRI and Arsenal dated August 5, 2016 (the "**Information Circular**"), as the Plan of Arrangement may be amended in accordance with its terms, are hereby authorized, approved and adopted;
2. the amended and restated arrangement agreement between LPR Canada and Arsenal amended as of August 2, 2016 and made effective and restated as of June 23, 2016 (the "**Arrangement Agreement**") pursuant to which the parties thereto have proposed to implement the Arrangement Agreement, a copy of which is attached to the Information Circular, together with such amendments thereto made in accordance with the terms thereof as may be approved by the persons referred to in paragraph 5 of this resolution, such approval to be evidenced conclusively by execution and delivery of any such amendments, is hereby ratified, confirmed and approved;
3. LPR Canada is authorized to apply for a final order from the Court of Queen's Bench of Alberta (the "**Court**") approving the Arrangement, and any director or officer of LPR Canada is authorized, for and on behalf of and in the name of LPR Canada, to cause such application to be made and, if such order is granted, LPR Canada is authorized to file, and any one director or officer of LPR Canada is hereby authorized to execute, with or without corporate seal, and to deliver or cause to be delivered for filing, with the Registrar of Corporations under the ABCA, articles of arrangement and such other documents as in the opinion of such director or officer may be necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement (as amended, if applicable), such determination to be conclusively evidenced by the execution and delivery of such documents;
4. notwithstanding that this special resolution has been duly passed (and the Arrangement adopted) by the shareholders of LPR Canada, or that the Arrangement has been approved by the Court, the directors of LPR Canada are authorized and empowered, in their discretion, without further notice to or approval of the shareholders of LPR Canada to: (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby; and (ii) revoke this special resolution at any time prior to the filing of articles of arrangement and other materials under the ABCA to give effect to the Arrangement, and not proceed with the Arrangement; and
5. any one director or officer of LPR Canada is authorized and directed, for and on behalf of and in the name of LPR Canada, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

APPENDIX B

LPRI ARRANGEMENT RESOLUTION

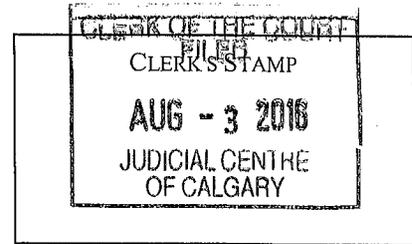
1. the arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Prairie Provident Resources Inc. ("**NewCo**"), Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. ("**LPRI**"), Arsenal Energy Inc. ("**Arsenal**") and their respective securityholders, as applicable, and providing for, among other things, the issuance of up to 100,000,000 common shares of NewCo to the securityholders of LPR Canada and Arsenal, substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached to the joint information circular of LPR Canada, LPRI and Arsenal dated August 5, 2016 (the "**Information Circular**"), as the Plan of Arrangement may be amended in accordance with its terms, are hereby authorized, approved and adopted;
2. the agreement and plan of merger, dated as of August 5, 2016 (the "**Merger Agreement**"), by and among LPRI, PPRI Subco Inc. ("**DESub**") and NewCo, and the transactions contemplated by the Merger Agreement, including the merger of DESub with and into LPRI, with LPRI continuing as the surviving corporation and a subsidiary of NewCo, are hereby authorized and approved; and
3. any one director or officer of LPRI is authorized and directed, for and on behalf of and in the name of LPRI, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

APPENDIX C

ARSENAL ARRANGEMENT RESOLUTION

1. the arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Lone Pine Resources Canada Ltd. ("**LPR Canada**"), Lone Pine Resources Inc. ("**LPRI**"), Arsenal ("**Arsenal**") and their respective securityholders, and Prairie Provident Resources Inc. ("**NewCo**") and providing for, among other things, the issuance of up to 100,000,000 common shares of NewCo to the securityholders of LPR Canada and Arsenal, substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached to the joint information circular of LPR Canada and Arsenal dated August 5, 2016 (the "**Information Circular**"), as the Plan of Arrangement may be amended in accordance with its terms, are hereby authorized, approved and adopted;
2. the amended and restated arrangement agreement between LPR Canada and Arsenal amended as of August 2, 2016 and made effective and restated as of June 23, 2016 (the "**Arrangement Agreement**") pursuant to which the parties thereto have proposed to implement the Arrangement Agreement, a copy of which is attached to the Information Circular, together with such amendments thereto made in accordance with the terms thereof as may be approved by the persons referred to in paragraph 5 of this resolution, such approval to be evidenced conclusively by execution and delivery of any such amendments, is hereby ratified, confirmed and approved;
3. Arsenal is authorized to apply for a final order from the Court of Queen's Bench of Alberta (the "**Court**") approving the Arrangement, and any director or officer of Arsenal is authorized, for and on behalf of and in the name of Arsenal, to cause such application to be made and, if such order is granted, Arsenal is authorized to file, and any one director or officer of Arsenal is hereby authorized to execute, with or without corporate seal, and to deliver or cause to be delivered for filing, with the Registrar of Corporations under the ABCA, articles of arrangement and such other documents as in the opinion of such director or officer may be necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement (as amended, if applicable), such determination to be conclusively evidenced by the execution and delivery of such documents;
4. notwithstanding that this special resolution has been duly passed (and the Arrangement adopted) by the shareholders of Arsenal, or that the Arrangement has been approved by the Court, the directors of Arsenal are authorized and empowered, in their discretion, without further notice to or approval of the shareholders of Arsenal to: (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby; and (ii) revoke this special resolution at any time prior to the filing of articles of arrangement and other materials under the ABCA to give effect to the Arrangement, and not proceed with the Arrangement; and
5. any one director or officer of Arsenal is authorized and directed, for and on behalf of and in the name of Arsenal, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

APPENDIX D
INTERIM ORDER



COURT FILE NUMBER 1601-09945

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF SECTION 193 OF THE BUSINESS CORPORATIONS ACT, RSA 2000, c B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING LONE PINE RESOURCES CANADA LTD., LONE PINE RESOURCES INC., PRAIRIE PROVIDENT RESOURCES INC., 1984745 ALBERTA LTD., PPRI SUBCO INC., ARSENAL ENERGY INC. AND THE SECURITYHOLDERS OF LONE PINE RESOURCES CANADA LTD., LONE PINE RESOURCES INC. AND ARSENAL ENERGY INC.

APPLICANTS LONE PINE RESOURCES CANADA LTD.
ARSENAL ENERGY INC.

RESPONDENT NOT APPLICABLE

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **BENNETT JONES LLP**
Barristers and Solicitors
4500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Scott Bower
Telephone No.: 403-298-3301
Fax No.: 403-265-7219
Email: BowerS@bennettjones.com
Client File No.: 68261-14

DATE ON WHICH ORDER WAS PRONOUNCED: August 2, 2016

LOCATION OF HEARING: Calgary, Alberta

NAME OF JUDGE WHO MADE THIS ORDER: Justice C. M. Jones

UPON the Originating Application (the "**Originating Application**") of Lone Pine Resources Canada Ltd. ("**LPR Canada**") and Arsenal Energy Inc. ("**Arsenal**");

AND UPON reading the Originating Application, the affidavit of Tim S. Granger, President and Chief Executive Officer of LPR Canada, sworn August 2, 2016 (the "**Granger Affidavit**") and the documents referred to therein, and the affidavit of J. Paul Lawrence, Vice President, Finance and Chief Financial Officer of Arsenal, sworn August 2, 2016 and the documents referred to therein;

AND UPON HEARING counsel for LPR Canada and counsel for Arsenal;

AND UPON being advised that the approval of the arrangement by this Court will have the effect of providing the basis for an exemption from the registration requirements of United States Securities Act of 1933, as amended, pursuant to section 3(a)(10) thereof, with respect to the issuance of the common shares of Prairie Provident Resources Inc. ("**NewCo**") issuable pursuant to the Arrangement (defined below);

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this order (the "**Order**") shall have the meanings attributed to them in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule A to the amended and restated arrangement agreement amended as of August 2, 2016 and effective as of June 23, 2016 between LPR Canada and Arsenal, a copy of which is attached as Exhibit "2" to the Granger Affidavit; and
- (b) all references to "**Arrangement**" used herein mean the arrangement as set forth in the Plan of Arrangement.

IT IS HEREBY ORDERED THAT:

General

1. LPR Canada shall seek approval of the Arrangement by (i) the holders ("**LPR Canada Common Shareholders**") of Class A voting common shares in the capital of LPR Canada ("**LPR Canada Common Shares**"), (ii) the holders ("**LPR Canada Preferred Shareholders**") and, together with the LPR Canada Common Shareholders, the "**LPR Canada Shareholders**") of Series 1 preferred shares in the capital of LPR Canada ("**LPR Canada Preferred Shares**" and, together with the LPR Canada Common Shares, the "**LPR Canada Shares**"), and (iii) the holders (such holders, together with the LPR Canada Shareholders, the "**LPR Canada Securityholders**") of restricted share units or any other rights to acquire LPR Canada Shares granted pursuant to the 2014 equity incentive plan of LPR Canada dated January 31, 2014, as amended ("**LPR Canada Incentive Awards**"), in the manner set forth below.

2. Arsenal shall seek approval of the Arrangement by (i) the holders ("**Arsenal Shareholders**") of common shares in the capital of Arsenal ("**Arsenal Shares**"), (ii) the holders (such holders, together with the Arsenal Shareholders, the "**Arsenal Securityholders**") of stock options, share awards or any other rights to acquire Arsenal Shares granted pursuant to the share award incentive plan of Arsenal approved at a meeting of its shareholders held on June 19, 2014, and the incentive stock option plan of Arsenal dated July 13, 2007, as amended ("**Arsenal Incentive Awards**"), in the manner set forth below.

The LPR Canada Meeting

3. LPR Canada shall call and conduct a special meeting (the "**LPR Canada Meeting**") of LPR Canada Securityholders on or about September 8, 2016. At the LPR Canada Meeting, the LPR Canada Securityholders will consider and vote upon a special resolution to approve the Arrangement (the "**LPR Canada Arrangement Resolution**") and such other business as may properly be brought before the LPR Canada Meeting or any adjournment or postponement thereof, all as more particularly described in the draft

joint management information circular and proxy statement of LPR Canada, Lone Pine Resources Inc. ("**LPRI**") and Arsenal (the "**Joint Circular**"), a draft copy of which is marked as Exhibit "1" to the Granger Affidavit.

4. A quorum of LPR Canada Securityholders at the LPR Canada Meeting shall be two or more persons, being either LPR Canada Shareholders present in person or proxyholders representing LPR Canada Shareholders by proxy, collectively holding not less than (i) 5% of the outstanding LPR Canada Common Shares, and (ii) 5% of the outstanding LPR Canada Preferred Shares.
5. If within 30 minutes from the time appointed for the LPR Canada Meeting, a quorum of LPR Canada Securityholders is not present, the LPR Canada Meeting shall stand adjourned to a date not less than two (2) and not more than 30 days later, as may be determined by the Chair of the LPR Canada Meeting. No notice of the adjourned meeting shall be required, and at such adjourned meeting the LPR Canada Securityholders present in person or represented by proxy shall constitute a quorum for all purposes.
6. Each LPR Canada Share entitled to be voted at the LPR Canada Meeting will entitle the holder to one (1) vote in respect of the LPR Canada Arrangement Resolution, and any other matters to be considered at the LPR Canada Meeting.
7. Each LPR Canada Incentive Award entitled to be voted at the LPR Canada Meeting will entitle the holder to one (1) vote in respect of the LPR Canada Arrangement Resolution for every LPR Canada Share issuable to the holder on exercise or settlement of such LPR Canada Incentive Award.
8. The record date for LPR Canada Securityholders entitled to receive notice of and vote at the Meeting shall be July 27, 2016 (the "**LPR Canada Record Date**"), which date shall not change as a consequence of any adjournment or postponement of the LPR Canada Meeting.
9. The LPR Canada Meeting shall be called, held and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of LPR Canada in effect at

the relevant time, the rulings and directions of the Chair of the LPR Canada Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the ABCA or the articles or by-laws of LPR Canada, the terms of this Order shall govern.

The Arsenal Meeting

10. Arsenal shall call and conduct a special meeting (the "**Arsenal Meeting**") of Arsenal Securityholders on or about September 8, 2016. At the Arsenal Meeting, the Arsenal Securityholders will consider and vote upon a special resolution to approve the Arrangement (the "**Arsenal Arrangement Resolution**") and such other business as may properly be brought before the Arsenal Meeting or any adjournment or postponement thereof, all as more particularly described in the Joint Circular.
11. A quorum of Arsenal Securityholders at the Arsenal Meeting shall be two or more persons, being either Arsenal Shareholders present in person or proxyholders representing Arsenal Shareholders by proxy, collectively holding not less than 5% of the outstanding Arsenal Shares.
12. If within 30 minutes from the time appointed for the Arsenal Meeting, a quorum of Arsenal Securityholders is not present, the Arsenal Meeting shall stand adjourned to a date not less than two (2) and not more than 30 days later, as may be determined by the Chair of the Arsenal Meeting. No notice of the adjourned meeting shall be required, and at such adjourned meeting the Arsenal Securityholders present in person or represented by proxy shall constitute a quorum for all purposes.
13. Each Arsenal Share entitled to be voted at the Arsenal Meeting will entitle the holder to one (1) vote in respect of the Arsenal Arrangement Resolution, and any other matters to be considered at the Arsenal Meeting.
14. Each Arsenal Incentive Award entitled to be voted at the Arsenal Meeting will entitle the holder to one (1) vote in respect of the Arsenal Arrangement Resolution for every Arsenal Share issuable to the holder on exercise or settlement of such Arsenal Incentive Award.

15. The record date for Arsenal Securityholders entitled to receive notice of and vote at the Meeting shall be July 25, 2016 (the "**Arsenal Record Date**"), which date shall not change as a consequence of any adjournment or postponement of the Arsenal Meeting.
16. The Arsenal Meeting shall be called, held and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of Arsenal in effect at the relevant time, the rulings and directions of the Chair of the Arsenal Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the ABCA or the articles or by-laws of Arsenal, the terms of this Order shall govern.

Conduct of the LPR Canada Meeting

17. The only persons entitled to attend the LPR Canada Meeting shall be LPR Canada Securityholders or their authorized proxy holders, LPR Canada's directors and officers and its auditors, LPR Canada's legal counsel, representatives and legal counsel of Arsenal, and such other persons who may be permitted to attend by the Chair of the LPR Canada Meeting.
18. The number of votes required to pass the LPR Canada Arrangement Resolution shall be:
 - (a) not less than two-thirds of the votes cast by LPR Canada Common Shareholders present in person or represented by proxy at the LPR Canada Meeting;
 - (b) not less than two-thirds of the votes cast by (i) LPR Canada Common Shareholders and (ii) holders of LPR Canada Incentive Awards pursuant to which LPR Canada Common Shares are issuable on exercise or settlement thereof, voting together as a single class, present in person or represented by proxy at the LPR Canada Meeting;
 - (c) not less than two-thirds of the votes cast by LPR Canada Preferred Shareholders present in person or represented by proxy at the LPR Canada Meeting; and
 - (d) not less than two-thirds of the votes cast by (i) LPR Canada Preferred Shareholders and (ii) holders of LPR Canada Incentive Awards pursuant to which

LPR Canada Preferred Shares are issuable on exercise or settlement thereof, voting together as a single class, present in person or represented by proxy at the LPR Canada Meeting.

19. LPR Canada Securityholders may vote at the LPR Canada Meeting in person or by proxy. To be valid, a proxy must be deposited in the manner described in the Joint Circular.
20. The chair of the LPR Canada Meeting may waive generally any time limits for the deposit of proxies or communication of voting instructions if, in the exercise of his or her discretion, he or she deems it advisable to do so.
21. The accidental omission to give notice of the LPR Canada Meeting (or any adjournment thereof) to, or the non-receipt of such notice by, any person entitled to such notice shall not invalidate any resolution passed or proceedings taken at the LPR Canada Meeting.
22. Any director or officer of LPR Canada or, failing them, any person selected by the LPR Canada Shareholders present and entitled to vote at the LPR Canada Meeting, shall be the chair of the LPR Canada Meeting.
23. LPR Canada is authorized to adjourn or postpone the LPR Canada Meeting on one or more occasions (whether or not a quorum is present, as applicable) and for such period or periods of time as LPR Canada deems advisable, without the necessity of first convening the LPR Canada Meeting or first obtaining any vote of the LPR Canada Securityholders (or any of them) in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as LPR Canada determines is appropriate in the circumstances. If the LPR Canada Meeting is adjourned or postponed in accordance with this Order, the references to the LPR Canada Meeting in this Order shall be deemed to be the LPR Canada Meeting as adjourned or postponed, as the context allows.

Conduct of the Arsenal Meeting

24. The only persons entitled to attend the Arsenal Meeting shall be Arsenal Securityholders or their authorized proxy holders, Arsenal's directors and officers and its auditors, Arsenal's legal counsel, representatives and legal counsel of LPR Canada, and such other persons who may be permitted to attend by the Chair of the Arsenal Meeting.
25. The number of votes required to pass the Arsenal Arrangement Resolution shall be:
 - (a) not less than two-thirds of the votes cast by Arsenal Shareholders present in person or represented by proxy at the Arsenal Meeting;
 - (b) not less than two-thirds of the votes cast by Arsenal Securityholders, voting together as a single class, present in person or represented by proxy at the Arsenal Meeting;
 - (c) a simple majority of the votes cast by Arsenal Shareholders present in person or represented by proxy at the Arsenal Meeting after excluding the votes cast by those persons whose votes are required to be excluded for purposes of obtaining minority approval of the Arrangement in accordance with Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions.
26. Arsenal Securityholders may vote at the Arsenal Meeting in person or by proxy. To be valid, a proxy must be deposited in the manner described in the Joint Circular.
27. The chair of the Arsenal Meeting may waive generally any time limits for the deposit of proxies or communication of voting instructions if, in the exercise of his or her discretion, he or she deems it advisable to do so.
28. The accidental omission to give notice of the Arsenal Meeting (or any adjournment thereof) to, or the non-receipt of such notice by, any person entitled to such notice shall not invalidate any resolution passed or proceedings taken at the Arsenal Meeting.

29. Any director or officer of Arsenal or, failing them, any person selected by the Arsenal Shareholders present and entitled to vote at the Arsenal Meeting, shall be the chair of the Arsenal Meeting.
30. Arsenal is authorized to adjourn or postpone the Arsenal Meeting on one or more occasions (whether or not a quorum is present, as applicable) and for such period or periods of time as Arsenal deems advisable, without the necessity of first convening the Arsenal Meeting or first obtaining any vote of the Arsenal Securityholders (or any of them) in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as Arsenal determines is appropriate in the circumstances. If the Arsenal Meeting is adjourned or postponed in accordance with this Order, the references to the Arsenal Meeting in this Order shall be deemed to be the Arsenal Meeting as adjourned or postponed, as the context allows.

Amendments to the Arrangement

31. LPR Canada and Arsenal are authorized to make such amendments, revisions or supplements to the Arrangement as they may together determine necessary or desirable, provided that such amendments, revisions or supplements are made in accordance with and in the manner contemplated by the Arrangement. The Arrangement so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the LPR Canada Meeting and the Arsenal Meeting, and the subject of the LPR Canada Arrangement Resolution and the Arsenal Arrangement Resolution, as applicable, without need to return to this Court to amend this Order.

Amendments to Meeting Materials

32. LPR Canada and Arsenal are authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Joint Circular, accompanying notices of the LPR Canada Meeting and Arsenal Meeting, respectively (together, the "**Notices of Meeting**") and accompanying notice of Originating Application ("**Notice of Originating Application**") and accompanying forms of proxy and forms of letter of transmittal as they may determine, and may disclose such Additional Information, including material

changes, by the method and in the time most reasonably practicable in the circumstances as determined by LPR Canada and Arsenal. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the LPR Canada Meeting or the Arsenal Meeting, which change or fact, if known prior to mailing of the Joint Circular, would have been disclosed in the Joint Circular, then:

- (a) LPR Canada and Arsenal shall advise the LPR Canada Securityholders and Arsenal Securityholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance with applicable securities laws and the policies of the Toronto Stock Exchange; and
- (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, neither LPR Canada nor Arsenal shall be required to deliver an amendment to the Joint Circular to the LPR Canada Securityholders or Arsenal Securityholders, or otherwise give notice to the LPR Canada Securityholders or Arsenal Securityholders, of the material change or material fact, other than dissemination of the News Release as aforesaid.

Dissent Rights for LPR Canada Shareholders

- 33. The registered LPR Canada Shareholders are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 191 of the ABCA (as such right is modified and supplemented by this Order and the Arrangement) with respect to the LPR Canada Arrangement Resolution and the right be paid the fair value of their LPR Canada Shares by NewCo in respect of which such right to dissent was validly exercised.
- 34. In order for a registered LPR Canada Shareholder (a "**Dissenting LPR Canada Shareholder**") to exercise such right to dissent under section 191 of the ABCA:
 - (a) the Dissenting LPR Canada Shareholder's written objection to the LPR Canada Arrangement Resolution must be received by LPR Canada, care of its solicitors, Bennett Jones LLP, 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7 (Attention: Scott Bower / Colin Perry), not later than 4:00 p.m.

(Calgary time) on September 6, 2016, or the day that is two (2) Business Days immediately preceding the date that of any adjournment or postponement of the LPR Canada Meeting is reconvened or held, as the case may be;

- (b) a vote against the LPR Canada Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the LPR Canada Arrangement Resolution as required under clause 34(a) herein;
 - (c) a Dissenting LPR Canada Shareholder shall not have voted his or her LPR Canada Shares at the LPR Canada Meeting, either by proxy or in person, in favour of the LPR Canada Arrangement Resolution;
 - (d) an LPR Canada Shareholder may not exercise the right to dissent in respect of only a portion of its LPR Canada Shares, but may dissent only with respect to all of the LPR Canada Shares held by the LPR Canada Shareholder; and
 - (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191 of the ABCA, as modified and supplemented by this Order and the Arrangement.
35. The fair value of the consideration to which a Dissenting LPR Canada Shareholder is entitled pursuant to the Arrangement shall be determined as of the close of business on the last Business Day before the day on which the LPR Canada Arrangement Resolution is approved by the LPR Canada Securityholders, and shall be paid to the Dissenting LPR Canada Shareholders by NewCo as contemplated by the Arrangement and this Order.
36. Dissenting LPR Canada Shareholders who validly exercise their right to dissent, as set out in paragraphs 33 and 34 above, and who:
- (a) are determined to be entitled to be paid the fair value of their LPR Canada Shares, shall be deemed to have transferred such LPR Canada Shares to NewCo as provided in the Arrangement, without any further act or formality and free and clear of all Encumbrances, in exchange for common shares in the capital NewCo ("**NewCo Common Shares**"), and such NewCo Common Shares shall thereafter

be cancelled as provided in the Arrangement, and Dissenting LPR Canada Shareholders shall only have the right to be paid the fair value of their LPR Canada Shares, in which case in no event shall LPR Canada, NewCo or any other person be required to recognize a Dissenting LPR Canada Shareholder as a holder of LPR Canada Shares or a holder of NewCo Common Shares after the Arrangement shall have become effective, and the names of all such Dissenting LPR Canada Shareholders shall be removed from the applicable registers of LPR Canada Shares and NewCo Common Shares; or

- (b) are, for any reason (including, for certainty, any withdrawal by any Dissenting LPR Canada Shareholder of their dissent) not ultimately entitled to be paid the fair value of their LPR Canada Shares, shall not be reinstated as LPR Canada Shareholders but shall for all purposes be deemed to have participated in the Arrangement on the same basis as non-dissenting LPR Canada Shareholders, in which case in no event shall LPR Canada, NewCo or any other person be required to recognize a Dissenting LPR Canada Shareholder as a holder of LPR Canada Shares after the Arrangement shall have become effective, and the names of all Dissenting LPR Canada Shareholders shall be removed from the applicable registers of LPR Canada Shares.
37. Subject to further Order of this Court, the rights available to LPR Canada Shareholders pursuant to this Order and the Arrangement to dissent with respect to the LPR Canada Arrangement Resolution shall constitute full and sufficient dissent rights for the LPR Canada Shareholders with respect to the LPR Canada Arrangement Resolution.
38. Notice to the LPR Canada Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of this Order, the ABCA and the Arrangement, the fair value of the consideration to which a Dissenting LPR Canada Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Joint Circular which is to be sent to LPR Canada Securityholders in accordance with paragraph 45 of this Order.

Dissent Rights for Arsenal Shareholders

39. The registered Arsenal Shareholders (including, for certainty, persons who become registered Arsenal Shareholders before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 191 of the ABCA (as such right is modified and supplemented by this Order and the Arrangement) with respect to the Arsenal Arrangement Resolution and the right be paid the fair value of their Arsenal Shares by NewCo in respect of which such right to dissent was validly exercised.
40. In order for a registered Arsenal Shareholder (a "**Dissenting Arsenal Shareholder**") to exercise such right to dissent under section 191 of the ABCA:
- (a) the Dissenting Arsenal Shareholder's written objection to the Arsenal Arrangement Resolution must be received by Arsenal, care of its solicitors, Borden Ladner Gervais LLP, Suite 1900, 520 - 3rd Avenue S.W., Calgary, Alberta, T2P 0R2 (Attention David Madsen, Q.C.) not later than 4:00 p.m. (Calgary time) on September 6, 2016, or the day that is two (2) Business Days immediately preceding the date that of any adjournment or postponement of the Arsenal Meeting is reconvened or held, as the case may be;
 - (b) a vote against the Arsenal Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the Arsenal Arrangement Resolution as required under clause 40(a) herein;
 - (c) a Dissenting Arsenal Shareholder shall not have voted his or her Arsenal Shares at the Arsenal Meeting, either by proxy or in person, in favour of the Arsenal Arrangement Resolution;
 - (d) an Arsenal Shareholder may not exercise the right to dissent in respect of only a portion of its Arsenal Shares, but may dissent only with respect to all of the Arsenal Shares held by the Arsenal Shareholder; and

- (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191 of the ABCA, as modified and supplemented by this Order and the Arrangement.
41. The fair value of the consideration to which a Dissenting Arsenal Shareholder is entitled pursuant to the Arrangement shall be determined as of the close of business on the last Business Day before the day on which the Arsenal Arrangement Resolution is approved by the Arsenal Securityholders, and shall be paid to the Dissenting Arsenal Shareholders by NewCo as contemplated by the Arrangement and this Order.
42. Dissenting Arsenal Shareholders who validly exercise their right to dissent, as set out in paragraphs 39 and 40 above, and who:
- (a) are determined to be entitled to be paid the fair value of their Arsenal Shares, shall be deemed to have transferred such Arsenal Shares to NewCo as provided in the Arrangement, without any further act or formality and free and clear of all Encumbrances, in exchange for NewCo Common Shares, and such NewCo Common Shares shall thereafter be cancelled as provided in the Arrangement, and Dissenting Arsenal Shareholders shall only have the right to be paid the fair value of their Arsenal Shares, in which case in no event shall Arsenal, NewCo or any other person be required to recognize a Dissenting Arsenal Shareholder as a holder of Arsenal Shares or a holder of NewCo Common Shares after the Arrangement shall have become effective, and the names of all such Dissenting Arsenal Shareholders shall be removed from the applicable registers of Arsenal Shares and NewCo Common Shares; or
 - (b) are, for any reason (including, for certainty, any withdrawal by any Dissenting Arsenal Shareholder of their dissent) not ultimately entitled to be paid the fair value of their Arsenal Shares, shall not be reinstated as Arsenal Shareholders but shall for all purposes be deemed to have participated in the Arrangement on the same basis as non-dissenting Arsenal Shareholders, in which case in no event shall Arsenal, NewCo or any other person be required to recognize a Dissenting Arsenal Shareholder as a holder of Arsenal Shares after the Arrangement shall

have become effective, and the names of all Dissenting Arsenal Shareholders shall be removed from the register of Arsenal Shares.

43. Subject to further Order of this Court, the rights available to Arsenal Shareholders pursuant to this Order and the Arrangement to dissent with respect to the Arsenal Arrangement Resolution shall constitute full and sufficient dissent rights for the Arsenal Shareholders with respect to the Arsenal Arrangement Resolution.
44. Notice to the Arsenal Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of this Order, the ABCA and the Arrangement, the fair value of the consideration to which a Dissenting Arsenal Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Joint Circular which is to be sent to Arsenal Securityholders in accordance with paragraph 45 of this Order.

Notice

45. The Joint Circular, substantially in the form marked as Exhibit "1" to the Granger Affidavit, with such amendments thereto as counsel to LPR Canada and Arsenal may advise are necessary or desirable (including without limitation amendments that would add appendices or exhibits that are not as yet included in the draft form marked as Exhibit "1" to the Granger Affidavit), provided such amendments are not inconsistent with the terms of this Order, and including the Notices of Meeting, the Notice of Originating Application, and a copy of this Order, together with any other communications or documents determined by LPR Canada and Arsenal to be necessary or advisable (including without limitation forms of proxy and appropriate letters of transmittal as contemplated by the Plan of Arrangement) (collectively, the "**Meeting Materials**"), shall be sent:
 - (a) by or on behalf of LPR Canada to (i) those registered LPR Canada Securityholders who held LPR Canada Shares or LPR Canada Incentive Awards as of the LPR Canada Record Date, (ii) the directors of LPR Canada, and (iii) the auditors of LPR Canada, by one or more of the following methods:

- (A) in the case of registered LPR Canada Securityholders, by pre-paid first class or ordinary mail, by courier, by delivery in person, or by electronic mail if the LPR Canada Securityholder has consented to electronic delivery, addressed to each such LPR Canada Securityholder at his, her or its address as shown on the books and records of LPR Canada as of the LPR Canada Record Date, not later than 21 days prior to the LPR Canada Meeting;
 - (B) in the case of the directors and auditors of LPR Canada, by pre-paid first class or ordinary mail, by courier, by delivery in person or by electronic mail, addressed to each director and firm of auditors, as applicable, not later than 21 days prior to the date of the LPR Canada Meeting; and
- (b) by or on behalf of Arsenal to (i) those Arsenal Securityholders who held Arsenal Shares or Arsenal Incentive Awards as of the Arsenal Record Date, (ii) the directors of Arsenal, and (iii) the auditors of Arsenal, by one or more of the following methods:
- (A) in the case of registered Arsenal Securityholders, by pre-paid first class or ordinary mail, by courier, by delivery in person, or by electronic mail if the Arsenal Securityholder has consented to electronic delivery, addressed to each such Arsenal Securityholder at his, her or its address as shown on the books and records of Arsenal as of the Arsenal Record Date, not later than 21 days prior to the Arsenal Meeting;
 - (B) in the case of non-registered Arsenal Shareholders, by using the notice-and-access delivery procedures provided for in, or by providing sufficient copies of the Meeting Materials to intermediaries in accordance with, National Instrument 54 -101 – Communication With Beneficial Owners of Securities of a Reporting Issuer;
 - (C) in the case of the directors and auditors of Arsenal, by pre-paid first class or ordinary mail, by courier, by delivery in person or by electronic mail,

addressed to each director and firm of auditors, as applicable, not later than 21 days prior to the date of the Arsenal Meeting.

46. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the LPR Canada Securityholders, the Arsenal Securityholders, and the directors and auditors of LPR Canada and of Arsenal of:
- (a) the Originating Application;
 - (b) this Order;
 - (c) the Notices of Meeting; and
 - (d) the Notice of Originating Application.

Final Application

47. Subject to further order of this Court, and provided that the LPR Canada Securityholders and the Arsenal Securityholders have, respectively, approved the Arrangement in the manner directed by this Court, and the directors of the LPR Canada and the directors of Arsenal have not revoked their approval, LPR Canada and Arsenal may proceed with an application (the "**Final Application**") for a final order of the Court approving the Arrangement on September 9, 2016 at 11:00 a.m. (Calgary time) or so soon thereafter as counsel may be heard.
48. Any LPR Canada Securityholder, any Arsenal Securityholder or any other interested party (each an "**Interested Party**") desiring to appear and make submissions at the Final Application on September 9, 2016 is required to file with this Court and serve upon LPR Canada and Arsenal, on or before 12:00 noon (Calgary time) on August 31, 2016, or, if the Final Application does not proceed on September 9, 2016, on or before 12:00 noon (Calgary time) on the seventh (7th) Business Day prior to the hearing of the Final Application, a notice of intention to appear ("**Notice of Intention to Appear**") including the Interested Party's address for service in the Province of Alberta (or alternatively, a facsimile number for service by facsimile or an electronic mail address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the

Final Application or make submissions at the Final Application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on LPR Canada shall be effected by service upon the solicitors for LPR Canada, Bennett Jones LLP, 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7 (Attention: Scott Bower / Colin Perry). Services of this notice on Arsenal shall be effected by service upon the solicitors for Arsenal, Borden Ladner Gervais LLP, Suite 1900, 520 - 3rd Avenue S.W., Calgary, Alberta, T2P 0R2 (Attention David Madsen, Q.C.).

49. In the event that the Final Application is adjourned, only those parties appearing before this Court for the Final Application, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 48 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

50. Either of LPR Canada and Arsenal is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.



Justice of the Court of Queen's Bench of Alberta

APPENDIX E
ARRANGEMENT AGREEMENT

LONE PINE RESOURCES CANADA LTD.

- and -

ARSENAL ENERGY INC.

**AMENDED AND RESTATED
ARRANGEMENT AGREEMENT**

Effective June 23, 2016

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AMENDED AND RESTATED ARRANGEMENT AGREEMENT

THIS AMENDED AND RESTATED ARRANGEMENT AGREEMENT is amended as of August 2, 2016 and made effective and restated as of June 23, 2016 between:

LONE PINE RESOURCES CANADA LTD., a corporation subsisting under the laws of Alberta ("**Lone Pine**")

- and -

ARSENAL ENERGY INC., a corporation subsisting under the laws of Alberta ("**Arsenal**")

WHEREAS the boards of directors of Lone Pine and Arsenal have determined that it would be in the best interests of Lone Pine and Arsenal, respectively, to combine their businesses;

AND WHEREAS in furtherance of the business combination, Arsenal and Lone Pine wish to propose to their respective shareholders an arrangement under section 193 of the *Business Corporations Act* (Alberta) pursuant to which Newco will directly or indirectly acquire all of the outstanding Arsenal Shares and all of the outstanding Lone Pine Shares and become the ultimate parent company of Lone Pine and Arsenal, and the Lone Pine Shareholders and the Arsenal Shareholders will be issued Newco Shares;

AND WHEREAS the number of Newco Shares issued or issuable under the Arrangement to Lone Pine Securityholders shall constitute 77% of the total number of Newco Shares outstanding (on a fully-diluted basis) on completion of the Arrangement;

AND WHEREAS the number of Newco Shares issued or issuable under the Arrangement to Arsenal Securityholders shall constitute 23% of the total number of Newco Shares outstanding (on a fully-diluted basis) on completion of the Arrangement;

AND WHEREAS upon the Arrangement becoming effective Lone Pine Shareholders and Arsenal Shareholders will become holders of Newco Shares, Newco will be the ultimate parent company of and will control both Lone Pine and Arsenal, which will continue own the respective assets of Lone Pine and Arsenal;

AND WHEREAS upon completion of the Arrangement, Newco will also acquire, directly or indirectly, all of the outstanding shares in the capital stock of Lone Pine Delaware, which controls Lone Pine through a majority of voting power and will, upon the Arrangement becoming effective, continue to control Lone Pine;

AND WHEREAS the Lone Pine Board and the Arsenal Board have unanimously determined that the proposed Arrangement is in the best interests of Lone Pine and Arsenal, respectively, and resolved to recommend that their respective shareholders vote in favour of the Arrangement at special meetings to be called and held to consider the same;

AND WHEREAS the parties have entered into this Agreement to provide for the matters referred to in the preceding recitals and for other matters relating to the proposed transaction;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings set forth below:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended;
- (b) "**Acquisition Proposal**" means any inquiry or the making of any proposal or offer by or from any person or group of persons acting jointly or in concert within the meaning of National Instrument 62-104 (other than Lone Pine or any person or persons with whom Lone Pine is acting jointly or in concert), whether or not subject to due diligence or any other conditions and whether or not in writing, to Arsenal or the Arsenal Shareholders or by public announcement, which constitutes, relates to or could reasonably be expected to lead to:
 - (i) an acquisition, in any manner, directly or indirectly, of 10% or more of the consolidated assets of Arsenal;
 - (ii) an acquisition, in any manner (including by way of issuance of new securities by Arsenal), directly or indirectly, of beneficial ownership of or control or direction over securities of Arsenal that, when taken together with the securities of Arsenal owned or controlled or directed by the prospective acquirer and any person acting jointly or in concert with the prospective acquirer (assuming conversion, exercise or exchange of all securities that are convertible, exercisable or exchangeable for Arsenal Shares or other voting securities, if any), would constitute 20% or more of the voting securities of Arsenal;
 - (iii) any amalgamation, merger, consolidation, combination, partnership, joint venture, arrangement, reorganization, take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, share exchange, spin-off or similar transaction involving Arsenal or any subsidiary of Arsenal;
 - (iv) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement, or materially reduce the benefits to Lone Pine under this Agreement or the Arrangement;

whether in one transaction or a series of transactions; provided, however, that the Excluded Dispositions shall not constitute an Acquisition Proposal; and provided, further, that for the purpose of the definition of "Superior Proposal" in subsection 1.1(nnnn), the reference in this definition of "Acquisition Proposal" to "a substantial part of the assets of Arsenal or any subsidiary of Arsenal" shall be deemed to be a reference to "all or substantially all of the consolidated assets of Arsenal", and the reference in this definition of "Acquisition Proposal" to "20% or more of the voting securities of Arsenal" shall be deemed to be a reference to "all of the outstanding Arsenal Shares (and all other voting and participating securities of Arsenal, if any)";

- (c) "**Agreement**", "**this Agreement**", "**herein**", "**hereto**", and "**hereof**" and similar expressions refer to this amended and restated arrangement agreement, as the same may be further amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;
- (d) "**Anti-Corruption Laws**" means the *Corruption of Foreign Public Officials Act* (Canada), S.C. 1998, c. 34, and any similar laws of any other jurisdiction regarding the making or receiving of bribes, kickbacks, illegal or improper payments, gifts or hospitality outside of normal business practices, or any other actions that induce or seek to induce any person to perform a corrupt act;
- (e) "**Applicable Laws**" means, with respect to any person or persons, all federal, provincial, territorial, municipal, local or foreign laws, statutes, regulations, rules, ordinances, codes and by-laws and all legally binding Orders, that are binding upon or applicable to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority or person otherwise having jurisdiction over the person or persons or its or their business, undertaking, property or securities;
- (f) "**Arrangement**" means the arrangement pursuant to section 193 of the ABCA contemplated herein and giving effect to the transactions described in section 2.1, on the terms and conditions set forth in the Plan of Arrangement;
- (g) "**Arsenal Board**" means the board of directors of Arsenal;
- (h) "**Arsenal Damages Event**" has the meaning ascribed thereto in section 6.2;
- (i) "**Arsenal Disclosure Letter**" means the disclosure letter dated the date hereof delivered by Arsenal to Lone Pine, and accepted by Lone Pine, contemporaneous with the execution and delivery of this Agreement;
- (j) "**Arsenal Financial Statements**" means the audited annual consolidated financial statements of Arsenal as at and for the fiscal years ended December 31, 2015 and December 31, 2014, including the notes thereto and auditor's report thereon, and the unaudited interim consolidated financial statements of Arsenal as at and for the three-month period ended March 31, 2016, including the notes thereto;
- (k) "**Arsenal Governing Documents**" means the certificate and articles of amalgamation and by-laws of Arsenal, and all amendments thereto;
- (l) "**Arsenal Incentive Plans**" means, collectively, the Arsenal Share Award Plan and the Arsenal Stock Option Plan;
- (m) "**Arsenal Information**" means the information relating solely to Arsenal that is contained in the Circular;
- (n) "**Arsenal Meeting**" means the special meeting of Arsenal Shareholders, holders of Arsenal Share Awards and holders of Arsenal Options to be convened to consider and, if so determined, approve the Arrangement and related matters, and includes any adjournments thereof;

- (o) "**Arsenal Options**" means, collectively, options to acquire Arsenal Shares granted and outstanding under the Arsenal Stock Option Plan, whether or not vested in accordance with their terms;
- (p) "**Arsenal Proportionate Interest**" has the meaning ascribed thereto in clause 2.2(a)(ii);
- (q) "**Arsenal Rights Plan**" means the second amended and restated rights agreement dated as of June 18, 2015 between Arsenal and Alliance Trust Company, as rights agent;
- (r) "**Arsenal Reserves Report**" means the report prepared by Deloitte LLP dated February 1, 2016 evaluating the oil, natural gas liquids and natural gas reserves of Arsenal as at December 31, 2015;
- (s) "**Arsenal Resolution**" means the special resolution approving the Arrangement, to be considered and voted upon by the Arsenal Shareholders of record and the holders of record of Arsenal Share Awards and Arsenal Options at the Arsenal Meeting, substantially in the form set forth in Schedule A hereto;
- (t) "**Arsenal Securityholders**" means, collectively, the Arsenal Shareholders, the holders of Arsenal Options, the holders of Arsenal Share Awards and any person to whom Arsenal (or any subsidiary of Arsenal) may have committed to grant Arsenal Options, Arsenal Share Awards or any other right to acquire any shares in the capital of Arsenal;
- (u) "**Arsenal Share Award Plan**" means the share award incentive plan of Arsenal approved by the Arsenal Shareholders on June 19, 2014;
- (v) "**Arsenal Share Awards**" means, collectively, share awards granted and outstanding under the Arsenal Share Award Incentive Plan (including any such awards granted after the date hereof but prior to the Effective Time), whether or not vested in accordance with their terms;
- (w) "**Arsenal Shareholders**" means, collectively, the holders of Arsenal Shares;
- (x) "**Arsenal Shares**" means, collectively, the common shares in the capital of Arsenal;
- (y) "**Arsenal Stock Option Plan**" means the incentive stock option plan of Arsenal dated July 13, 2007, as amended;
- (z) "**Arsenal Support Agreements**" means the support agreements entered into with Lone Pine and Arsenal and by each director and officer of Arsenal, respectively, concurrently with the execution and delivery hereof, pursuant to which such holders have agreed, among other things, to vote or cause to be voted their respective Arsenal Shares in favour of the Arsenal Resolution at the Arsenal Meeting;
- (aa) "**Arsenal Termination Fee**" means the sum of \$1.5 million;
- (bb) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under section 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, in order to give effect to the Arrangement;

- (cc) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta;
- (dd) "**Change of Control Payments**" means all obligations of Arsenal and its subsidiaries pursuant to all employment or consulting services agreements, director compensation programs, any termination, severance, change of control, bonus and retention plans, policies or agreements, any other arrangements providing for severance, termination, change of control, bonus or retention payments, any payments under or related to any incentive or compensation plan, and any other payments that Arsenal or any of its subsidiaries is or will be required (whether by law, contract or otherwise) to make, arising out of or in connection with completion of the Arrangement and the transactions contemplated hereby, the full details of which are set out in the Arsenal Disclosure Letter;
- (ee) "**Circular**" means the joint information circular to be prepared and disseminated to Lone Pine Securityholders, Lone Pine Delaware Shareholders and Arsenal Securityholders in connection with the Lone Pine Meeting, the Lone Pine Delaware Meeting and the Arsenal Meeting, together with the accompanying notice of the Lone Pine Meeting, notice of the Lone Pine Delaware Meeting and notice of the Arsenal Meeting, and including any amendments thereof or supplements thereto;
- (ff) "**Closing Costs**" means, collectively, all fees, costs and expenses of Arsenal and its subsidiaries incurred in connection with this Agreement and the Arrangement, including, without limitation, all Change of Control Payments, all fees and expenses of financial, legal, accounting and environmental advisors and consultants, printing costs, Arsenal Meeting costs and the cost of purchasing directors' and officers' liability insurance coverage in accordance with subsection 3.7(b);
- (gg) "**Commissioner**" means the Commissioner of Competition appointed pursuant to subsection 7(1) of the Competition Act or any person authorized to exercise the powers and perform the duties of the Commissioner of Competition;
- (hh) "**Competition Act**" means the *Competition Act* (Canada), R.S.C. 1985, c. C-34, as amended;
- (ii) "**Competition Act Clearance**" means any of: (i) the Commissioner shall have issued an advance ruling certificate pursuant to section 102 of the Competition Act in respect of the transactions contemplated by this Agreement; or (ii) the Commissioner shall have issued to Lone Pine a standard "no action letter" indicating that he does not intend to apply to the Competition Tribunal (as defined in the Competition Act) for an order under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement and the waiting period under section 123 of the Competition Act in respect of the transactions contemplated by this Agreement shall have expired, been terminated or, pursuant to section 113(c) of the Competition Act, been waived;
- (jj) "**Confidentiality Agreement**" means the confidentiality agreement between Lone Pine and Arsenal dated April 28, 2016;
- (kk) "**Court**" means the Court of Queen's Bench of Alberta;

- (ll) "**Credit Facilities**" means the amended and restated credit agreement dated May 28, 2015, among Arsenal, as borrower, Alberta Treasury Branches, as administrative agent, and a syndicate of lenders, as amended by a first amending agreement dated as of January 8, 2016 and a second amending agreement dated as of June 1, 2016, respecting Arsenal's secured credit facilities in the aggregate principal amount of \$10,964,728.84;
- (mm) "**Dissent Rights**" means any rights of dissent in respect of the Arrangement granted by the Court to the Arsenal Shareholders and the Lone Pine Shareholders;
- (nn) "**Effective Date**" means the date the Arrangement becomes effective pursuant to the ABCA and the terms of the Final Order;
- (oo) "**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date;
- (pp) "**Employees**" means all persons employed or retained by Arsenal on a full-time, part-time or temporary basis, including all officers, consultants and individuals on disability leave, parental leave or other approved leave of absence (excluding, for certainty, Arsenal's chief restructuring officer and its financial advisor in respect of the Arrangement);
- (qq) "**Encumbrances**" means any lien, pledge, charge, mortgage, hypothec, assignment, security interest, adverse interest in property, encumbrance, claim, right of third parties, infringement, interference, option, right of first refusal, pre-emptive right, overriding royalty, net profits interests, or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset), whether contingent or absolute, and includes any agreement, option, right or privilege (whether by Applicable Law, contract or otherwise) capable of becoming any of the foregoing;
- (rr) "**Excluded Dispositions**" means the sale by Arsenal of certain Canadian properties for total proceeds of approximately \$12 million, as referred to in the news release of Arsenal dated June 2, 2016, on the terms and conditions described in the Arsenal Disclosure Letter;
- (ss) "**Final Order**" means the order of the Court approving the Arrangement pursuant to section 193(9) of the ABCA, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed;
- (tt) "**GAAP**" means International Financial Reporting Standards applied (i) with respect to Lone Pine, on a basis consistent with the Lone Pine Financial Statements and (ii) with respect to Arsenal, on a basis consistent with the Arsenal Financial Statements;
- (uu) "**Governmental Authority**" means any domestic or foreign: (i) government or governmental, regulatory or public authority, department, agency, commission, board, bureau, branch, official, panel, tribunal or arbitral body; (ii) court or private arbitrator or arbitral tribunal having jurisdiction; or (iii) other person exercising or entitled to exercise any legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing, expropriation or taxing authority or power, and includes the TSX;

- (vv) "**Income Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.), c. 1, as amended, including the regulations promulgated thereunder;
- (ww) "**Interim Order**" means the interim order of the Court concerning the Arrangement pursuant to section 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the Arsenal Meeting and the Lone Pine Meeting, respectively, as such order may be amended;
- (xx) "**Lone Pine Board**" means the board of directors of Lone Pine;
- (yy) "**Lone Pine Common Shares**" means, collectively, the Class A voting common shares in the capital of Lone Pine;
- (zz) "**Lone Pine Common Shareholders**" means, collectively, the holders of the Lone Pine Common Shares;
- (aaa) "**Lone Pine Damages Event**" has the meaning ascribed thereto in section 6.1;
- (bbb) "**Lone Pine Delaware**" mean Lone Pine Resources Inc., a Delaware corporation;
- (ccc) "**Lone Pine Delaware Agreement**" means the agreement and plan of merger substantially in the form attached hereto as Schedule F, providing for the merger of a subsidiary of Newco with and into Lone Pine Delaware, the cancellation of the outstanding shares of capital stock in Lone Pine Delaware, and Newco becoming the sole stockholder of Lone Pine Delaware, all as contemplated by the Plan of Arrangement;
- (ddd) "**Lone Pine Delaware Meeting**" means the special meeting of Lone Pine Delaware Shareholders to be convened to consider and, if so determined, approve the Lone Pine Delaware Agreement and related matters, and includes any adjournments thereof;
- (eee) "**Lone Pine Delaware Shareholders**" means, collectively, the holders of shares of Class A common stock and the holders of shares of Class B common stock of Lone Pine Delaware;
- (fff) "**Lone Pine Disclosure Letter**" means the disclosure letter dated the date hereof delivered by Lone Pine to Arsenal, and accepted by Arsenal, contemporaneous with the execution and delivery of this Agreement;
- (ggg) "**Lone Pine Financial Statements**" means the audited annual consolidated financial statements of Lone Pine as at and for the fiscal years ended December 31, 2015 and December 31, 2014, including the notes thereto and auditor's report thereon, and the unaudited interim consolidated financial statements of Lone Pine as at and for the three-month period ended March 31, 2016, including the notes thereto;
- (hhh) "**Lone Pine Governing Documents**" means the certificate and articles of amalgamation and by-laws of Lone Pine, and all amendments thereto;
- (iii) "**Lone Pine Holdings**" means Lone Pine Resources (Holdings) Inc., an Alberta corporation;

- (jjj) "**Lone Pine Incentive Awards**" means, collectively, the restricted share unit awards granted and outstanding under the Lone Pine Incentive Plan (including any such awards granted after the date hereof but prior to the Effective Time), whether or not vested in accordance with their terms;
- (kkk) "**Lone Pine Incentive Plan**" means the 2014 equity incentive plan of Lone Pine dated January 31, 2014;
- (lll) "**Lone Pine Information**" means the information relating solely to Lone Pine that is contained in the Circular;
- (mmm) "**Lone Pine Meeting**" means the special meeting of Lone Pine Shareholders and the holders of Lone Pine Incentive Awards to be convened to consider and, if so determined, approve the Arrangement and related matters, and includes any adjournments thereof;
- (nnn) "**Lone Pine Multiple Voting Share**" means one (1) Class C multiple voting share in the capital of Lone Pine;
- (ooo) "**Lone Pine Preferred Shares**" means, collectively, the Series 1 preferred shares in the capital of Lone Pine;
- (ppp) "**Lone Pine Preferred Shareholders**" means, collectively, the holders of the Lone Pine Preferred Shares;
- (qqq) "**Lone Pine Proportionate Interest**" has the meaning ascribed thereto in clause 2.2(a)(i);
- (rrr) "**Lone Pine Reserves Report**" means the report prepared by Sproule Associates Limited dated April 12, 2016 evaluating the oil, natural gas liquids and natural gas reserves of Lone Pine as at December 31, 2015;
- (sss) "**Lone Pine Resolution**" means the special resolution approving the Arrangement to be considered and voted upon by the Lone Pine Shareholders of record and holders of record of Lone Pine Incentive Awards at the Lone Pine Meeting, substantially in the form set forth in Schedule A hereto;
- (ttt) "**Lone Pine Securityholders**" means, collectively, the Lone Pine Shareholders, the Lone Pine Delaware Shareholders, the holders of Lone Pine Incentive Awards (including Replacement Lone Pine RSUs issued in respect thereof), and any person to whom Lone Pine (or any subsidiary of Lone Pine) may have committed to grant or cause to be granted Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine or of Newco;
- (uuu) "**Lone Pine Shareholders**" means, collectively, the Lone Pine Common Shareholders and the Lone Pine Preferred Shareholders;
- (vvv) "**Lone Pine Support Agreements**" means the support agreements entered into with Lone Pine and Arsenal and by each director and officer of Lone Pine, respectively, concurrently with the execution and delivery hereof, pursuant to which such holders have agreed, among other things, to vote or cause to be voted their respective Lone Pine Shares in favour of the Lone Pine Resolution at the Lone Pine Meeting;

- (www) "**Lone Pine Termination Fee**" means (i) in the event of a Lone Pine Damages Event specified in any of subsections 6.1(a), 6.1(b), 6.1(c) or 6.1(d), the sum of \$2.75 million, or (ii) in the event of a Lone Pine Damages Event specified in either subsection 6.1(e) or subsection 6.1(f) (and provided that no other Lone Pine Damages Event shall have occurred) the sum of \$1.5 million;
- (xxx) "**Lone Pine Shares**" means, collectively, the Lone Pine Common Shares and the Lone Pine Preferred Shares;
- (yyy) "**Material Adverse Change**" or "**Material Adverse Effect**" means, with respect to either party, any change, condition, event, circumstance, fact or state of facts, occurrence, development or effect that, individually or in the aggregate: (1) is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, assets, title to assets, capitalization, condition (financial or otherwise), obligations, liabilities (whether absolute, accrued, conditional, contingent or otherwise), prospects or properties of such party and its subsidiaries (on a consolidated basis), except to the extent that such change, condition, event, circumstance, fact or state of facts, effect, occurrence or development results from:
- (i) a matter that has been publicly disclosed by such party after January 1, 2015 but prior to the date hereof, or is expressly disclosed in writing in the Arsenal Disclosure Letter or the Lone Pine Disclosure Letter, as applicable;
 - (ii) conditions affecting the oil and natural gas exploration, exploitation, development and production industry as a whole, and not specifically relating to such party;
 - (iii) general political, economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere;
 - (iv) any decline in the market price for crude oil, natural gas or related hydrocarbons on a current or forward basis;
 - (v) compliance with the terms and conditions of this Agreement, or any action taken (or inaction) by such party that is consented to by the other party in accordance with this Agreement;
 - (vi) changes in Applicable Laws (including Applicable Laws related to taxes and royalties), or in the interpretation, application or administration of Applicable Laws by any Governmental Authority, not specifically related to or directed at such party or any subsidiary thereof;
 - (vii) changes in applicable accounting principles;
 - (viii) the public announcement of this Agreement and the transactions contemplated hereby;
 - (ix) any exercise of Dissent Rights in connection with the Arrangement;
 - (x) any failure by such party to meet any internal financial or other projections or forecasts, including such projections or forecasts provided to the other party in

connection with its due diligence review in respect of such party and the negotiation of this Agreement (provided that this clause shall not prevent or restrict a determination that any change, condition, event, circumstance, fact or state of facts, occurrence or development giving rise to such a failure to meet projections or forecasts has resulted in a Material Adverse Change or Material Adverse Effect);

- (xi) any action taken by such party (or a subsidiary of such party) that is required to be taken pursuant to this Agreement (excluding any obligation to act in the ordinary course of business but including any steps taken to obtain any required regulatory approvals);
- (xii) any natural disaster, act of terrorism or military action, or any outbreak of hostilities or war (whatever or not declared), or any escalation or worsening of such acts;

provided, however, that with respect to clauses (ii), (iii), (vi), (vii) and (xii) of this definition the matter does not have a disproportionate effect on the party and its subsidiaries (on a consolidated basis) relative to comparable entities operating in the oil and gas exploration, exploitation, development and production business; and provided, further, that references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Material Adverse Change" or "Material Adverse Effect" has occurred; or (2) prevents or would reasonably be expected to prevent such party from performing its obligations under this Agreement;

- (zzz) "**Net Debt**" means, at any time with respect to a party, the total value, as determined in accordance with GAAP (on a consolidated basis), of any and all cash, bank debt, working capital deficit (inclusive of accounts receivable, prepaid expenses, deposits and accounts payable), current Tax liabilities and any and all other liabilities (in each case with respect to each of the foregoing liabilities inclusive of any and all accrued liabilities), but excluding the mark-to-market value of any derivative instruments, decommissioning liabilities, Closing Costs and cash proceeds realized from the Excluded Dispositions;
- (aaaa) "**Newco**" means a new corporation to be incorporated under the ABCA for the purposes of participating in the Arrangement, which will, upon the Arrangement becoming effective, be the parent corporation of both Arsenal and Lone Pine and the corporation of which the Lone Pine Shareholder and Arsenal Shareholders shall become shareholders upon completion of the Arrangement;
- (bbbb) "**Newco Shares**" means common shares in the capital of Newco;
- (cccc) "**Option Termination Agreement**" means an agreement between Arsenal and a holder of Arsenal Options, in form mutually satisfactory to Lone Pine and Arsenal, acting reasonably, pursuant to which the holder consents to the termination of their Arsenal Options pursuant to the Arrangement;
- (dddd) "**Orders**" means orders, judgments, decrees, rulings, directives, notices, guidelines, directions, injunctions, writs, complaints, penalties or sanctions, issued, made or imposed by any Governmental Authority;

- (eeee) "**Outside Date**" means September 16, 2016;
- (ffff) "**person**" means any individual, body corporate, partnership, syndicate, trust or other form of incorporated or unincorporated association, and includes any Governmental Authority;
- (gggg) "**Plan of Arrangement**" means the plan of arrangement under the ABCA pursuant to which (among other things) transactions described in section 2.1 shall be effected, substantially in the form set out in Schedule A, as may be amended or supplemented from time to time as provided herein and therein;
- (hhhh) "**Registrar**" means the Registrar appointed pursuant to section 263 of the ABCA;
- (iiii) "**Replacement Lone Pine RSU**" has the meaning ascribed thereto in subsection 2.1(d);
- (jjjj) "**Representative**" means, with respect to any party, any director, officer, employee, financial or other advisor or agent of such party or of any subsidiary of such party;
- (kkkk) "**Securities Authorities**" means the TSX and the securities commissions and other securities regulatory authorities of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador;
- (llll) "**Securities Laws**" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as in effect and may be amended from time to time prior to the Effective Date;
- (mmmm) "**subsidiary**" means, with respect to any person, any issuer that would constitute a subsidiary of that person for purposes of either the *Securities Act* (Alberta) or National Instrument 45-106 made as a rule thereunder;
- (nnnn) "**Superior Proposal**" means any unsolicited *bona fide* written Acquisition Proposal made after the date of this Agreement to acquire all of the outstanding Arsenal Shares or all or substantially all of the consolidated assets of Arsenal:
 - (i) that does not constitute or result from a breach of section 3.4 or any agreement between Arsenal the person or persons making the Acquisition Proposal;
 - (ii) that is not subject to a financing condition, and in respect of which the funds (or other consideration) necessary to consummate the Acquisition Proposal have been demonstrated to the satisfaction of the Arsenal Board, acting reasonably and in good faith and after receipt of advice from an independent financial advisor of nationally recognized reputation and outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), to be fully committed and available to the prospective acquirer at the time and on the basis set out in the Acquisition Proposal;
 - (iii) that is not subject to a due diligence condition, or any term or condition that would allow greater access to the books, records or personnel of Arsenal or its

subsidiaries than was made available to Lone Pine prior to the date of this Agreement;

- (iv) that, in the opinion of the Arsenal Board, acting reasonably and in good faith and after receipt of advice from an independent financial advisor of nationally recognized reputation and outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), confirmation of which shall be immediately delivered to Lone Pine, (1) is a commercially feasible transaction that Arsenal and the prospective acquirer can consummate immediately, subject only to receipt of applicable regulatory and shareholder approvals (which in such opinion of the Arsenal Board are likely to be obtained without undue delay), and in any event within a time frame that is reasonable in the circumstances, and (2) if consummated, would be superior, from a financial point of view, for the Arsenal Shareholders to the transactions contemplated by this Agreement (including any adjustment to the terms and conditions of the Arrangement proposed pursuant to section 3.4); and
- (v) in respect of which the Arsenal Board has determined, acting reasonably and in good faith and after advice from outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), that failure to recommend such Acquisition Proposal to the Arsenal Shareholders would be inconsistent with its fiduciary duties under Applicable Laws;

(oooo) "**Tax Returns**" means all returns, reports, declarations, elections, notices, filings, information returns and statements filed or required to be filed in respect of Taxes;

(pppp) "**Taxes**" means all taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, together with all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof, including those levied on, measured by or referred to as, income, gross receipts, profits, capital, large corporation, capital gain, alternative minimum, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, and all employment insurance, health insurance, Canada Pension Plan and workers compensation premiums or contributions;

(qqqq) "**Total Newco Share Capital**" has the meaning ascribed thereto in subsection 2.2(a); and

(rrrr) "**TSX**" means the Toronto Stock Exchange.

1.2 Interpretation

- (a) In this Agreement, words importing the singular include the plural and vice versa, and words importing gender include all genders.
- (b) Unless the context otherwise requires, any reference to a "party" herein is a reference to a party hereto, and the terms "affiliate" and "associate" shall have the respective meanings ascribed thereto by the *Securities Act* (Alberta).

- (c) Unless otherwise stated, all references to sums of money are expressed in Canadian currency.
- (d) The division of this Agreement into Articles, sections and Schedules, the provision of a table of contents hereto and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules hereto to Articles, sections and Schedules refer to Articles, sections and Schedules of and to this Agreement or of the Schedules in which such reference is made, as applicable.
- (e) Whenever used in this Agreement, the words "includes", "including" and similar terms shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, and shall be deemed to be followed by the words "without limitation" so that references to included matters or items shall be regarded as illustrative without being either characterizing or exhaustive.
- (f) Reference herein to "Lone Pine" in respect of a time period following the Effective Time shall include the amalgamated corporation contemplated by the Plan of Arrangement. For certainty, reference herein to "Lone Pine Delaware" in respect of a time period following completion of the merger contemplated by the Lone Pine Delaware Agreement and the Plan of Arrangement means the surviving corporation from that merger.

1.3 Date for any Action

If the date on which any action is required to be taken hereunder by a party is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

1.4 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without reference to its conflict of laws principles.

1.5 Attornment

The parties hereby irrevocably and unconditionally consent to and submit to the courts of the Province of Alberta for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts), and further agree that service of any process, summons, notice or document by single registered mail to the address of a party set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against the party in such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of or relating to this Agreement or the matters contemplated hereby in the courts of the Province of Alberta, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.6 Knowledge

In this Agreement, reference to "to the knowledge of" a party means the actual knowledge, after diligent inquiry, of the executive officers of such party (and not of any other individual); and for the

purposes hereof "diligent inquiry" means taking such actions as would be taken by a reasonably prudent person in a comparable position in the conduct of his duties and responsibilities.

1.7 Interpretation Not Affected by Party Drafting

The parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the parties hereto hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable to the interpretation of this Agreement.

1.8 Schedules

The following Schedules attached hereto are incorporated by reference into, and form an integral part of, this Agreement.

Schedule A – Plan of Arrangement

Schedule B – Arrangement Resolutions

Schedule C – Form of News Release

Schedule D – Representations and Warranties of Arsenal

Schedule E – Representations and Warranties of Lone Pine

Schedule F – Agreement and Plan of Merger

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

As soon as practicable following the date hereof, the parties shall proceed to effect an arrangement under section 193 of the ABCA in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement, pursuant to which (among other things), the following transactions shall occur in the order set out in, and otherwise as more particularly provided in, the Plan of Arrangement (with appropriate modification for any exercise of Dissent Rights):

- (a) the Lone Pine corporate group and shareholdings shall be reorganized such that: (i) Newco shall become the direct or indirect parent of Lone Pine Delaware, as more particularly provided in the Lone Pine Delaware Agreement; and (ii) Newco shall become the ultimate parent of Lone Pine;
- (b) Newco will, directly or indirectly, acquire all of the outstanding Arsenal Shares;
- (c) in connection with the foregoing, and immediately upon completion of the Arrangement:
 - (i) Lone Pine Shareholders shall receive, in substitution for their Lone Pine Shares (including, for certainty, Lone Pine Shares issued pursuant to the exercise, conversion, exchange, settlement, redemption or surrender of Lone Pine Incentive Awards prior to the Effective Time), Newco Shares in such number as reflects the Lone Pine Proportionate Interest;

- (ii) Arsenal Shareholders shall receive, in substitution for their Arsenal Shares (including, for certainty, Arsenal Shares issued pursuant to the exercise, conversion, exchange, settlement, redemption or surrender of Arsenal Share Awards or Arsenal Options prior to the Effective Time), Newco Shares in such number as reflects the Arsenal Proportionate Interest,

all on a tax effective basis for the Lone Pine Shareholders and the Arsenal Shareholders as more particularly set out in the Plan of Arrangement;

- (d) each Lone Pine Incentive Award that is outstanding at the Effective Time, shall be exchanged for an obligation of Newco (a "**Replacement Lone Pine RSU**") on substantially the same terms and conditions as are applicable to the Lone Pine Incentive Award (including with respect to vesting), except that:
 - (i) for each Lone Pine Common Share or each Lone Pine Preferred Share to which the holder would otherwise be entitled to be issued on settlement and redemption of the Lone Pine Incentive Award, the holder shall instead be entitled to be issued (from treasury), on settlement of the Replacement Lone Pine RSU after the Effective Time, Newco Shares according to the same ratios at which Newco Shares are issued at the Effective Time in consideration for then-outstanding Lone Pine Common Shares and Lone Pine Preferred Shares;
 - (ii) the holder of the Replacement Lone Pine RSU shall not be entitled to receive any shares in the capital stock of Lone Pine Delaware in connection with the settlement and redemption thereof;
 - (iii) each Replacement Lone Pine RSU issued in respect of a Lone Pine Incentive Award that vested in accordance with its terms prior to the Effective Time, shall be settled and redeemed, without any further action of the holder, on the 15th trading day following the Effective Date through the issuance by Newco of the underlying Newco Shares based on a fair market value of the Newco Shares determined by the volume weighted average trading price of the Newco Shares on the TSX for the preceding ten (10) trading days; and
 - (iv) each Replacement Lone Pine RSU issued in respect of a Lone Pine Incentive Award that was not vested in accordance with its terms prior to the Effective Time, shall be settled and redeemed within 15 days of the vesting date, through the issuance by Newco of the underlying Newco Shares based on a fair market value of the Newco Shares determined by the volume weighted average trading price of the Newco Shares on the TSX for the preceding ten (10) trading days; and
- (e) each Arsenal Option and each Arsenal Share Award that is outstanding at the Effective Time (if any, having regard to the Option Termination Agreements contemplated by section 2.9(c) and the intended treatment of Arsenal Share Awards as described in section 2.9(b), as applicable) shall be surrendered to Arsenal and terminated for no consideration.

2.2 Exchange Ratios

The number of Newco Shares issuable under the Arrangement in respect of each Arsenal Share and each Lone Pine Share, respectively, are as set forth in the Plan of Arrangement. Such ratios were determined in accordance with the following:

- (a) of the total number of Newco Shares that will, as of the Effective Date, either (i) be issued on the Effective Date pursuant to completion of the Arrangement, or (ii) be issuable after the Effective Date in respect of any commitment made by either party, prior to the Effective Time, to issue shares in the capital of Lone Pine or Arsenal, as applicable, or shares in Newco (whether as successor employer or otherwise) (including, for certainty, the Newco Shares issuable in respect of Replacement Lone Pine RSUs), where such commitment is not fully discharged and satisfied on the Effective Date (the "**Total Newco Share Capital**"):
 - (i) the number of Newco Shares issued or issuable to Lone Pine Securityholders (including, for certainty, in respect of Replacement Lone Pine RSUs) shall be equal to 77% of the Total Newco Share Capital (the "**Lone Pine Proportionate Interest**"); and
 - (ii) the number of Newco Shares issued or issuable to Arsenal Securityholders shall be equal to 23% of the Total Newco Share Capital (the "**Arsenal Proportionate Interest**");
- (b) for purposes of determining the number of Newco Shares to be issued in respect of each Arsenal Share, the aggregate number of Newco Shares forming the Arsenal Proportionate Interest will be distributable pro rata based on the number of Arsenal Shares issued or issuable immediately before the Effective Time;
- (c) in allocating the Lone Pine Proportionate Interest between those Lone Pine Securityholders who hold, or whose interest is measured in or calculated against, Lone Pine Preferred Shares, on the one hand, and those Lone Pine Securityholders who hold, or whose interest is measured in or calculated against, Lone Pine Common Shares, on the other, the Lone Pine Preferred Shares will be valued as if each such share had notionally converted to a Lone Pine Common Share based on the "Accreted Value" of the Lone Pine Preferred Shares (within the meaning of the share provisions attached thereto);
- (d) for purposes of determining the number of Newco Shares to be issued in respect of each Lone Pine Share, the aggregate number of Newco Shares forming the Lone Pine Proportionate Interest will be distributable pro rata based on the number of Lone Pine Common Shares issued or issuable immediately before the Effective Time (assuming and giving effect to the notional conversion of the Lone Pine Preferred Shares to Lone Pine Common Shares as described in clause 2.2(c) above); and
- (e) the Total Newco Share Capital shall (subject to the effects of rounding to whole numbers) be 100,000,000 Newco Shares, such that (i) the proportion of the Total Newco Share Capital constituting the Lone Pine Proportionate Interest in favour of the Lone Pine Securityholders shall be 77,000,000 Newco Shares, and (ii) the proportion of the Total Newco Share Capital constituting the Arsenal Proportionate Interest in favour of the Arsenal Securityholders shall be 23,000,000 Newco Shares.

Each party shall have delivered to the other party, in writing, not later than the date hereof, a certificate, signed on its behalf by its chief executive officer and chief financial officer, confirming: (i) in the case of Arsenal, the number of Arsenal Shares outstanding as well as the total number of Arsenal Shares issuable pursuant to (A) outstanding Arsenal Options and Arsenal Share Awards or (B) any commitment on the part of Arsenal or any of its subsidiaries to grant Arsenal Options, Arsenal Share Awards or any other right to acquire any shares in the capital of Arsenal; and (ii) in the case of Lone Pine, the number of Lone Pine Shares outstanding, as well as the total number of Lone Pine Shares issuable pursuant to (A) outstanding Lone Pine Incentive Awards or (B) any commitment on the part of Lone Pine or any of its subsidiaries to grant or cause to be granted Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine or of Newco.

2.3 Interim Order

As soon as practicable following the date hereof, and in any event by August 4, 2016, Lone Pine and Arsenal shall apply to the Court pursuant to section 193(2) of the ABCA and jointly prepare and file, and diligently pursue, an application for the Interim Order providing, among other things:

- (a) for the calling and holding of the Arsenal Meeting and the Lone Pine Meeting, including the record dates for determining the persons to whom notice of each such meeting is to be provided and the manner in which notice is to be provided;
- (b) that the securities of Arsenal for which holders shall be entitled to vote on the Arsenal Resolution at the Arsenal Meeting shall be the Arsenal Shares, the Arsenal Share Awards and the Arsenal Options;
- (c) that each Arsenal Shareholder shall be entitled to vote with respect to the Arsenal Resolution on the basis of one vote for each Arsenal Share held;
- (d) that each holder of Arsenal Options or Arsenal Share Awards shall be entitled to vote with respect of the Arsenal Resolution on the basis of one vote for every Arsenal Share issuable to the holder on the exercise of such Arsenal Option or settlement of such Arsenal Share Award;
- (e) that the requisite majorities for approval of the Arsenal Resolution shall be:
 - (A) not less than two-thirds of the votes cast by the Arsenal Shareholders present in person or represented by proxy at the Arsenal Meeting;
 - (B) not less than two-thirds of the votes cast by the Arsenal Shareholders, the holders of Arsenal Options and the holders of Arsenal Share Awards, voting together as a single class, present in person or represented by proxy at the Arsenal Meeting; and
 - (C) a simple majority of the votes cast by the Arsenal Shareholders present in person or represented by proxy at the Arsenal Meeting, after excluding the votes cast by those persons (if any) whose votes must be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

- (f) that the securities of Lone Pine for which holders shall be entitled to vote on the Lone Pine Resolution at the Lone Pine Meeting shall be the Lone Pine Common Shares, the Lone Pine Preferred Shares and the Lone Pine Incentive Awards;
- (g) that each Lone Pine Common Shareholder shall be entitled to vote with respect to the Lone Pine Resolution on the basis of one vote for each Lone Pine Common Share held;
- (h) that each Lone Pine Preferred Shareholder shall be entitled to vote with respect to the Lone Pine Resolution on the basis of one vote for each Lone Pine Preferred Share held;
- (i) that each holder of Lone Pine Incentive Awards shall be entitled to vote with respect to the Lone Pine Resolution on the basis of one vote for each Lone Pine Common Share and each Lone Pine Preferred Share issuable to the holder on the exercise or settlement of the Lone Pine Incentive Award, as applicable;
- (j) that the requisite majorities for approval of the Lone Pine Resolution shall be:
 - (A) not less than two-thirds of the votes cast by the Lone Pine Common Shareholders present in person or represented by proxy at the Lone Pine Meeting;
 - (B) not less than two-thirds of the votes cast by the Lone Pine Common Shareholders and the holders of Lone Pine Incentive Awards pursuant to which Lone Pine Common Shares are issuable on exercise or settlement thereof, voting together as a single class, present in person or represented by proxy at the Lone Pine Meeting;
 - (C) not less than two-thirds of the votes cast by the Lone Pine Preferred Shareholders present in person or represented by proxy at the Lone Pine Meeting; and
 - (D) not less than two-thirds of the votes cast by the Lone Pine Preferred Shareholders and the holders of Lone Pine Incentive Awards pursuant to which Lone Pine Preferred Shares are issuable on exercise or settlement thereof, voting together as a single class, present in person or represented by proxy at the Lone Pine Meeting;
- (k) that, except as otherwise specifically provided in the Interim Order, the provisions of the Arsenal Governing Documents, including quorum requirements and all other matters, shall apply in respect of the Arsenal Meeting, and the provisions of the Lone Pine Governing Documents, including quorum requirements and all other matters, shall apply in respect of the Lone Pine Meeting;
- (l) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (m) that the Arsenal Meeting may be adjourned or postponed from time to time by Arsenal, and the Lone Pine Meeting may be adjourned or postponed from time to time by Lone Pine, in accordance with this Agreement without the need for further approval by the Court.

2.4 Final Order

If the Interim Order and the requisite approvals of the Arsenal Shareholders and the Lone Pine Shareholders are obtained at the Arsenal Meeting and the Lone Pine Meeting, respectively, Arsenal and Lone Pine shall, as soon as reasonably practicable thereafter, take all steps necessary or desirable to submit the Arrangement to the Court and jointly prepare and file, and diligently pursue, an application for the Final Order.

2.5 Articles of Arrangement and Effective Date

Each of Arsenal and Lone Pine will carry out the terms of the Interim Order and the Final Order as soon as is reasonably practicable after the issuance of the Interim Order and the Final Order, respectively. As soon as practicable following issuance of the Final Order, and subject to the satisfaction or waiver of the conditions set forth in Article 5, the parties shall send to the Registrar, for filing pursuant to subsection 193(10) of the ABCA, the Articles of Arrangement, a copy of the Final Order and such other documents as may be required to give effect to the Arrangement and implement the Plan of Arrangement. The Arrangement shall become effective on the Effective Date, and the transaction steps to be effected pursuant to the Arrangement shall be deemed to occur in the order set out in the Plan of Arrangement.

2.6 Arsenal Approvals

Arsenal hereby represents to Lone Pine that:

- (a) the Arsenal Board has unanimously approved the entering into of this Agreement, determined that the Arrangement is fair to the Arsenal Shareholders and is in the best interests of Arsenal, and resolved to recommend that the Arsenal Shareholders vote in favour of the Arrangement at the Arsenal Meeting;
- (b) the Arsenal Board has received an oral opinion of National Bank Financial Inc. to the effect that, as of the date hereof, the consideration is fair from a financial point of view to the Arsenal Shareholders, and has been advised by National Bank Financial Inc. that it will provide to the Arsenal Board a written opinion to that effect for inclusion in the Circular, and Arsenal covenants to provide a copy of the written opinion to Lone Pine promptly upon receipt and ensure that a true and complete copy thereof is included in the Circular; and
- (c) each director and officer of Arsenal has entered into an Arsenal Support Agreement.

2.7 Lone Pine Approvals

Lone Pine hereby represents to Arsenal that:

- (a) the Lone Pine Board has unanimously approved the entering into of this Agreement, determined that the Arrangement is fair to the Lone Pine Shareholders and is in the best interests of Lone Pine, and resolved to recommend that the Lone Pine Shareholders vote in favour of the Arrangement at the Lone Pine Meeting; and
- (b) each director and officer of Lone Pine has entered into a Lone Pine Support Agreement.

2.8 Public Announcements

- (a) No party shall issue, or cause or permit any of their respective directors, officers, employees or agents to issue, any news release or other public statement with respect to this Agreement or the transactions contemplated hereby without the prior consent of the other party, such consent not to be unreasonably withheld, except upon the advice of legal counsel that such action is required by Securities Laws and then only after using reasonable commercial efforts to consult the other party as to content of the news release or other public statement and provide the other party with an opportunity to review and comment thereon, taking into account the time constraints to which it is subject as a result of such Securities Laws.
- (b) The parties agree that a news release in the form attached hereto as Schedule C shall be issued promptly following execution and delivery of this Agreement.

2.9 Employment and Incentive Plan Matters

- (a) The parties acknowledge and agree that the Arrangement will result in the vesting of all outstanding Arsenal Options and the settlement of all outstanding Arsenal Share Awards in accordance with the terms and conditions of the Arsenal Stock Option Plan and the Arsenal Share Award Plan, as applicable, and that the Arsenal Incentive Plans will be terminated and cease to exist at the Effective Time.
- (b) All Arsenal Share Awards shall, as contemplated in sections 6(c)(i)(IV), 6(c)(ii)(IV) and 6(e)(i) of the Arsenal Share Award Plan, be settled by Arsenal, effective as of 11:59 p.m. (Calgary time) on the day immediately prior to the Effective Date (but conditional upon the Arrangement thereafter becoming effective on the Effective Date), through the issuance of Arsenal Shares from treasury. For certainty, no cash payment shall be made by Arsenal in respect of the settlement of any Arsenal Share Awards.
- (c) Arsenal shall use its best efforts to arrange for all holders of Options to enter into Option Termination Agreements prior to the Effective Date.
- (d) All withholding tax obligations relating to the settlement and redemption of Arsenal Share Awards and Lone Pine Incentive Awards outstanding immediately prior to the Effective Time shall be satisfied through either, at the election of the holder thereof (i) cash payment from the holder or (ii) if applicable, the retention and sale by Newco of such number of Newco Shares otherwise due to the holder as is necessary to satisfy the withholding tax obligation.
- (e) The parties acknowledge that Lone Pine may enter into discussions with such Employees or directors as determined by Lone Pine, in its sole discretion, prior to the Effective Time regarding continued employment or contractor arrangements following completion of the Arrangement.
- (f) Arsenal represents and warrants to Lone Pine that: (i) the Arsenal Disclosure Letter identifies all Employees with whom Arsenal or any of its subsidiaries has entered into any agreement that obligates Arsenal or such subsidiary to make payment of a specified amount (or an amount determinable by a specified formula) in the event of termination of the Employee's service or a "change of control" (however defined) (any such Employee hereinafter referred to in this section 2.9 as a "**Specified Officer**"); (ii) the information

circular of Arsenal dated May 9, 2016 accurately describes the circumstances under which any Specified Officer is entitled under any such agreement to receive payment of such an amount, and the Arsenal Disclosure Letter sets out all Change of Control Payments that may be payable pursuant thereto to any Specified Officer in connection with completion of the Arrangement and the transactions contemplated hereby; (iii) Arsenal has disclosed in writing to Lone Pine true and correct information regarding the job description, title, length of service, age and remuneration of all Employees; (iv) the Arsenal Disclosure Letter sets out Arsenal's bona fide good faith estimate, having regard to the information referred to in clause (iii) above, of amounts payable in lieu of notice or otherwise to each Employee (other than a Specified Officer) in the event of termination of employment; and (v) there are no Change of Control Payments other than as set forth in the Arsenal Disclosure Letter.

- (g) Lone Pine shall, not later than July 31, 2016, determine those Employees: (i) whose employment will be terminated as of the Effective Date (any such Employee whose employment is in fact terminated as of the Effective Date being hereinafter referred to as a "**Severed Employee**"); (ii) whose employment will be continued after the Effective Date but on a transitional basis only for a period of not more than 90 days (any such Employee whose employment is in fact continued after the Effective Date being hereinafter referred to as a "**Transitional Employee**"); and (iii) whose employment will be continued after the Effective Date but not as a Transitional Employee (any such Employee whose employment is in fact continued after the Effective Date but is not a Transitional Employee being hereinafter referred to as a "**Continuing Employee**"); and shall confirm the same in writing to Arsenal. Such confirmation shall include, with respect to each Specified Officer who is a Continuing Employee, the position and remuneration to be offered.
- (h) The parties agree that, subject to execution and delivery by the payee of a full release, in form and substance acceptable to Lone Pine, acting reasonably, and net of required withholdings:
 - (i) each Severed Employee shall be entitled to receive payment of the Change of Control Payment amount disclosed in the Arsenal Disclosure Letter with respect to such Severed Employee, on the Effective Date;
 - (ii) each Transitional Employee shall be entitled to receive payment of the Change of Control Payment amount disclosed in the Arsenal Disclosure Letter with respect to such Transitional Employee, on the date on which that Transitional Employee's period of transitional employment ends; and
 - (iii) any Specified Officer who is not a Severed Employee, but to whom Arsenal is nevertheless required, pursuant to the employment agreement between Arsenal and such Specified Officer, to make the Change of Control Payment specified in the Arsenal Disclosure Letter with respect to such Specified Officer, as a result of an offer of employment made to such Specified Officer by Arsenal, Lone Pine or Newco or any of its subsidiaries, not meeting the conditions specified in the agreement in order for such amount not to be payable, shall be entitled to receive payment of the Change of Control Payment amount disclosed in the Arsenal Disclosure Letter with respect to such Specified Officer, on the Effective Date;

provided, however, that nothing herein shall restrict the right of Arsenal, Lone Pine or Newco or any of its subsidiaries to terminate a person's employment for cause, and this subsection 2.9(h) shall not apply with respect to any person whose employment is terminated for cause prior to the date on which this subsection otherwise provides that payment of a Change of Control Payment amount would be made.

- (i) Lone Pine shall pay (or cause to be paid) the Change of Control Payment amounts provided for in subsection 2.9(h).
- (j) No Change of Control Payments shall be payable by either party (or by Newco) in connection with the Arrangement other than as set forth in the Arsenal Disclosure Letter and as provided herein.
- (k) Arsenal shall use its best efforts to deliver to Lone Pine resignations and releases, in form satisfactory to Arsenal and Lone Pine, acting reasonably, from all directors and officers of Arsenal who will not continue as director or officers of Newco, effective as of the Effective Time.

2.10 Tax Withholdings

- (a) Newco, Lone Pine and Arsenal (or any of their respective subsidiaries) shall be entitled to deduct and withhold from any consideration otherwise payable to any Lone Pine Securityholder or any Arsenal Securityholder (including, for certainty, from any amount payable to a person who validly exercises Dissent Rights), as the case may be, pursuant to or in connection with completion of the Arrangement (including termination of employment), such amounts as Newco, Lone Pine or Arsenal (or applicable subsidiary thereof), as applicable, is required or reasonably believe to be required to deduct and withhold from such consideration in accordance with the Income Tax Act or any other Applicable Laws. Any such amounts will be deducted and withheld from the consideration payable pursuant to or in connection with completion of the Arrangement (including termination of employment), and to the extent such withheld amounts are actually remitted to the appropriate Governmental Authority shall be treated for all purposes as having been paid to the Lone Pine Securityholder or Arsenal Securityholder in respect of such deduction and withholding was made.
- (b) Without limiting the generality of subsection 2.10(a) above, Newco, Lone Pine and Arsenal, as applicable, shall be authorized to sell or otherwise dispose of such portion of the consideration otherwise payable to any Lone Pine Securityholder or any Arsenal Securityholder (including, for certainty, from any amount payable to a person who validly exercises Dissent Rights), as the case may be, pursuant to or in connection with completion of the Arrangement, as is necessary to provide sufficient funds to Newco, Lone Pine and Arsenal, as applicable, to enable it to comply with any such requirement to deduct or withhold, and Newco, Lone Pine and Arsenal, as applicable, shall notify each affected Lone Pine Securityholder and Arsenal Securityholder and remit to them net proceeds of such sale that is in excess of the amount required to be deducted and withheld.
- (c) The Plan of Arrangement shall include provisions consistent with this section 2.10.

2.11 Continuing Directors

The board of directors of Newco shall be comprised of individuals drawn from the Lone Pine Board and the Arsenal Board, respectively, with the proportionate number of Newco directors drawn from the Arsenal Board to be consistent with the Arsenal Proportionate Interest and the remaining Newco directors to be drawn from the Lone Pine Board.

ARTICLE 3 COVENANTS

3.1 Covenants of Lone Pine

Lone Pine covenants and agrees that, from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 7, except with the prior written consent of Arsenal, and except as otherwise expressly permitted or specifically contemplated by this Agreement or the Lone Pine Delaware Agreement:

- (a) Lone Pine shall, and shall cause its subsidiary to (procure that Lone Pine Delaware), conduct its business only in the usual and ordinary course of business consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property), and it shall use all reasonable commercial efforts to maintain and preserve its business, assets and advantageous business relationships;
- (b) Lone Pine shall not, and shall cause its subsidiary to (and procure that Lone Pine Delaware) not, directly or indirectly do or permit to occur any of the following:
 - (i) amend or supplement any of the Lone Pine Governing Documents or the Lone Pine Incentive Plan;
 - (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its outstanding shares;
 - (iii) split, combine or reclassify any of its securities;
 - (iv) adopt a plan of liquidation or resolutions providing for the winding-up, liquidation, dissolution, amalgamation, merger, consolidation or reorganization of Lone Pine, its subsidiary or Lone Pine Delaware;
 - (v) amalgamate, merge, consolidate or combine with or into any other person;
 - (vi) surrender, release or abandon the whole or any material portion of the assets of Lone Pine;
 - (vii) waive, release or relinquish any material contractual right, except in the ordinary course of business;
 - (viii) take any action, refrain from taking any action, or permit any such action or inaction, inconsistent with this Agreement, which would reasonably be expected to impede completion of the Arrangement; or

- (ix) enter into or modify any agreement, commitment or arrangement with respect to any of the foregoing;
- (c) Lone Pine shall not take any action, refrain from taking any action or permit any action that would render, or would reasonably be expected to render, any representation or warranty made by Lone Pine in this Agreement misleading or untrue in any material respect, or would result, or would reasonably be expected to result, in a breach by Lone Pine of this Agreement;
- (d) Lone Pine shall promptly notify Arsenal in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Lone Pine, threatened) in its business, operations, affairs, assets, capitalization, financial condition, rights, privileges or liabilities, whether contractual or otherwise, or of any change in any representation or warranty provided by Lone Pine in this Agreement that is or may be of such a nature to render any such representation or warranty misleading or untrue in any material respect, and Lone Pine shall in good faith discuss with Arsenal any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Lone Pine, threatened) which is of such a nature that there may be a reasonable question as to whether notice is required to be given pursuant to this provision;
- (e) Lone Pine shall cooperate with Arsenal in the preparation of the Circular and all court documents related to the Interim Order and Final Order, and in connection therewith permit Arsenal and its counsel to review and comment on all drafts of all material to be filed by Lone Pine with the Court in connection with the proposed Arrangement, and ensure that the Lone Pine Information prepared for inclusion in the Circular (and any amendments or supplements thereto) complies in all material respects with all Securities Laws on the date of issue thereof;
- (f) Lone Pine shall not issue any Lone Pine Shares, or securities convertible into or exchangeable for Lone Pine Shares (other than Lone Pine Incentive Awards or Lone Pine Shares issuable on exercise, settlement or surrender for cancellation thereof, as expressly set forth in the certificate delivered by Lone Pine to Arsenal pursuant to section 2.2, provided that any Lone Pine Shares issuable as described therein shall in no event reduce the number of Newco Shares constituting the Arsenal Proportionate Interest);
- (g) prior to the Effective Date, Lone Pine shall make such arrangements (on terms satisfactory to the parties, acting reasonably) with the trust company or other qualified person that is appointed as depositary for the Arrangement to ensure that the depositary is in a position to issue prompt payment to the former Arsenal Shareholders of the consideration to which they are entitled under the Arrangement following the Effective Time;
- (h) Lone Pine shall make or cause to be made on behalf of Newco an application to the TSX for conditional approval of the listing of the Newco Shares on the TSX, and shall use reasonable commercial efforts to obtain such conditional approval prior to the mailing of the Circular;
- (i) Lone Pine shall cause Newco to take or cause to be taken all necessary corporate action to allot and reserve for issuance the Newco Shares issuable pursuant to the Arrangement;

- (j) except for proxies and non-substantive communications, Lone Pine shall furnish promptly to Arsenal or its counsel, a copy of all notices, correspondence and other documents received by Lone Pine from holders of Arsenal securities or Governmental Authorities in connection with: (i) the Arrangement; (ii) the Lone Pine Meeting; and (iii) any filings or proceedings under Applicable Laws relating to this Agreement or the transactions contemplated hereby;
- (k) Lone Pine shall call, give notice of, convene and hold the Lone Pine Meeting as soon as practicable, and in any event not later than September 14, 2016, to vote upon the Lone Pine Resolution and such other matters as may be properly brought before the Lone Pine Meeting;
- (l) Lone Pine shall solicit proxies of Lone Pine Shareholders in favour of the Lone Pine Resolution, and take all other action reasonably necessary or desirable to secure the approval of the Lone Pine Resolution by the requisite majority of Lone Pine Shareholders;
- (m) Lone Pine shall allow Arsenal representatives to attend the Lone Pine Meeting;
- (n) Lone Pine will not postpone or cancel (or propose the adjournment, postponement or cancellation of) the Lone Pine Meeting, except as may be required for quorum purposes or by Applicable Laws, and if Lone Pine shall be required to postpone the Lone Pine Meeting it shall use its best efforts to reschedule the Lone Pine Meeting to be held as soon as reasonably possible;
- (o) Lone Pine shall conduct the Lone Pine Meeting in accordance with the Lone Pine Governing Documents, the ABCA and any instrument governing the Lone Pine Meeting (including without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (p) Lone Pine shall make or cause to be made all necessary filings and applications under Applicable Laws required to be made on the part of Lone Pine or Newco in connection with the transactions contemplated hereby; and
- (q) if Dissent Rights are granted by the Court to Lone Pine Shareholders, Lone Pine shall promptly provide Arsenal with copies of any notices of dissent, written objections to the Lone Pine Resolution or similar communications received by Lone Pine.

3.2 Covenants of Arsenal

Arsenal covenants and agrees that, from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 7, except with the prior written consent of Lone Pine, and except as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) Arsenal shall, and shall cause each of its subsidiaries to, conduct its business only in the usual and ordinary course of business consistent with past practice (and, for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all reasonable commercial efforts to maintain and preserve its business, assets and advantageous business relationships;

- (b) Arsenal shall not, and shall cause its subsidiaries to not, directly or indirectly do or permit to occur any of the following:
- (i) amend or supplement any of the Arsenal Governing Documents or the Arsenal Incentive Plans;
 - (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its outstanding shares or other securities;
 - (iii) except as specified in the Arsenal Disclosure Letter, issue, grant or sell (other than on exercise, settlement or surrender for cancellation of Arsenal Share Awards or Arsenal Options, as expressly set forth in the certificate delivered by Lone Pine to Arsenal pursuant to section 2.2, provided that any Arsenal Shares issuable as described therein shall in no event reduce the number of Newco Shares constituting the Lone Pine Proportionate Interest), or pledge, any securities;
 - (iv) make any change to the Arsenal Rights Plan, or allow the "Separation Time" to occur thereunder;
 - (v) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (except as may be required for the cancellation of Arsenal Share Awards and Arsenal Options as expressly contemplated hereby);
 - (vi) split, combine or reclassify any of its securities;
 - (vii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, amalgamation, merger, consolidation or reorganization of Arsenal or any subsidiary;
 - (viii) amalgamate, merge, consolidate, reorganize or combine with or into any other person;
 - (ix) reduce the stated capital of Arsenal or any subsidiary, or any class of outstanding shares of Arsenal or any subsidiary;
 - (x) pay, discharge or satisfy any claims, liabilities or obligations, other than (A) Closing Costs in an aggregate amount that does not exceed the amount specified in the Arsenal Disclosure Letter; (B) unless otherwise specified in the Arsenal Disclosure Letter, current obligations incurred in the ordinary course of business, consistent with past practice; (C) repayment of indebtedness under the Credit Facilities with the proceeds from Excluded Dispositions; (D) fees payable under the Credit Facilities; (E) weekly work fees payable to the Chief Restructuring Officer of Arsenal; and (F) the potential repayment obligation specifically identified in the Arsenal Disclosure Letter with respect to this paragraph 3.2(b)(x);
 - (xi) sell, pledge, dispose of or encumber any assets having a value greater than \$10,000 individually or \$50,000 in the aggregate, other than pursuant to the Excluded Dispositions;

- (xii) acquire any assets with an acquisition cost greater than \$10,000 individually, other than in the ordinary course of business, or \$50,000 in the aggregate;
- (xiii) acquire (whether by amalgamation, merger, consolidation or acquisition of securities or assets) any corporation, partnership or other form of business organization, or make any investment therein (whether by purchase of securities, contribution of capital or transfer of property);
- (xiv) enter into, grant or exercise any option to acquire assets;
- (xv) incur any indebtedness for borrowed money in excess of the amount currently outstanding under the Credit Facilities, or any other material liability or obligation, or assume, guarantee, endorse or otherwise become responsible for the obligations of any other person, or make any loans or advances, in an amount greater than \$10,000 individually, other than in the ordinary course of business, or \$50,000 in the aggregate, except Closing Costs in an aggregate amount that does not exceed the amount specified in the Arsenal Disclosure Letter;
- (xvi) expend or commit to expend any amounts with respect to operating expenses, other than in the ordinary course of business consistent with past practice;
- (xvii) except as set forth in the Arsenal Disclosure Letter, expend or commit to expend any amounts in respect of capital expenditures;
- (xviii) enter into any agreement or other instrument that is material to Arsenal or modify or change any existing agreement or other instrument that is material to Arsenal, other than a definitive agreement of purchase and sale with respect to the Excluded Dispositions meeting the conditions specified in subsection 5.2(e);
- (xix) waive, release, grant or transfer any right of material value, or change in any material respect any existing material licence, lease or contract;
- (xx) surrender, release or abandon the whole or any material portion of the assets of Arsenal or any subsidiary;
- (xxi) waive, release or relinquish any material contractual right;
- (xxii) except as specifically identified in the Arsenal Disclosure Letter with respect to this paragraph 3.2(b)(xxii), enter into, amend or terminate any hedges, swaps or other financial instruments or similar arrangements;
- (xxiii) enter into any employment or consulting agreement or commitment that cannot be terminated without penalty on 30 days' notice (or less);
- (xxiv) take any action, refrain from taking any action, or permit any such action or inaction, inconsistent with this Agreement, which would reasonably be expected to impede completion of the Arrangement; or
- (xxv) enter into or modify any agreement, commitment or arrangement with respect to any of the foregoing;

- (c) Arsenal shall not, and shall cause its subsidiaries to not, make any payment to any director, officer or employee outside of their ordinary and usual compensation for services;
- (d) Arsenal shall provide to Lone Pine, prior to filing or issuance of the same, any proposed public disclosure document, subject to Arsenal's obligations under Securities Laws to make timely disclosure of material information, and Lone Pine agrees to keep such information confidential until it is publicly disclosed by Arsenal;
- (e) except as set forth in the Arsenal Disclosure Letter, Arsenal shall not, and shall cause its subsidiaries to not, adopt or amend or make any contribution to any bonus, employee benefit, profit sharing, deferred compensation, share purchase, stock option, insurance, incentive compensation or similar plan, program, arrangement or agreement for the benefit of employees, except as is necessary to comply with Applicable Laws or the existing provisions of any such plan, program, arrangement or agreement;
- (f) except as set forth in the Arsenal Disclosure Letter, Arsenal shall not, and shall cause its subsidiaries to not: (i) grant any director, officer or employee an increase in compensation beyond their existing entitlements; (ii) grant any general salary increase; (iii) take any action with respect to the amendment of any severance or termination pay policies or arrangements for any directors, officers or Employees; (iv) adopt or amend either Arsenal Incentive Plan or any other any incentive, bonus, profit sharing, retirement, pension, compensation or similar plan or arrangement or agreements in respect thereof; or (v) advance any loan to any director or officer of Arsenal or any subsidiary, or any other party that does not deal at arm's length with Arsenal;
- (g) Arsenal shall not terminate the employment or engagement of any Employee without first consulting with Lone Pine;
- (h) Arsenal shall, and shall cause its subsidiaries to, duly and timely withhold from any amount paid or credited by it to or for the account or benefit of any person prior to the Effective Time, including any Employees and any non-resident person, the amount of all Taxes and other deductions required by any Applicable Laws to be withheld from any such amount, and duly and timely remit the same to the appropriate Governmental Authority;
- (i) Arsenal shall, and shall cause its subsidiaries to, use reasonable commercial efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies are in full force and effect, and shall pay all premiums in respect of such insurance policies that become due prior to the Effective Date;
- (j) Arsenal shall not, and shall cause its subsidiaries to not, directly or indirectly, take any action, refrain from taking any action or permit any action that would render, or would reasonably be expected to render, any representation or warranty made by Arsenal in this Agreement misleading or untrue in any material respect, or would result, or would reasonably be expected to result, in a breach by Arsenal of this Agreement;

- (k) Arsenal shall promptly notify Lone Pine in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Arsenal, threatened) in its business, operations, affairs, assets, capitalization, financial condition, rights, privileges or liabilities, whether contractual or otherwise, or of any change in any representation or warranty provided by Arsenal in this Agreement that is or may be of such a nature to render any such representation or warranty misleading or untrue in any material respect, and Arsenal shall in good faith discuss with Lone Pine any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Arsenal, threatened) which is of such a nature that there may be a reasonable question as to whether notice is required to be given pursuant to this provision;
- (l) Arsenal shall cooperate with Lone Pine in the preparation of the Circular and all court documents related to the Interim Order and Final Order, and in connection therewith permit Lone Pine and its counsel to review and comment on all drafts of all material to be filed by Arsenal with the Court in connection with the proposed Arrangement, and ensure that the Arsenal Information prepared for inclusion in the Circular (and any amendments or supplements thereto) complies in all material respects with all Securities Laws on the date of issue thereof;
- (m) except for proxies and non-substantive communications, Arsenal shall furnish promptly to Lone Pine or its counsel, a copy of all notices, correspondence and other documents received by Arsenal or any of its subsidiaries from holders of Arsenal securities or Governmental Authorities in connection with: (i) the Arrangement; (ii) the Arsenal Meeting; and (iii) any filings or proceedings under Applicable Laws relating to this Agreement or the transactions contemplated hereby;
- (n) Arsenal shall call, give notice of, convene and hold the Arsenal Meeting as soon as practicable, and in any event not later than September 14, 2016, to vote upon the Arsenal Resolution and such other matters as may be properly brought before the Arsenal Meeting;
- (o) Arsenal shall solicit proxies of Arsenal Shareholders in favour of the Arsenal Resolution, and take all other action reasonably necessary or desirable to secure the approval of the Arsenal Resolution by the requisite majority of Arsenal Shareholders;
- (p) Arsenal shall allow Lone Pine representatives to attend the Arsenal Meeting;
- (q) Arsenal will not postpone or cancel (or propose the adjournment, postponement or cancellation of) the Arsenal Meeting, except as may be required for quorum purposes or by Applicable Laws, and if Arsenal shall be required to postpone the Arsenal Meeting it shall use its best efforts to reschedule the Arsenal Meeting to be held as soon as reasonably possible;
- (r) Arsenal shall conduct the Arsenal Meeting in accordance with the Arsenal Governing Documents, the ABCA and any instrument governing the Arsenal Meeting (including without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (s) Arsenal shall make or cause to be made all necessary filings and applications under Applicable Laws required to be made on the part of Arsenal in connection with the transactions contemplated hereby; and

- (t) if Dissent Rights are granted by the Court to Arsenal Shareholders, Arsenal shall promptly provide Lone Pine with copies of any notices of dissent or written objections to the Arrangement received by Arsenal.

3.3 Mutual Covenants Regarding the Arrangement

Subject to the terms and conditions herein provided, each party covenants and agrees that, from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 7, except with the prior written consent of the other party, it shall use reasonable commercial efforts to satisfy or cause to be satisfied the conditions precedent to its obligations hereunder, and to take or cause to be taken all other action and to do or cause to be done all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement as soon as practicable after the date hereof, and to cooperate with each other in connection with the foregoing, including to:

- (a) make and diligently prosecute a joint application to the Court for the Interim Order in respect of the Arrangement;
- (b) prepare the Circular in accordance with all Applicable Laws;
- (c) cause the Circular to be mailed to the Arsenal Shareholders as soon as practicable, and in any event not later than August 9, 2016;
- (d) cause the Circular to be mailed to the Lone Pine Shareholders and the Lone Pine Delaware Shareholders as soon as practicable, and in any event not later than August 17, 2016;
- (e) subject to obtaining the approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary or desirable jointly with the other party to submit the Arrangement to the Court and apply for the Final Order;
- (f) jointly with the other party send the Articles of Arrangement to the Registrar upon satisfaction or waiver of the conditions set forth in Article 5;
- (g) do all things necessary or desirable to give effect to the Arrangement, including making and actively prosecuting applications for all applicable required regulatory consents, approvals and permissions as provided for herein;
- (h) effect all necessary registrations, filings and submissions of records or information required to be effected by it or requested of it by Governmental Authorities in connection with the Arrangement;
- (i) promptly notify the other party of any communication from or with any Governmental Authority regarding this Agreement or the Arrangement; and
- (j) obtain all necessary waivers, consents and approvals required to be obtained by it from third parties under any agreement or other instrument in connection with the Arrangement.

If Competition Act Clearance is required, Lone Pine shall prepare (with the cooperation of Arsenal) and submit as soon as practicable to the Commissioner a request for an advance ruling certificate

under the Competition Act and each party shall prepare and submit any other notifications, applications or filings as may be necessary or desirable to obtain the Competition Act Clearance, and in connection therewith each party shall share information as the other party may reasonably request in order to prepare and submit such request and such other notifications, applications and filings and to respond to any request for additional information by the Commissioner. Each party shall provide the other party, in advance, a copy of each such notification, application and filing for review and approval by the other party (not to be unreasonably withheld or delayed) and the parties shall use reasonable commercial efforts to respond promptly to any request or notice from the Commissioner requiring the parties, or any one of them, to supply additional information. Neither party shall extend or consent to any extension of any waiting period under the Competition Act, if applicable, or enter into any agreement with any Governmental Authority to not consummate the Arrangement, except with the consent of the other party (not to be unreasonably withheld or delayed). Each of Arsenal and Lone Pine shall be responsible for paying one-half of the filing fee payable in respect of obtaining the Competition Act Clearance. Any information shared pursuant to this subsection 3.3 is subject in all cases to the Confidentiality Agreement. Nothing in this subsection 3.3 shall require one party to disclose to the other party any information that, in the opinion of the first-mentioned party, acting reasonably, is competitively sensitive; provided, however, that external counsel to the other party shall have access to such information on a privileged and confidential basis in connection with obtaining the Competition Act Clearance.

3.4 Arsenal's Covenants Regarding Non-Solicitation

- (a) Arsenal shall immediately cease and cause to be terminated all existing discussions and negotiations, if any, including, without limitation, through any of its Representatives, with any person (other than Lone Pine and its Representatives) with respect to any Acquisition Proposal. Arsenal shall discontinue access to any of its confidential information and not allow or establish access to any of its confidential information, or any data room (virtual or otherwise) containing the same, and shall immediately request the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with Arsenal relating to an Acquisition Proposal. Arsenal shall not terminate, amend, release or waive, or forbear in the enforcement of, any provision of any confidentiality agreements with persons other than Lone Pine, including any "standstill" provisions thereunder, or enter into or participate in any discussions, negotiations or agreements to terminate, amend, release or waive, or forbear in respect of, any rights or other benefits under any confidentiality agreements. Arsenal shall specifically enforce all standstill, non-disclosure, non-solicitation and similar covenants of which it is a beneficiary.
- (b) From the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with Article 7, Arsenal shall not, directly or indirectly, do or authorize or permit any of its Representatives to do any of the following:
 - (i) solicit, facilitate, initiate or encourage any Acquisition Proposal (including by furnishing any non-public information concerning Arsenal, or permitting any visit to any facilities or properties of Arsenal);
 - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish or provide access to any non-public information with respect to Arsenal's business, properties, operations or condition (financial or otherwise) in connection with an Acquisition Proposal, or otherwise cooperate in any way with, or assist, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing;

- (iii) release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including any "standstill" provisions thereunder;
- (iv) withdraw or change, or propose to withdraw or change, in any manner adverse to Lone Pine, the approval of the Arsenal Board of the Arrangement or the recommendation of the Arsenal Board that the Arsenal Shareholders vote in favour of the Arrangement; or
- (v) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal, or publicly announce an intention to accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding anything in this subsection 3.4(b), Arsenal and its Representatives may:

- (A) enter into or participate in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, or any other breach of this section 3.4, by Arsenal or any of its Representatives in breach of this Agreement) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for the disclosure thereof, along with the information provided thereunder, to Lone Pine as provided below) may furnish to such third party information concerning Arsenal and its business, properties, operations or condition (financial or otherwise), in each case only if and to the extent that:
 - (I) the third party has first made a Superior Proposal; and
 - (II) at least one (1) Business Day prior to entering into or participating in any such discussions or negotiations or furnishing such information, Arsenal provides prompt notice thereof to Lone Pine and provides to Lone Pine the information required to be provided under subsection 3.4(c); and
- (B) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, (i) the Arsenal Board shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by subsection 3.4(d) and after receiving the advice of counsel, that the failure to take such action would be inconsistent with the exercise by the Arsenal directors of their fiduciary duties under Applicable Laws, (ii) Arsenal complies with its obligations set forth in subsection 3.4(d), and (iii) Arsenal terminates this Agreement in accordance with section 7.1(e) and concurrently therewith pays to Lone Pine the full amount of the Arsenal Termination Fee required under section 6.1.

- (c) Arsenal shall promptly and in any event by 10:00 a.m. (Calgary time) on the day following the date on which it receives or becomes aware of any Acquisition Proposal (or a material amendment thereto) notify Lone Pine thereof and include a copy of any written Acquisition Proposal (or amendment) or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of the Acquisition Proposal (including the identity of the person or persons making the Acquisition Proposal and the indicative consideration involved), together with a copy of any information provided by Arsenal to the person or persons making the Acquisition Proposal (if not previously provided to Lone Pine) and such other information as Lone Pine may reasonably request.
- (d) In the event that Arsenal receives a Superior Proposal, it shall give Lone Pine, orally and in writing, at least five complete Business Days' advance notice (such advance notice period to end not sooner than 5:00 pm (Calgary time) on the fifth clear Business Day after notice is given by Arsenal) of any decision by the Arsenal Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Arsenal Board has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the person or persons making the Superior Proposal and shall provide a true and complete copy thereof (including any related financing documents) and any amendments thereto. During such five Business Day period, Arsenal agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any "standstill" or similar obligations, and shall not withdraw or change its recommendation in respect of the Arrangement. In addition, during such five Business Day period, Arsenal shall, and shall cause its financial and legal advisors to, negotiate in good faith with Lone Pine and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Plan of Arrangement as would enable Arsenal to proceed with the Arrangement (as amended) rather than the Superior Proposal. In the event Lone Pine proposes to amend this Agreement and the Plan of Arrangement to provide the Arsenal Shareholders with consideration per Arsenal Share pursuant to this Agreement and the Arrangement (as amended) that the Arsenal Board determines, after consultation with its independent financial advisor, to be equal to or greater than the value per Arsenal Share provided pursuant to the Superior Proposal and so advises the Arsenal Board in writing prior to the expiry of such five Business Day period, the Arsenal Board and Arsenal, as applicable, shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal, shall not release the party making the Superior Proposal from any "standstill" or similar obligations, and shall not withdraw or change its recommendation in respect of the Arrangement, and Arsenal shall enter into an agreement giving effect to the amendment to this Agreement. Notwithstanding the foregoing, and for certainty, Lone Pine shall have no obligation to make or negotiate any changes to this Agreement in the event that Arsenal receives a Superior Proposal. Arsenal acknowledges that each successive material modification of any Superior Proposal shall constitute a new Superior Proposal for purposes of the requirement under this subsection 3.4(d) to provide five Business Days' notice to Lone Pine.
- (e) The Arsenal Board shall reaffirm its recommendation of the Arrangement by news release promptly after (i) any Acquisition Proposal that is not a Superior Proposal is publicly made or announced, or (ii) the Arsenal Board determines that a proposed amendment to the terms of the Plan of Arrangement would result in an Acquisition Proposal no longer being a Superior Proposal.

- (f) Lone Pine agrees that all information that may be provided to Lone Pine by Arsenal with respect to any Superior Proposal pursuant to this section 3.4 shall be treated as "Confidential Information" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in any action, suit or proceeding.
- (g) Arsenal shall ensure that its Representatives are aware of and abide by the provisions of this section 3.4, and shall be responsible for any breach of this section 3.4 by a Representative. For certainty, any conduct by a Representative that is contrary to the restrictions set forth in this section 3.4 shall be deemed to constitute a breach thereof by Arsenal.
- (h) Nothing in this Agreement shall: (i) limit in any way the obligation of Arsenal to convene and hold the Arsenal Meeting; or (ii) prevent the Arsenal Board from complying with section 2.17 of National Instrument 62-104 — *Take-Over Bids and Issuer Bids* and similar provisions of Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal that is not a Superior Proposal.

3.5 Access to Information

Arsenal shall afford Lone Pine and its Representatives reasonable access, during normal business hours and at such other time or times as Lone Pine may reasonably request, from the date hereof and until the earlier of the Effective Time or the termination of this Agreement, to its properties, books, contracts, records and management personnel, and during such period Arsenal shall furnish to Lone Pine all information concerning its business, properties and personnel as Lone Pine may reasonably request for the purpose of facilitating the expeditious and efficient integration of the business and operations of Lone Pine and Arsenal following the Effective Time, provided that such access does not cause any unreasonable disruptions to Arsenal's business or operations prior to the Effective Time. Any information provided by Arsenal to Lone Pine pursuant to this section 3.5 shall be subject to the provisions of the Confidentiality Agreement.

3.6 Privacy Matters

- (a) For the purposes of this section 3.6, "**Transferred Information**" means the personal information (namely, information about an identifiable individual other than their business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) to be disclosed or conveyed to one party or any of its representatives or agents (in this section 3.6, the "**recipient**") by or on behalf of the other party (in this section 3.6, the "disclosing party") as a result of or in conjunction with the transactions contemplated herein, and includes all such personal information disclosed to the recipient prior to the execution of this Agreement.
- (b) Each disclosing party covenants and agrees to, upon request, use reasonable efforts to advise the recipient of the purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates and the additional purposes where the disclosing party has notified the individual of such additional purpose, and where required by Applicable Laws, obtained the consent of such individual to such use or disclosure.

- (c) In addition to its other obligations hereunder, recipient covenants and agrees to:
- (i) prior to the completion of the transactions contemplated herein, collect, use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated herein, including for the purpose of determining to complete such transactions;
 - (ii) after the completion of the transactions contemplated herein:
 - (A) collect, use and disclose the Transferred Information only for those purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates or for the completion of the transactions contemplated herein, unless (I) the disclosing party or recipient have first notified such individual of such additional purpose, and where required by Applicable Laws, obtained the consent of such individual to such additional purpose, or (II) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual; and
 - (B) where required by Applicable Laws, promptly notify the individuals to whom the Transferred Information relates that the transactions contemplated herein have taken place and that the Transferred Information has been disclosed to recipient;
 - (iii) return or destroy the Transferred Information, at the option of the disclosing party, should the transactions contemplated herein not be completed; and
 - (iv) notwithstanding any other provision herein, where the disclosure or transfer of Transferred Information to the recipient requires the consent of, or the provision of notice to, the individual to which such Transferred Information relates, not require or accept the disclosure or transfer of such Transferred Information until the disclosing party has first notified such individual of such disclosure or transfer and the purpose for same, and where required by Applicable Laws, obtained the individual's consent to same and to only collect, use and disclose such information to the extent necessary to complete the transactions contemplated herein and as authorized or permitted by Applicable Laws.

3.7 Insurance and Indemnification

- (a) The parties agree that, from and after the Effective Time, Arsenal (or any amalgamation successor to Arsenal) shall fulfill its obligations pursuant to any indemnification agreements between Arsenal and any current or former directors or officers of Arsenal (the "**Indemnified Parties**") in effect immediately prior to the Effective Time, and any indemnification provisions under the Arsenal Governing Documents, in each case, as in effect on the date hereof, and not take action to terminate such obligations.
- (b) Arsenal may enter into binding arrangements effective as of the Effective Date, which are satisfactory to Lone Pine, acting reasonably, for directors' and officers' liability insurance providing coverage comparable to the coverage provided by the directors' and officers' insurance policies in effect on the date hereof for a period of six (6) years after the

Effective Date on a "trailing" or "run-off" basis for all present and former directors and officers of Arsenal with respect to claims arising from facts or events which occurred before the Effective Date, provided, however, that the premium paid for such arrangements shall not exceed \$100,000, in which case Arsenal may only obtain such coverage as may be available for a premium equal to \$100,000.

- (c) This section 3.7 is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties referred to herein, their heirs and personal representatives.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Arsenal

Arsenal hereby makes to Lone Pine the representations and warranties set forth in Schedule D, and acknowledges that Lone Pine is relying upon such representations and warranties in connection with entering into this Agreement and carrying out the Arrangement. Any investigation by or behalf of Lone Pine or its advisors shall not mitigate, diminish or otherwise affect the representations and warranties of Arsenal pursuant to this Agreement.

4.2 Representations and Warranties of Lone Pine

Lone Pine hereby makes to Arsenal the representations and warranties set forth in Schedule E, and acknowledges that Arsenal is relying upon such representations and warranties in connection with entering into this Agreement and carrying out the Arrangement. Any investigation by Arsenal or its advisors shall not mitigate, diminish or otherwise affect the representations and warranties of Lone Pine pursuant to this Agreement.

ARTICLE 5 CONDITIONS

5.1 Mutual Conditions Precedent

The respective obligations of the parties to consummate the transactions contemplated by this Agreement, and in particular to complete the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of the parties without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order shall have been granted on or before August 5, 2016 in form and substance satisfactory to Lone Pine and Arsenal, each acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Lone Pine or Arsenal, acting reasonably, on appeal or otherwise;
- (b) the Lone Pine Delaware Agreement shall have been entered into in form and substance satisfactory to Lone Pine and Arsenal, each acting reasonably;
- (c) the articles and by-laws of Newco shall be satisfactory to Lone Pine and Arsenal, each acting reasonably;
- (d) the Arsenal Resolution shall have been approved by the Arsenal Shareholders in accordance with the Interim Order;

- (e) the Lone Pine Resolution shall have been approved by the Lone Pine Shareholders in accordance with the Interim Order;
- (f) the Final Order shall have been granted on or before September 15, 2016 in form and substance satisfactory to Lone Pine and Arsenal, each acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Lone Pine or Arsenal, each acting reasonably, on appeal or otherwise;
- (g) the Effective Date shall be not later than the Outside Date;
- (h) the terms and conditions of the Lone Pine Delaware Agreement shall have been complied with;
- (i) the Article of Arrangement to be sent to the Registrar in connection with the Arrangement shall be in form and substance satisfactory to Lone Pine and Arsenal, each acting reasonably;
- (j) the TSX shall have conditionally approved the listing of the Newco Shares on terms and conditions satisfactory to Lone Pine and Arsenal, each acting reasonably;
- (k) on the Effective Date, each of Lone Pine and Arsenal shall be satisfied, acting reasonably, that the Newco Shares issuable to the Lone Pine Shareholders and the Arsenal Shareholders, as applicable, pursuant to the Arrangement: (i) shall not be subject to any hold period, restricted period or seasoning period under Securities Laws that shall not have been satisfied on the Effective Date; (ii) shall have been conditionally accepted for listing on the TSX, subject only to the filing of customary post-closing documentation; (iii) shall not require registration under the United States Securities Act of 1933, as amended, whether on the basis of the exemption provided for in section 3(a)(10) thereof or otherwise; and (iv) shall be issuable on a basis that is tax effective under the Income Tax Act for the Lone Pine Shareholders and the Arsenal Shareholders, as applicable;
- (l) if the transactions contemplated by this Agreement are subject to pre-merger notification under Part IX of the Competition Act, the Competition Act Clearance shall have been obtained;
- (m) each of the directors and officers of Arsenal shall have entered into and delivered a mutual release in favour of Arsenal and Lone Pine, in form and substance satisfactory to Lone Pine, acting reasonably, with effect as of the Effective Time;
- (n) the lenders under the Credit Facilities shall have consented to the Arrangement on terms and conditions satisfactory to Arsenal and Lone Pine, each acting reasonably; and arrangements satisfactory to Arsenal and Lone Pine, each acting reasonably, shall have been made with the lenders (or affiliates thereof, as applicable) with respect to repayment of amounts outstanding under the Credit Facilities and termination or continuation of outstanding derivative instruments for which the Credit Facilities provide credit support, on the Effective Date or as the lenders (or such affiliates, as applicable) may otherwise agree;
- (o) all other required regulatory, governmental and third party authorizations, approvals or consents necessary under Applicable Laws and contractual arrangements in connection

with completion of the Arrangement or any other transaction contemplated hereby shall have been obtained on terms and conditions satisfactory to Arsenal and Lone Pine, each acting reasonably;

- (p) holders of not more than 10% of the issued and outstanding Arsenal Shares, and not more than 10% of the issued and outstanding Lone Pine Shares, shall have validly exercised and not withdrawn Dissent Rights (if Dissent Rights are granted by the Court); and
- (q) no action shall have been taken under any Applicable Law, and no Applicable Law or Order shall have been enacted, made, promulgated, issued or amended, and no proceeding shall have been threatened or commenced by or before any Governmental Authority, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transaction contemplated hereby; or
 - (ii) results in any assessment of material costs or damages directly or indirectly relating to the Arrangement or any other transaction contemplated hereby.

The foregoing conditions are for the mutual benefit of the parties and may be asserted by either party regardless of the circumstances or may be waived by either party (with respect to such party) in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which such party may have.

5.2 Additional Conditions to Obligations of Lone Pine

The obligation of Lone Pine to consummate the transactions contemplated by this Agreement, and in particular to complete the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by Arsenal in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date, and except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or materially impede completion of the Arrangement, and Arsenal shall have provided to Lone Pine a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Lone Pine, acting reasonably, certifying the same on behalf of Arsenal;
- (b) Arsenal shall have complied with its covenants in this Agreement, except where the failure to have complied in all material respects with its covenants, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or materially impede completion of the Arrangement, and Arsenal shall have provided to Lone Pine a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Lone Pine, acting reasonably, certifying the same on behalf of Arsenal;

- (c) Arsenal shall have furnished Lone Pine with certified copies of (i) the resolutions duly passed by the board of directors of Arsenal approving this Agreement and the consummation of the transactions contemplated hereby; and (ii) the Arsenal Resolution;
- (d) no Material Adverse Change in respect of Arsenal shall have occurred on or after the date hereof and prior to the Effective Time;
- (e) Arsenal shall not have: (i) disposed of any properties, other than its Princess West and Chauvin properties pursuant to the Excluded Dispositions, in each case on terms and conditions consistent in all material respects with those set forth in the Arsenal Disclosure Letter (or otherwise consented to in writing by Lone Pine); and (ii) sold its Chauvin property (or enter into any agreement providing therefor) otherwise than pursuant to the Excluded Dispositions on terms and conditions consistent in all material respects with those set forth in the Arsenal Disclosure Letter (or otherwise consented to in writing by Lone Pine) and provided in any event that the net proceeds realized by Arsenal from the sale (or to be realized by Arsenal pursuant to completion of the sale in accordance with the agreement), after giving effect to any and all adjustments, shall be not less than \$7.7 million;
- (f) immediately prior to the Effective Time, the Net Debt of Arsenal shall not exceed the amount set forth in the Arsenal Disclosure Letter, and Arsenal shall have provided to Lone Pine a certificate, signed by its chief executive officer and chief financial officer, or such other of its senior officers as may be acceptable to Lone Pine, acting reasonably, certifying on behalf of Arsenal the amount of Net Debt of Arsenal at such time;
- (g) total Closing Costs shall not exceed the amount set forth in the Arsenal Disclosure Letter, and Arsenal shall have provided to Lone Pine a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Lone Pine, acting reasonably, certifying on behalf of Arsenal the amount and composition of such Closing Costs;
- (h) no act or proceeding against or affecting Arsenal shall have been threatened or instituted by or before any Governmental Authority, and no Applicable Law or Order shall have been enacted, made, promulgated, issued or amended, which in the sole judgment of Lone Pine, acting reasonably, in either case has had or, if the Arrangement was completed, would result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or would materially impede completion of the Arrangement;
- (i) all outstanding Arsenal Share Awards and Arsenal Options shall have been exercised, surrendered for cancellation or otherwise dealt with to the satisfaction of Lone Pine, acting reasonably; and
- (j) Arsenal shall have delivered to Lone Pine copies of the Arsenal Support Agreements, and each Arsenal Support Agreement shall be in full force and effect and the parties thereto shall have complied with their obligations thereunder.

The conditions in this section 5.2 are for the exclusive benefit of Lone Pine and may be asserted by Lone Pine regardless of the circumstances or may be waived by Lone Pine in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Lone Pine may have.

5.3 Additional Conditions to Obligations of Arsenal

The obligation of Arsenal to consummate the transactions contemplated by this Agreement, and in particular to complete the Arrangement, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) the representations and warranties made by Lone Pine in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date, and except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Lone Pine or materially impede completion of the Arrangement, and Lone Pine shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying the same on behalf of Lone Pine;
- (b) Lone Pine shall have complied with its covenants in this Agreement, except where the failure to have complied in all material respects with its covenants, individually or in the aggregate, does not and would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Lone Pine or materially impede completion of the Arrangement, and Lone Pine shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying the same on behalf of Lone Pine;
- (c) Lone Pine shall have furnished Arsenal with certified copies of: (i) the resolutions duly passed by the board of directors of Lone Pine approving this Agreement and the consummation of the transactions contemplated hereby; and (ii) the Lone Pine Resolution;
- (d) no Material Adverse Change in respect of Lone Pine shall have occurred on or after the date hereof and prior to the Effective Time;
- (e) immediately prior to the Effective Time, the Net Debt of Lone Pine shall not exceed the amount set forth in the Lone Pine Disclosure Letter, and Lone Pine shall have provided to Arsenal a certificate, signed by its chief executive officer and chief financial officer, or such other of its senior officers as may be acceptable to Arsenal, acting reasonably, certifying on behalf of Lone Pine the amount of Net Debt of Lone Pine at such time;
- (f) Lone Pine shall have delivered to Arsenal copies of the Lone Pine Support Agreements, and each Lone Pine Support Agreement shall be in full force and effect and the parties thereto shall have complied with their obligations thereunder;
- (g) no act or proceeding against or affecting Lone Pine shall have been threatened or instituted by or before any Governmental Authority, and no Applicable Law or Order shall have been enacted, made, promulgated, issued or amended, which in the sole judgment of Arsenal, acting reasonably, in either case has had or, if the Arrangement was completed, would result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal or would materially impede completion of the Arrangement;

- (h) Newco shall have entered into and delivered a mutual release in favour of each of the directors and officers of Arsenal, in form and substance satisfactory to Arsenal and Lone Pine, each acting reasonably, with effect as of the Effective Time; and
- (i) Arsenal shall be satisfied, acting reasonably, that adequate provision has been made for the payment of the Change of Control Payment amounts provided for in subsection 2.9(h).

The conditions in this section 5.3 are for the exclusive benefit of Arsenal and may be asserted by Arsenal regardless of the circumstances or may be waived by Arsenal in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Arsenal may have.

5.4 Notice and Effect of Failure to Comply with Conditions

- (a) Each party shall give prompt notice to the other party of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date, of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder; provided, however, that no such notification shall affect the representations or warranties of the parties or the conditions to the obligations of the parties hereunder.
- (b) If any of the conditions precedent set forth in sections 5.1, 5.2 or 5.3 hereof will not be satisfied, complied with or waived by the party for whose benefit such conditions are provided on or before the date required for the satisfaction or performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement pursuant to section 7.1(b) hereof; provided that, prior to the filing of the Articles of Arrangement, the party intending to rely thereon has delivered a written notice to the other party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters that the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent; and provided, further, that the party intending to rely thereon shall provide in such notice that the other party shall be entitled to cure any breach of a covenant, representation and warranty or other matter within five (5) Business Days after receipt of such notice (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date). More than one such notice maybe delivered by a party.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6
AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Lone Pine Damages

If at any time after the execution and delivery of this Agreement and prior to the Effective Date or termination of this Agreement (except in the case of section 6.1(b) below, as applicable):

- (a) the Arsenal Board withdraws or changes any of its recommendations or determinations referred to herein in a manner adverse to Lone Pine, or resolves to do so before the Effective Date, or has failed to publicly reaffirm its recommendation of the Arrangement when required to do in accordance with section 3.4 (unless Lone Pine is in breach of its obligations hereunder or there occurs a Material Adverse Change in respect of Lone Pine and the withdrawal or change relates to such breach or Material Adverse Change);
- (b) a bona fide Acquisition Proposal (or intention to make one) is publicly announced, proposed, offered or made to Arsenal or to the Arsenal Shareholders prior to termination of this Agreement, and after such Acquisition Proposal has been announced, proposed, offered or made the Arsenal Shareholders do not approve the Arrangement, the Arrangement is not submitted for their approval or the Arrangement is not otherwise completed in the manner contemplated in this Agreement, and whether before or after termination of this Agreement, such Acquisition Proposal, as originally proposed or subsequently amended, or any other Acquisition Proposal respecting Arsenal, is completed within 12 months of the date the first referenced Acquisition Proposal is announced, proposed, offered or made;
- (c) the Arsenal Board accepts, recommends or approves, or Arsenal enters into an agreement to implement, a Superior Proposal;
- (d) Arsenal breaches any of its covenants or other obligations under section 3.4;
- (e) Arsenal breaches any of its covenants or other obligations in this Agreement (other than those under section 3.4), which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Arsenal does not cure the breach within five (5) Business Days after receipt of written notice thereof from Lone Pine (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (f) Arsenal breaches any of its representations or warranties made in this Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Arsenal, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Arsenal does not cure the breach within five (5) Business Days after receipt of written notice thereof from Lone Pine (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(each of the above, if not timely cured in accordance with its terms, upon expiration of such cure period being a "**Lone Pine Damages Event**"), then this Agreement may be terminated pursuant to subsection

7.1(c) or subsection 7.1(e), and Arsenal shall pay to Lone Pine the Lone Pine Termination Fee, as liquidated damages, in immediately available funds, to an account designated by Lone Pine, within two (2) Business Days after such termination or, in the case of subsection 6.1(b), after completion of such Acquisition Proposal is completed. Following the Lone Pine Damages Event but prior to payment of the Lone Pine Termination Fee, Arsenal shall be deemed to hold such funds in trust for Lone Pine. Under no circumstances shall Arsenal be required to pay more than one Lone Pine Termination Fee pursuant to this section 6.1.

6.2 Arsenal Damages

If, at any time after the execution and delivery of this Agreement and prior to the Effective Date or termination of this Agreement

- (a) Lone Pine breaches any of its covenants or other obligations made in this Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Lone Pine, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Lone Pine does not cure the breach within five (5) Business Days after receipt of written notice thereof from Arsenal (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (b) Lone Pine breaches any of its representations or warranties made in this Agreement, which breach, individually or in the aggregate, would or would reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect in respect of Lone Pine, or materially impedes or would reasonably be expected to materially impede completion of the Arrangement, and Lone Pine does not cure the breach within five (5) Business Days after receipt of written notice thereof from Arsenal (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(each of the above, if not timely cured in accordance with its terms, upon expiration of such cure period being a "**Arsenal Damages Event**"), then this Agreement may be terminated pursuant to subsection 7.1(d), and Lone Pine shall pay to Arsenal the Arsenal Termination Fee, as liquidated damages, in immediately available funds, to an account designated by Arsenal, within two (2) Business Days after such termination. Following the Arsenal Damages Event but prior to payment of the Arsenal Termination Fee, Lone Pine shall be deemed to hold such funds in trust for Arsenal. Under no circumstances shall Lone Pine be required to pay more than one Arsenal Termination Fee pursuant to this section 6.2.

6.3 Liquidated Damages and Specific Performance

Each of the parties acknowledges and agrees that the payment of the amounts set out in sections 6.1 and 6.2 is a payment of liquidated damages, which are a genuine pre-estimate of the damages that Lone Pine or Arsenal, as applicable, shall suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and is not a penalty. Each party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the parties agree that payment of the amount pursuant to section 6.1 or 6.2, as applicable, is the sole monetary remedy of Lone Pine or Arsenal, as applicable, hereunder; provided, however, that this limitation shall not apply in the event of gross negligence, fraud or wilful or intentional breach of this Agreement by a party. Nothing herein shall preclude a party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or

the Confidentiality Agreement or otherwise to obtain specific performance of any act, covenant or agreement, without the necessity of posting bond or security in connection therewith. In no event shall a party be obligated to pay the other party any amount in respect of termination of this Agreement that is, in aggregate, greater than the Lone Pine Termination Fee or the Arsenal Termination Fee, as applicable; provided, however, that this limitation shall not apply in the event of gross negligence, fraud or wilful or intentional breach of this Agreement by the paying party.

ARTICLE 7 TERMINATION, AMENDMENT AND WAIVER

7.1 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Lone Pine and Arsenal;
- (b) as provided in subsection 5.4(b), provided that the failure to satisfy the particular condition precedent being relied upon as a basis for termination did not occur as a result of a breach by the party seeking to rely thereon of any of its covenants or other obligations under this Agreement;
- (c) by Lone Pine upon the occurrence of a Lone Pine Damages Event as provided in section 6.1;
- (d) by Arsenal upon the occurrence of an Arsenal Damages Event as provided in section 6.2; or
- (e) by Arsenal upon the occurrence of a Lone Pine Damages Event set forth in subsection 6.1(c) and the payment by Arsenal to Lone Pine of the amount required by section 6.1, provided that Arsenal has complied with its covenants and other obligations under section 3.4.

In the event of the termination of this Agreement in the circumstances set out in this section 7.1, this Agreement shall forthwith become void and no party shall have any liability or further obligation to the other hereunder except with respect to the obligations set forth in or as otherwise specified in Article 6 and Article 8, and each party's obligations under the Confidentiality Agreement, which shall survive termination of this Agreement.

Unless otherwise provided herein, the exercise by either party of any right of termination hereunder shall be without prejudice to any other remedy available to such party.

7.2 Amendment of Agreement

This Agreement may at any time and from time to time, before or after the Arsenal Meeting and Lone Pine Meeting are held, be amended by written agreement of the parties without, subject to Applicable Laws, further notice to or authorization on the part of the Arsenal Shareholders and Lone Pine Shareholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of Lone Pine or Arsenal;

- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of Lone Pine or Arsenal; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided, however, that after the Interim Order is issued no such amendment may reduce or materially adversely affects the consideration to be received by the Arsenal Shareholders or the Lone Pine Shareholders without approval by the affected Arsenal Shareholders or Lone Pine Shareholders, as applicable, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.3 Amendment of Plan of Arrangement

- (a) The parties may, at any time and from time to time prior to the Effective Time, amend or supplement the Plan of Arrangement by mutual agreement, provided that any such amendment or supplement must be: (i) set out in writing; (ii) approved by each of Lone Pine and Arsenal; (iii) filed with the Court and, if made after the Lone Pine Meeting or Arsenal Meeting, approved by the Court; and (iv) communicated to the Arsenal Shareholders and the Lone Pine Shareholders, as applicable, if and as required by the Court.
- (b) Except as may be required pursuant to any order of the Court, any amendment to the Plan of Arrangement may be proposed by Lone Pine or Arsenal at any time before the Lone Pine Meeting or the Arsenal Meeting, as the case may be (provided that the other party shall have consented thereto in writing) with or without any other prior notice or communication, and if so proposed and approved by the Lone Pine Shareholders at the Lone Pine Meeting or the Arsenal Shareholders at the Arsenal Meeting, shall become part of the Plan of Arrangement for all purposes.
- (c) Any amendment or supplement to the Plan of Arrangement that is approved or directed by the Court following the Lone Pine Meeting or the Arsenal Meeting shall be effective only if (i) consented to in writing by each of Lone Pine and Arsenal, and (ii) if required by the Court, approved by the Lone Pine Shareholders and the Arsenal Shareholders, as applicable, in the manner directed by the Court.
- (d) Any amendment or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by Newco and Lone Pine Delaware, provided that it concerns a matter which, in their reasonable opinion, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the economic interest of former Lone Pine Shareholders or Arsenal Shareholders.

ARTICLE 8 GENERAL PROVISIONS

8.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent

by facsimile transmission to the parties at the following addresses (or at such other addresses as shall be specified by the parties by like notice):

- (a) if to Lone Pine:

Lone Pine Resources Canada Ltd.
1100, 640 - 5th Avenue S.W.
Calgary, AB T2P 3G4

Attention: President and Chief Executive Officer
Facsimile No.: (403) 292-8001
Email: tsgranger@lonepineresources.com

with a copy to (which shall not constitute notice)

Bennett Jones LLP
4500, 855 - 2nd Street S.W.
Calgary, AB T2P 4K7

Attention: Colin Perry
Facsimile No.: (403) 265-7219
Email: perryc@bennettjones.com

- (b) if to Arsenal:

Arsenal Energy Inc.
1900, 639 - 5th Avenue S.W.
Calgary, AB T2P 0M9

Attention: President and Chief Executive Officer
Facsimile No.: (403)265-6877
Email: tvanwinkoop@arsenalenergy.com

with a copy to (which shall not constitute notice)

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Avenue S.W.
Calgary, AB T2P 0R3

Attention: Donald B. Edwards
Facsimile No.: (403) 266-1395
Email: dedwards@blg.com

8.2 Entire Agreement

This Agreement constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties, including the letter of intent dated May 25, 2016 between Lone Pine and Arsenal, with respect to the subject matter hereof.

8.3 Injunctive Relief

The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and, accordingly, that the parties shall be entitled to equitable remedies, including injunctive relief to prevent breaches and threatened breaches of this Agreement and specific performance of the provisions hereof in any court of the Province of Alberta having jurisdiction, without the necessity of posting bond or security in connection therewith, in addition to any other remedy to which they are entitled at law or in equity.

8.4 Assignment; Successors

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior express written consent of the other party. This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

8.5 Expenses

Except as otherwise expressly provided for in Article 6 or in section 3.3 with respect to Competition Act Clearance (if required), all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such cost or expense, whether or not the Arrangement is completed. For certainty, this section 8.5 shall survive the termination of this Agreement. For further certainty, this section 8.5 does not limit the obligations of Lone Pine under subsection 2.9(i).

8.6 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.7 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all such counterparts together shall constitute one agreement. A counterpart delivered by way of facsimile or electronic mail shall be as effective as an originally signed and delivered counterpart.

[remainder of page intentionally left blank -signature page follows]

IN WITNESS WHEREOF, Arsenal and Lone Pine have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

LONE PINE RESOURCES CANADA LTD.

By: *(signed) "Tim S. Granger"*
Tim Granger
President and Chief Executive Officer

ARSENAL ENERGY INC.

By: *(signed) "J. Paul Lawrence"*
J. Paul Lawrence
Vice President, Finance and
Chief Financial Officer

SCHEDULE A
PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT

UNDER SECTION 193 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms have the respective meanings set forth below (and grammatical variations of such terms shall have corresponding meanings):

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended;

"**ABSub**" means 1984745 Alberta Ltd., a corporation incorporated and existing under the ABCA and a wholly-owned subsidiary of NewCo prior to the Effective Time;

"**Affected Arsenal Securityholders**" means, collectively, the Arsenal Shareholders and the holders of Arsenal Incentive Awards;

"**Affected Lone Pine Securityholders**" means, collectively, the LPR Canada Shareholders, the LPRI Shareholders and the holders of LPR Canada Incentive Awards;

"**Arrangement**" means the arrangement under section 193 of the ABCA involving the Lone Pine Parties, the Affected Lone Pine Securityholders, Arsenal and the Affected Arsenal Securityholders, on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment to this Plan of Arrangement made in accordance with the provisions of the Arrangement Agreement and Article 5 or at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the amended and restated arrangement agreement made between LPR Canada and Arsenal dated effective June 23, 2016 providing for, among other things, the Arrangement, as it may further amended or supplemented from time to time in accordance with the provisions thereof prior to the Effective Time;

"**Arsenal**" means Arsenal Energy Inc., a corporation incorporated and existing under the ABCA;

"**Arsenal Incentive Awards**" means stock options, share awards or any other rights to acquire Arsenal Shares granted pursuant to the Arsenal Incentive Plans and outstanding at the Effective Time;

"**Arsenal Incentive Plans**" means, collectively, the share award incentive plan of Arsenal approved at a meeting of its shareholders held on June 19, 2014, and the incentive stock option plan of Arsenal dated July 13, 2007, as amended;

"**Arsenal Meeting**" means the special meeting of Arsenal Shareholders and holders of Arsenal Incentive Awards (including any adjournment or postponement thereof) held in accordance with the Interim Order to consider, among other things, the Arsenal Resolution;

"**Arsenal Resolution**" means the special resolution of the Arsenal Shareholders and holders of Arsenal Incentive Awards approving the Arrangement;

"Arsenal Shareholders" means the holders of Arsenal Shares;

"Arsenal Shares" means the common shares in the capital of Arsenal issued and outstanding at the Effective Time;

"Articles of Arrangement" means the articles of arrangement in respect of the Arrangement, required under subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been made, in form satisfactory to LPR Canada, LPRI and Arsenal, in order for the Arrangement to become effective pursuant to the ABCA;

"Business Day" means any day, other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;

"Canadian Holder" means an LPR Canada Shareholder who is, and who certifies in its duly completed Letter of Transmittal that it is, a resident of Canada for the purposes of the Tax Act;

"Certificate" means the certificate to be issued by the Registrar pursuant to subsection 193(11) of the ABCA after the Articles of Arrangement are filed or, if no such certificate is required to be issued by the Registrar, the proof of filing in respect of the filed Articles of Arrangement;

"Circular" means the joint management information circular and proxy statement of LPR Canada, LPRI and Arsenal sent to the Affected Lone Pine Securityholders in connection with the LPR Canada Meeting and the LPRI Meeting, and to the Affected Arsenal Securityholders in connection with the Arsenal Meeting;

"Court" means the Court of Queen's Bench of Alberta;

"Depositary" means the person appointed in accordance with the Arrangement Agreement to act as depositary for the LPR Canada Shares, the LPRI Shares and the Arsenal Shares in connection with the Arrangement;

"DESub" means PPRI Subco Inc., a corporation incorporated and existing under the DGCL and a wholly-owned subsidiary of NewCo prior to the Effective Time;

"DGCL" means the Delaware General Corporation Law of the State of Delaware;

"Dissent Right" means the right of an LPR Canada Shareholder to dissent in respect of the LPR Canada Resolution, or of an Arsenal Shareholder to dissent in respect of the Arsenal Resolution, as provided in the Interim Order and Article 3;

"Dissenting Arsenal Shareholder" means a registered Arsenal Shareholder (including, for certainty, a person who becomes a registered Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) who is entitled to and does validly exercise its Dissent Right, and who has not withdrawn or been deemed to have withdrawn such exercise (but only with respect to the Arsenal Shares in respect of which the Dissent Right is validly exercised);

"Dissenting LPR Canada Shareholder" means a registered LPR Canada Shareholder who is entitled to and does validly exercise its Dissent Right, and who has not withdrawn or been deemed to have withdrawn such exercise (but only with respect to the LPR Canada Shares in respect of which the Dissent Right is validly exercised);

"**Effective Date**" has the meaning ascribed thereto in Section 2.3;

"**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date;

"**Encumbrance**" means any mortgage, pledge, charge, hypothec, prior claim, lien, pledge, assignment, security interest, adverse interest, option, right of first refusal or offer, adverse claim, other right of third parties or encumbrance of any kind or nature whatsoever, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

"**Final Order**" means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless the appeal is withdrawn or denied, as affirmed, amended or modified on appeal;

"**Governmental Authority**" means any domestic or foreign: (i) government or governmental, regulatory or public authority, department, agency, commission, board, bureau, branch, official, panel, tribunal or arbitral body; (ii) court or private arbitrator or arbitral tribunal having jurisdiction; or (iii) other person exercising or entitled to exercise any legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing, expropriation or taxing authority or power;

"**Interim Order**" means the interim order of the Court concerning the Arrangement pursuant to subsection 193(4) of the ABCA, as may be amended or modified by the Court, containing declarations and directions with respect to the Arrangement, the LPR Canada Meeting and the Arsenal Meeting;

"**Laws**" means all laws, statutes, regulations, rules, ordinances, codes, by-laws, orders, judgments, decrees, rulings, edicts, directives, notices, directions, policies or other requirements (including rules common law or equity) issued, enacted, adopted, promulgated, implemented, imposed, made or otherwise put into effect by or under the authority of any Governmental Authority;

"**Letter of Transmittal**" means the letter of transmittal in the form contemplated by the Circular and provided for use by LPR Canada Shareholders and Arsenal Shareholders, respectively, in connection with the Arrangement and the surrender of LPR Canada Shares and Arsenal Shares in relation thereto;

"**Lone Pine Parties**" means NewCo, LPR Canada, ABSub, LPRI and DESub;

"**LPR Amalco**" has the meaning ascribed thereto in Section 2.4(e);

"**LPR Amalco Shares**" means common shares in the capital of LPR Amalco;

"**LPR Canada**" means Lone Pine Resources Canada Ltd., a corporation incorporated and existing under the ABCA;

"**LPR Canada Common Shares**" means the Class A voting common shares in the capital of LPR Canada issued and outstanding at the Effective Time;

"LPR Canada Incentive Awards" means restricted share units or any other rights to acquire LPR Canada Shares granted pursuant to the 2014 equity incentive plan of LPR Canada dated January 31, 2014, as amended, and outstanding at the Effective Time;

"LPR Canada Meeting" means the special meeting of LPR Canada Shareholders and holders of LPR Canada Incentive Awards (including any adjournment or postponement thereof) held in accordance with the Interim Order to consider, among other things, the LPR Canada Resolution;

"LPR Canada Preferred Shares" means the Series 1 preferred shares in the capital of LPR Canada issued and outstanding at the Effective Time;

"LPR Canada Resolution" means the special resolution of the LPR Canada Shareholders and holders of LPR Canada Incentive Awards approving the Arrangement;

"LPR Canada Shareholders" means, collectively, (i) holders of LPR Canada Common Shares and (ii) holders of LPR Canada Preferred Shares;

"LPR Canada Shares" means, collectively, the LPR Canada Common Shares and the LPR Canada Preferred Shares;

"LPRI" means Lone Pine Resources Inc., a corporation incorporated under the DGCL;

"LPRI Meeting" means the special meeting of LPRI Shareholders (including any adjournment or postponement thereof) held in accordance with the DGCL to consider a resolution approving the Arrangement and, in connection therewith, the Merger;

"LPRI Shareholders" means the holders of LPRI Shares;

"LPRI Shares" means, collectively, (i) the shares of Class A common stock, par value \$0.01 per share, in the capital of LPRI (designated as Class A common shares), issued and outstanding at the Effective Time, and (ii) the shares of Class B common stock, par value \$0.01 per share, in the capital of LPRI (designated as Class B multiple voting shares), issued and outstanding at the Effective Time;

"Merger" means the merger of LPRI and DESub pursuant to section 251 of the DGCL on terms resulting in (i) the merger of DESub with and into LPRI such that the separate corporate existence of DESub ceases and LPRI, as the surviving corporation, continues to exist, (ii) cancellation of the outstanding LPRI Shares, and (iii) NewCo becoming the sole stockholder of LPRI, all in accordance with the laws of the State of Delaware and as more particularly provided in the Merger Agreement and in Section 2.4(d);

"Merger Agreement" means the agreement and plan of merger between NewCo, DESub and LPRI substantially in the form attached to the Arrangement Agreement;

"NewCo" means Prairie Provident Resources Inc., a corporation incorporated by LPRI and existing under the ABCA;

"NewCo Common Shares" means common shares in the capital of NewCo;

"NewCo Share Consideration" means:

- (a) with respect to each LPR Canada Common Share, 0.5544092 NewCo Common Share;
- (b) with respect to each LPR Canada Preferred Share, 0.8117105 NewCo Common Share; and
- (c) with respect to each Arsenal Share, 1.1417218 NewCo Common Shares;

"Plan of Arrangement" means this plan of arrangement, as may be amended or supplemented from time to time in accordance with the provisions of the Arrangement Agreement and Article 5 or at the direction of the Court in the Final Order;

"Registrar" means the Registrar of Corporations or a Deputy Registrar of Corporations appointed pursuant to section 263 of the ABCA;

"Replacement RSU" has the meaning ascribed thereto in Section 2.4(g); and

"Tax Act" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supp.) as amended, including the regulations promulgated thereunder.

1.2 Rules of Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) words importing the singular include the plural and vice versa, and words importing gender include all genders;
- (b) references to a "person" shall include an individual, corporation or other body corporate, partnership, syndicate, trust or other form of incorporated or unincorporated association, and also includes a Governmental Authority;
- (c) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Plan of Arrangement and not to any particular article or section;
- (d) references to an Article or Section are references to the corresponding article or section of this Plan of Arrangement;
- (e) the use of headings, and the division of this Plan of Arrangement into articles and sections, is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (f) the word "includes" or "including", when following any general term or statement, shall not be construed as limiting the general term or statement to the specific matters or items thereafter set forth, or to similar matters or items, and shall be deemed to be followed by the words "without limitation" so that references to included matters or items shall be regarded as illustrative without being either characterizing or exhaustive of the general term or statement;

- (g) any reference to a statute or section thereof shall include such statute or section as amended or substituted from time to time, and all regulations made thereunder and in effect from time to time; and
- (h) all references to currency or sums of money are expressed in Canadian dollars.

1.3 Date for any Action

If the date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required or permitted to be taken on or by the next succeeding day that is a Business Day.

1.4 Time

All times expressed in this Plan of Arrangement or in any Letters of Transmittal are local time in Calgary, Alberta, unless otherwise specified herein or therein.

ARTICLE 2 ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement shall be effective commencing at the Effective Time, and shall be binding on the Lone Pine Parties, Arsenal, the Affected Lone Pine Securityholders (including Dissenting LPR Canada Shareholders), the Affected Arsenal Securityholders (including Dissenting Arsenal Shareholders) and all other persons, without any further act or formality required on the part of any person.

2.3 Filing of Articles of Arrangement

The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and, in particular, that each of the provisions of Section 2.4 has become effective in the sequence and at the times set out therein. The date on which the Arrangement is effective (the "**Effective Date**") shall be the date shown in the certificate issued by the Registrar pursuant to subsection 193(11) of the ABCA in respect of the Arrangement or, if no such certificate is required to be issued, the date the Articles of Arrangement are filed pursuant to subsection 193(10) of the ABCA.

2.4 Arrangement

At the Effective Time, the events and transactions set out below in this Section 2.4 shall occur and be deemed to occur, except as otherwise stated, sequentially in five (5) minute increments, in the following order, without any further act or formality required on the part of any person:

(a) Termination of Arsenal Shareholder Rights Plan

The second amended and restated rights agreement dated as of June 18, 2015 between Arsenal and Alliance Trust Company, as rights agent, shall terminate and cease to have any force or effect, and any and all rights issued thereunder shall terminate and be cancelled for no consideration.

(b) Termination of Arsenal Incentive Awards

The Arsenal Incentive Plans shall terminate and cease to have any force or effect, and all Arsenal Incentive Awards outstanding at the Effective Time shall terminate and be cancelled for no consideration.

(c) Exchange of LPR Canada Shares for NewCo Common Shares by Canadian Holders and by Dissenting LPR Canada Shareholders

(i) *LPR Canada Preferred Shares.* Each LPR Canada Preferred Share held by a Canadian Holder and/or by a Dissenting LPR Canada Shareholder shall be simultaneously transferred to and acquired by NewCo (free and clear of any Encumbrances), and such former holder shall:

(A) be issued by and entitled to receive from NewCo, for each LPR Canada Preferred Share so transferred, the NewCo Share Consideration with respect to each LPR Canada Preferred Share;

(B) cease to be a holder of all LPR Canada Preferred Shares so transferred and to have any right as a holder of LPR Canada Preferred Shares other than the right to receive the NewCo Share Consideration with respect to each LPR Canada Preferred Share in accordance with this Plan of Arrangement; and

(C) be removed from the register of LPR Canada Preferred Shares maintained by or on behalf of LPR Canada;

and NewCo shall thereupon become the holder of all LPR Canada Preferred Shares so transferred and be recorded as such in the register of LPR Canada Preferred Shares maintained by or on behalf of LPR Canada.

(ii) *LPR Canada Common Shares.* Each LPR Canada Common Share held by a Canadian Holder and/or by a Dissenting LPR Canada Shareholder shall be simultaneously transferred to and acquired by NewCo (free and clear of any Encumbrances), and such former holder shall:

(A) be issued by and entitled to receive from NewCo, for each LPR Canada Common Share so transferred, the NewCo Share Consideration with respect to each LPR Canada Common Share;

(B) cease to be a holder of all LPR Canada Common Shares so transferred and to have any right as a holder of LPR Canada Common Shares other than the right to receive the NewCo Share Consideration with respect to each LPR Canada Common Share in accordance with this Plan of Arrangement; and

- (C) be removed from the register of LPR Canada Common Shares maintained by or on behalf of LPR Canada;

and NewCo shall thereupon become the holder of all LPR Canada Common Shares so transferred and be recorded as such in the register of LPR Canada Common Shares maintained by or on behalf of LPR Canada.

(d) Merger of LPRI and DESub

Subject to the Merger having become effective in accordance with the Merger Agreement, the DGCL and any other applicable laws of the State of Delaware, and concurrently with the time on the Effective Date at which the Merger becomes effective (the "**Merger Time**"), NewCo shall cause DESub to perform its obligations under the Merger Agreement and proceed to complete the remaining transactions provided for in this Section 2.4 in accordance with the terms and conditions of this Plan of Arrangement.

(e) Amalgamation of LPR Canada and ABSUB

Simultaneously with the Merger Time, LPR Canada and ABSUB (each, an "**amalgamating corporation**") shall amalgamate and continue as one corporation under the ABCA ("**LPR Amalco**") in accordance with the following:

- (i) *Name.* The name of LPR Amalco shall be "Lone Pine Resources Canada Ltd."
- (ii) *Articles.* The articles of amalgamation of LPR Amalco shall be as set forth in Attachment 1 to this Plan of Arrangement.
- (iii) *By-laws.* The by-laws of LPR Amalco shall be the same as the by-laws of ABSUB, *mutatis mutandis*.
- (iv) *Effect of Amalgamation.* The provisions of subsections 186(b), (c), (d), (e), (f) and (g) of the ABCA shall apply to the amalgamation, with the result that, by virtue of the amalgamation:
 - (A) the property of each amalgamating corporation (except amounts receivable from any amalgamating corporation or shares in the capital of any amalgamation corporation) immediately before the amalgamation continues to be the property of LPR Amalco;
 - (B) LPR Amalco continues to be liable for the obligations of each amalgamating corporation (except amounts payable to any amalgamating corporation);
 - (C) an existing cause of action, claim or liability to prosecution of either amalgamating corporation is unaffected;
 - (D) a civil, criminal or administrative action or proceeding pending by or against either amalgamating corporation may be continued to be prosecuted by or against LPR Amalco;

- (E) a conviction against, or ruling, order or judgment in favour of or against, either amalgamating corporation may be enforced by or against LPR Amalco; and
- (F) the articles of amalgamation of LPR Amalco shall be deemed to be the articles of incorporation of LPR Amalco, and the certificate of amalgamation of LPR Amalco shall be deemed to be the certificate of incorporation of LPR Amalco.
- (v) *Directors.* Until changed in accordance with the ABCA, the directors of LPR Amalco shall be Patrick McDonald and Tim Granger, each being a director of LPR Canada immediately before the amalgamation
- (vi) *Officers.* Each individual that is an officer of LPR Canada at the Effective Time shall be an officer of LPR Amalco, and each shall hold the same office or offices with LPR Amalco as he or she held with LPR Canada at the Effective Time, until such time as he or she resigns or is removed from office or his or her successor is appointed.
- (vii) *Conversion of Shares.* On the amalgamation:
 - (A) the outstanding Class C multiple voting share of LPR Canada, which is owned by LPRI immediately before the amalgamation, shall be converted into the Class B multiple voting share of LPR Amalco, and the Class B multiple voting share of LPR Amalco shall for all purposes be owned by LPRI from and after the amalgamation;
 - (B) each outstanding common share of ABSUB, all of which are owned by NewCo immediately before the amalgamation, shall be converted into one (1) LPR Amalco Share, and each such LPR Amalco Share shall for all purposes be owned by NewCo from and after the amalgamation;
 - (C) each LPR Canada Preferred Share, whether or not owned by NewCo immediately before the amalgamation, shall be converted into such number of LPR Amalco Shares as is equal to the number of NewCo Common Shares constituting the NewCo Share Consideration with respect to each LPR Canada Preferred Share, and each such LPR Amalco Share shall for all purposes be owned by NewCo (free and clear of any Encumbrances) from and after the amalgamation, with the result that:
 - (1) NewCo shall be recorded in the LPR Amalco share registers as the sole holder of all LPR Amalco Shares into which the LPR Canada Preferred Shares are converted on the amalgamation;
 - (2) persons that were LPR Canada Preferred Shareholders (other than NewCo) immediately before the amalgamation shall not become holders of LPR Amalco Shares, but shall instead be issued by and entitled to receive from NewCo, for each LPR Canada Preferred Share held immediately before the amalgamation, the NewCo Share Consideration with respect to each LPR Canada Preferred Share; and

- (D) each LPR Canada Common Share, whether or not owned by NewCo immediately before the amalgamation, shall be converted into such number of LPR Amalco Shares as is equal to the number of NewCo Common Shares constituting the NewCo Share Consideration with respect to each LPR Canada Common Share, and all such LPR Amalco Shares shall for all purposes be owned by NewCo (free and clear of any Encumbrances) from and after the amalgamation, with the result that:
 - (1) NewCo shall be recorded in the LPR Amalco share registers as the sole holder of all LPR Amalco Shares into which the LPR Canada Common Shares are converted on the amalgamation; and
 - (2) persons that were LPR Canada Common Shareholders (other than NewCo) immediately before the amalgamation shall not become holders of LPR Amalco Shares, but shall instead be issued by and entitled to receive from NewCo, for each LPR Canada Common Share held immediately before the amalgamation, the NewCo Share Consideration with respect to each LPR Canada Common Share.

(viii) *Stated Capital of LPR Amalco.*

- (A) There shall be deducted from the stated capital accounts maintained for the LPR Canada Preferred Shares and the LPR Canada Common Shares, all of which are converted to LPR Amalco Shares, the full amounts thereof, and the aggregate of both such amounts shall be added to the stated capital account for the LPR Amalco Shares.
- (B) There shall be deducted from the stated capital account maintained for the Class C multiple voting share of LPR Canada, which is converted to the Class B multiple voting share of LPR Amalco, the full amount thereof, and such amount shall be added to the stated capital account for the Class B multiple voting share of LPR Amalco.

(ix) *Registered Office.* The registered office of LPR Amalco shall be the registered office of LPR Canada.

(f) Treatment of Dissenting LPR Canada Shareholders

The NewCo Common Shares received by any Dissenting LPR Canada Shareholder pursuant to Section 2.4(c) shall be, and shall be deemed to be, cancelled immediately following the amalgamation as provided therein, and each such Dissenting LPR Canada Shareholder shall: (i) cease to have any rights as a holder of NewCo Common Shares and shall not be recorded in the register of NewCo Common Shares maintained by or on behalf of NewCo; and (ii) shall only have the right to be paid by NewCo (or a successor thereto), in accordance with Section 3.1, an amount equal to the fair value of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder at the Effective Time. For certainty, the NewCo Common Shares cancelled pursuant to this Section 2.4(f) shall cease to be issued or outstanding.

(g) Exchange of LPR Canada Incentive Awards for Replacement RSUs

Each LPR Canada Incentive Award that is outstanding at the Effective Time, shall be terminated and cancelled in exchange solely for an obligation issued by NewCo (a "**Replacement RSU**") having the same terms and conditions as are applicable to the Lone Pine Incentive Award (including with respect to vesting), with NewCo as obligor under the Replacement RSUs in the place of LPR Amalco (as successor to LPR Canada pursuant to section 2.4(e) above) with respect to the LPR Canada Incentive Awards, except that:

- (i) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Preferred Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement RSU, the NewCo Share Consideration with respect to each LPR Canada Preferred Share;
- (ii) to the extent that the LPR Canada Incentive Award would, but for the Arrangement, have entitled the holder thereof to receive from LPR Canada, on the settlement and redemption thereof, an LPR Canada Common Share, the holder shall instead be entitled to be issued from NewCo, on the settlement and redemption of the Replacement RSU, the NewCo Share Consideration with respect to each LPR Canada Common Share;
- (iii) a former holder of LPR Canada Incentive Awards shall not be entitled to receive, on the settlement and redemption of Replacement RSUs issued in exchange therefor, any shares in the capital stock of LPRI;
- (iv) each Replacement RSU issued hereunder in respect of a LPR Canada Incentive Award that vested in accordance with its terms prior to the Effective Time, shall be settled and redeemed on the 15th Business Day following the Effective Date through the issuance by NewCo of the applicable NewCo Share Consideration; and
- (v) each Replacement RSU issued hereunder in respect of a LPR Canada Incentive Award that was not vested in accordance with its terms prior to the Effective Time, shall be settled and redeemed within fifteen (15) days of the vesting date for that Replacement RSU, through the issuance by NewCo of the applicable NewCo Share Consideration.

(h) Exchange of Arsenal Shares for NewCo Common Shares

Each Arsenal Share (including those held by Dissenting Arsenal Shareholders) shall be, and shall be deemed to be, simultaneously transferred to and acquired by NewCo (free and clear of any Encumbrances), and the former holder thereof shall:

- (i) be issued by and entitled to receive from NewCo, for each Arsenal Share so transferred, the NewCo Share Consideration with respect to each Arsenal Share;
- (ii) cease to be a holder of all Arsenal Shares so transferred and to have any right as a holder of Arsenal Shares other than the right to receive the NewCo Share

Consideration with respect to each Arsenal Share in accordance with this Plan of Arrangement; and

- (iii) be removed from the register of Arsenal Shares maintained by or on behalf of Arsenal;

and NewCo shall thereupon become the holder of all Arsenal Shares so transferred, and shall be recorded as such in the register of Arsenal Shares maintained by or on behalf of Arsenal. Concurrent with the issuance of such NewCo Common Shares, the NewCo Common Shares will, outside and not as part of this Plan of Arrangement, be listed for trading on the Toronto Stock Exchange (subject to standard post-closing listing conditions imposed by the Toronto Stock Exchange in similar circumstances).

(i) Treatment of Dissenting Arsenal Shareholders

The NewCo Common Shares received by any Dissenting Arsenal Shareholder pursuant to Section 2.4(h) shall be, and shall be deemed to be, cancelled immediately following the share exchange as provided therein, and each such Dissenting Arsenal Shareholder shall: (i) cease to have any rights as a holder of NewCo Common Shares and shall not be recorded in the register of NewCo Common Shares maintained by or on behalf of NewCo; and (ii) shall only have the right to be paid by NewCo (or a successor thereto), in accordance with Section 3.2, an amount equal to the fair value of the Arsenal Shares held by the Dissenting Arsenal Shareholder at the Effective Time. For certainty, the NewCo Common Shares cancelled pursuant to this Section 2.4(i) shall cease to be issued or outstanding.

2.5 Share Register Updates

In furtherance of the conversion and exchange of LPR Canada Shares and ABSub common shares in accordance with Sections 2.4(c) and 2.4(e), respectively, and the exchange of Arsenal Shares in accordance with Section 2.4(h), NewCo shall be recorded in the appropriate share registers of LPR Amalco and Arsenal as the sole holder of the outstanding LPR Amalco Shares and the outstanding Arsenal Shares, as applicable.

2.6 Paramountcy

From and after the Effective Time, the rights of any Affected Lone Pine Securityholders and Affected Arsenal Securityholders at or immediately before the Effective Time, and the obligations of the Lone Pine Parties and Arsenal, in each case with respect to LPR Canada Shares, LPRI Shares, LPR Canada Incentive Awards, Arsenal Shares or Arsenal Incentive Awards, shall be solely as provided for in this Plan of Arrangement, which shall have priority over the rights, privileges, restrictions, conditions or terms otherwise applicable thereto (including any agreement or instrument representing or confirming the same).

ARTICLE 3 DISSENT RIGHTS

3.1 Rights of Dissent for LPR Canada Shareholders

- (a) Registered LPR Canada Shareholders may exercise a right of dissent in respect of the LPR Canada Resolution in accordance with the Interim Order and this Section 3.1.

- (b) Notwithstanding subsection 191(5) of the ABCA, a written objection to the LPR Canada Resolution must be received by LPR Canada, as provided in the Interim Order, not later than 4:00 p.m. (Calgary time) on the date that is two (2) Business Days prior to the date of the LPR Canada Meeting.
- (c) From and after the Effective Time, a Dissenting LPR Canada Shareholder shall not have any rights as a holder of LPR Canada Shares (other than to receive NewCo Common Shares as expressly provided in Section 2.4(c) above, which NewCo Common Shares shall be cancelled in accordance with Section 2.4(f) above) or as a holder of NewCo Common Shares, and shall only be entitled to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the LPR Canada Shares held by the Dissenting LPR Canada Shareholder at the Effective Time.
- (d) For certainty, the NewCo Common Shares received by a Dissenting LPR Canada Shareholder pursuant to Section 2.4(c) shall be cancelled in accordance with Section 2.4(f).
- (e) In no event shall LPR Canada, NewCo or any other person be required to recognize a Dissenting LPR Canada Shareholder as a holder of LPR Canada Shares or a holder of NewCo Common Shares, and the name of a Dissenting LPR Canada Shareholder shall be removed from the applicable register(s) of LPR Canada Shares and NewCo Common Shares maintained by or on behalf of LPR Canada and NewCo, as applicable.
- (f) The fair value of the LPR Canada Shares shall be determined as of the close of business on the last Business Day before the day on which the LPR Canada Resolution is passed.
- (g) A Dissenting LPR Canada Shareholder who, for any reason (including, for certainty, withdrawal of an exercise of its Dissent Right), is not ultimately entitled to be paid by NewCo (or a successor thereto) the fair value of its LPR Canada Shares in respect of which it validly exercised its Dissent Right, shall not be reinstated as a holder of LPR Canada Shares but shall for all purposes be deemed to have participated in the Arrangement on the same basis as an LPR Canada Shareholder that is not a Dissenting LPR Canada Shareholder and, accordingly, shall be entitled to receive NewCo Common Shares on the basis set forth in Section 2.4(c) or Section 2.4(e), as applicable.
- (h) Notwithstanding subsection 191(19) of the ABCA, a Dissenting LPR Canada Shareholder shall not be entitled to withdraw a notice of objection in the circumstances contemplated therein.
- (i) For certainty, pursuant to the Interim Order, and in addition to any other restrictions contained in section 191 of the ABCA: (i) an LPR Canada Shareholder who has voted in favour of the LPR Canada Resolution, whether in person or by proxy, shall not be entitled to dissent with respect to the Arrangement; and (ii) a registered LPR Canada Shareholder may only exercise its Dissent Right in respect of all, and not less than all, of its LPR Canada Shares.

3.2 Rights of Dissent for Arsenal Shareholders

- (a) Registered Arsenal Shareholders (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) may exercise a right of dissent in respect of the Arsenal Resolution in accordance with the Interim Order and this Section 3.2.

- (b) Notwithstanding subsection 191(5) of the ABCA, a written objection to the Arsenal Resolution must be received by Arsenal, as provided in the Interim Order, not later than 4:00 p.m. (Calgary time) on the date that is two (2) Business Days prior to the date of the Arsenal Meeting.
- (c) From and after the Effective Time, a Dissenting Arsenal Shareholder shall not have any rights as a holder of Arsenal Shares (other than to receive NewCo Common Shares as expressly provided in Section 2.4(h) above which are cancelled in accordance with Section 2.4(i) above) or as a holder of NewCo Common Shares, and shall only be entitled to be paid by NewCo (or a successor thereto) an amount equal to the fair value of the Arsenal Shares held by the Dissenting Arsenal Shareholder at the Effective Time.
- (d) For certainty, the NewCo Common Shares received by a Dissenting Arsenal Shareholder pursuant to Section 2.4(h) shall be cancelled in accordance with Section 2.4(i).
- (e) In no event shall Arsenal, NewCo or any other person be required to recognize a Dissenting Arsenal Shareholder as a holder of Arsenal Shares or a holder of NewCo Common Shares, and the name of a Dissenting Arsenal Shareholder shall be removed from the register of Arsenal Shares and NewCo Common Shares maintained by or on behalf of Arsenal and NewCo, as applicable.
- (f) The fair value of the Arsenal Shares shall be determined as of the close of business on the last Business Day before the day on which the Arsenal Resolution is passed.
- (g) A Dissenting Arsenal Shareholder who, for any reason (including, for certainty, withdrawal of an exercise of its Dissent Right), is not ultimately entitled to be paid by NewCo (or a successor thereto) the fair value of its Arsenal Shares in respect of which it validly exercised its Dissent Right, shall not be reinstated as a holder of Arsenal Shares but shall be deemed to have participated in the Arrangement on the same basis as an Arsenal Shareholder that is not a Dissenting Arsenal Shareholder and, accordingly, shall be entitled to receive NewCo Common Shares on the basis set forth in Section 2.4(h).
- (h) Notwithstanding subsection 191(19) of the ABCA, a Dissenting LPR Canada Shareholder shall not be entitled to withdraw a notice of objection in the circumstances contemplated therein.
- (i) For certainty, pursuant to the Interim Order, and in addition to any other restrictions contained in section 191 of the ABCA: (i) an Arsenal Shareholder who has voted in favour of the Arsenal Resolution, whether in person or by proxy, shall not be entitled to dissent with respect to the Arrangement; and (ii) a registered Arsenal Shareholder may only exercise its Dissent Right in respect of all, and not less than all, of its Arsenal Shares.

3.3 Holders of Incentive Awards

Subject to Section 3.2(a), for certainty, holders of LPR Canada Incentive Awards and holders of Arsenal Incentive Awards shall not have any right to dissent in respect of the LPR Canada Resolution or the Arsenal Resolution, as applicable.

ARTICLE 4 PAYMENT OF CONSIDERATION

4.1 Existing Certificates, etc.

From and after the Effective Time, each certificate, agreement, letter or other instrument, as applicable, that at the Effective Time represented LPR Canada Shares, LPR Canada Incentive Awards, Arsenal Shares or Arsenal Incentive Awards shall cease to represent any such interests and shall instead represent only the right of the former holders thereof to receive, upon deposit of a duly completed Letter of Transmittal and other documents contemplated by Section 4.3, the consideration (if any) payable hereunder in respect of the conversion or exchange of such interests.

4.2 Extinguishment of Entitlements

Any certificates that, at the Effective Time, represented LPR Canada Shares or Arsenal Shares, which are not deposited in accordance with Section 4.3, with all other documents required by this Plan of Arrangement before the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, and the right of the former holder of such LPR Canada Shares or Arsenal Shares to receive the NewCo Share Consideration to which such former holder was entitled hereunder (including any dividends or other distributions made thereon and held for the former holder's benefit, as applicable) shall be deemed to be irrevocably surrendered to NewCo and forfeited.

4.3 Issue of Certificates for NewCo Shares

NewCo shall, as soon as practicable following the later of the Effective Date and the deposit with the Depositary of a duly completed Letter of Transmittal accompanied by the certificate(s) (if any) that at the Effective Time represented LPR Canada Shares or Arsenal Shares, together with such additional documents and instruments as NewCo or the Depositary may reasonably require, cause the Depositary to deliver to the person entitled thereto or make available for pick-up, as directed in the completed Letter of Transmittal deposited in connection with the Arrangement, certificate(s) representing the NewCo Common Shares that such person is entitled to receive hereunder (together with any dividends or other distributions made thereon and held for the person's benefit, as applicable), and the surrendered certificates that previously represented LPR Canada Shares or Arsenal Shares shall be cancelled forthwith.

4.4 Dividends or Other Distributions on NewCo Shares

Subject to Section 4.2, any dividends or other distributions made on any NewCo Shares in circumstances where the record date for determining holders entitled thereto is after the Effective Date shall, with respect to any NewCo Shares for which a certificate has not been issued as contemplated in Section 4.3, be set aside and held by NewCo for the benefit of the person entitled to receive such NewCo Shares, pursuant to such arrangements as NewCo deems appropriate. Any such dividends or other distributions on NewCo Shares for which the person entitled thereto has not yet deposited a completed Letter of Transmittal and other required documents, shall be paid or otherwise delivered to such person in accordance with Section 4.3.

4.5 Tax Withholdings

The Lone Pine Parties and Arsenal (or any of their respective subsidiaries) shall each be entitled to deduct and withhold from any consideration otherwise payable to any Affected Lone Pine Securityholder or Affected Arsenal Securityholder (including, for certainty, from any consideration payable to a person who validly exercises Dissent Rights), as the case may be, pursuant to or in

connection with completion of the Arrangement (including termination of employment), such amounts as the Lone Pine Party or Arsenal (or subsidiary thereof), as applicable, is required or reasonably believes to be required to deduct and withhold from such consideration in accordance with the Tax Act or any other applicable Laws. Any such amounts will be deducted and withheld from the consideration payable pursuant to or in connection with completion of the Arrangement (including termination of employment), and to the extent such withheld amounts are actually remitted to the appropriate Governmental Authority shall, notwithstanding any other provision of this Plan of Arrangement, be treated for all purposes as having been paid to the person in respect of such deduction and withholding was made.

Without limiting the generality of the foregoing, the Lone Pine Parties and Arsenal (or any of their respective subsidiaries), as applicable, shall be authorized to sell or otherwise dispose of such portion of the consideration otherwise payable to any former Affected Lone Pine Securityholder or Affected Arsenal Securityholder (including, for certainty, from any consideration payable to a person who validly exercises Dissent Rights), as the case may be, pursuant to or in connection with completion of the Arrangement, as is necessary to provide sufficient funds to the Lone Pine Party or Arsenal (or subsidiary thereof), as applicable, to enable it to comply with any such requirement to deduct or withhold, and the Lone Pine Party or Arsenal (or subsidiary thereof), as applicable, shall notify each former of Affected Lone Pine Securityholder or Affected Arsenal Securityholder, and remit to them net proceeds of such sale that is in excess of the amount required to be deducted and withheld.

4.6 Fractional Interests in NewCo Common Shares

No fractional NewCo Common Shares shall be issued pursuant to the Arrangement. If a former LPR Canada Shareholder or Arsenal Shareholder (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) would, but for this Section 4.6, otherwise be entitled to receive a fractional NewCo Common Share hereunder, the number of NewCo Common Shares actually issued or issuable, as the case may be, to such person shall, notwithstanding any other provision of this Plan of Arrangement, be rounded down to the next lower whole number of NewCo Common Shares and the fractional interest shall be cancelled without any additional compensation.

4.7 Lost Share Certificates

If any certificate which, at the Effective Time, represented LPR Canada Shares or Arsenal Shares that were converted or exchanged pursuant to Section 2.4 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, NewCo or the Depositary, as applicable, will issue and deliver in respect of such lost, stolen or destroyed certificate the NewCo Common Share consideration to which the former holder of such LPR Canada Shares or Arsenal Shares is entitled hereunder; provided, however, that NewCo or the Depositary may, as a condition precedent to such issuance and delivery of the NewCo Common Share consideration, require that the person claiming loss, theft or destruction give a bond satisfactory to NewCo or the Depositary (acting reasonably) in such sum as NewCo or the Depositary may direct, or otherwise indemnify NewCo or the Depositary in a manner satisfactory to NewCo or the Depositary (acting reasonably), against any claim that may be made against NewCo or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

4.8 No Interest, etc.

Former holders of LPR Canada Shares or Arsenal Shares (including, for certainty, a person who becomes an Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) shall not be entitled to any interest, dividend, premium or other payment on or with

respect to or in exchange therefor in accordance with this Plan of Arrangement, except only the issuance of NewCo Common Shares that such persons are entitled to receive pursuant hereto.

ARTICLE 5 AMENDMENTS; FURTHER ASSURANCES

5.1 Amendments to Plan of Arrangement

- (a) NewCo, LPR Canada, LPRI and Arsenal may, at any time and from time to time prior to the Effective Time, amend or supplement the Plan of Arrangement by mutual agreement, provided that any such amendment or supplement must be: (i) set out in writing; (ii) approved by each such party; (iii) filed with the Court and, if made after the LPR Canada Meeting, LPRI Meeting or Arsenal Meeting, approved by the Court; and (iv) communicated to the Affected Lone Pine Securityholders and Affected Arsenal Securityholders, as applicable, if and as required by the Court.
- (b) Any amendment or supplement to the Plan of Arrangement that is approved or directed by the Court following the LPR Canada Meeting, LPRI Meeting or Arsenal Meeting shall be effective only if (i) consented to in writing by each of NewCo, LPR Canada, LPRI and Arsenal, and (ii) if required by the Court, approved by Affected Lone Pine Securityholders and Affected Arsenal Securityholders, as applicable, in the manner directed by the Court.
- (c) Any amendment or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by NewCo and LPRI, provided that it concerns a matter which, in their reasonable opinion, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the economic interest of former LPR Canada Shareholders, LPRI Shareholders or Arsenal Shareholders.

5.2 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality required on the part of any person, each of NewCo, LPR Amalco, LPRI and Arsenal shall perform such further acts and execute and deliver such further instruments and documents as may reasonably be required in order to document or evidence any of the transactions or events set out herein.

Attachment 1 to Plan of Arrangement

Articles of Amalgamation of LPR Amalco

(see attached)

BUSINESS CORPORATIONS ACT

Alberta

Articles of Amalgamation

1. Name of Amalgamated Corporation

LONE PINE RESOURCES CANADA LTD.

2. The classes of shares, and any maximum number of shares that the corporation is authorized to issue:

The attached Schedule of Share Capital is incorporated into and forms part of this form.

3. Restrictions on share transfers (if any):

None

4. Number, or minimum and maximum number of directors:

Not less than One (1) director and not more than Fifteen (15) directors.

5. If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restriction(s):

None

6. Other provisions (if any):

None

7. Name of Amalgamating Corporations

Corporate Access Number

Lone Pine Resources Canada Ltd.

2016095404

1984745 Alberta Ltd.

2019847454

DATE	SIGNATURE	TITLE

SCHEDULE OF SHARE CAPITAL

The Corporation is authorized to issue:

- (a) an unlimited number of shares of a class designated as "**Class A Common Shares**"; and
- (b) one (1) single share of a class designated as the "**Class B Multiple Voting Share**";

such shares having attached thereto the following rights, privileges, restrictions and conditions:

A. CLASS A COMMON SHARES

The Class A Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(1) Voting Rights

- (a) Holders of Class A Common Shares shall be entitled to receive notice of and attend and vote at any meeting of shareholders of the Corporation, except meetings at which only holders of a different class of shares of the Corporation are entitled to vote, and shall be entitled to vote at any such meeting (or in respect of any written resolution in lieu thereof), in person or by proxy, on the basis of one (1) vote for each Class A Common Share held.
- (b) Unless otherwise required by law, the holders of Class A Common Shares shall vote together with the holder of the Class B Multiple Voting Share (if issued) as a single class on all matters submitted to a vote or consent of shareholders of the Corporation.

(2) Dividends

Subject to the prior rights and privileges (if any) attaching to any other class of shares of the Corporation, holders of Class A Common Shares shall have the right to receive dividends at such times and in such amounts as the directors of the Corporation may in their discretion from time to time declare; provided that no dividends shall be declared or paid on the Class A Common Shares unless an equivalent dividend (on a per share basis) is declared and paid on the Class B Multiple Voting Share (if issued).

(3) Liquidation, Dissolution, etc.

Subject to the prior rights and privileges (if any) attaching to any other class of shares of the Corporation, holders of Class A Common Shares shall: (i) together with the holder of the Class B Multiple Voting Share, have the right to receive the remaining property of the Corporation upon dissolution; and (ii) be entitled to share rateably, together with the holder of the Class B Multiple Voting Share, on a per share basis, in any distribution of the Corporation's property in the event of liquidation, dissolution or winding-up of the Corporation, or other distribution of the Corporation's property among its shareholders for the purpose of winding up its affairs.

B. CLASS B MULTIPLE VOTING SHARE

The Class B Multiple Voting Share shall have attached thereto the following rights, privileges, restrictions and conditions:

(1) Voting Rights

- (a) The holder of the Class B Multiple Voting Share shall be entitled to receive notice of and attend and vote at any meeting of shareholders of the Corporation, except meetings at which only holders of a different class of shares of the Corporation are entitled to vote, and shall be entitled to vote at any such meeting (or in respect of any written resolution in lieu thereof), in person or by proxy, on the basis of 225,000,000 votes for the Class B Multiple Voting Share.
- (b) Unless otherwise required by law, the holder of the Class B Multiple Voting Share shall vote together with the holders of the Class A Common Shares as a single class on all matters submitted to a vote or consent of shareholders of the Corporation.

(2) Dividends

Subject to the prior rights and privileges (if any) attaching to any other class of shares of the Corporation, the holder of the Class B Multiple Voting Share shall have the right to receive dividends at such times and in such amounts as the directors of the Corporation may in their discretion from time to time declare; provided that no dividends shall be declared or paid on the Class B Multiple Voting Share unless an equivalent dividend (on a per share basis) is declared and paid on the Class A Common Shares.

(3) Liquidation, Dissolution, etc.

Subject to the prior rights and privileges (if any) attaching to any other class of shares of the Corporation, the holder of the Class B Multiple Voting Share shall: (i) together with the holders of the Class A Common Shares, have the right to receive the remaining property of the Corporation upon dissolution; and (ii) be entitled to share rateably, together with the holders of the Class A Common Shares, on a per share basis, in any distribution of the Corporation's property in the event of liquidation, dissolution or winding-up of the Corporation, or other distribution of the Corporation's property among its shareholders for the purpose of winding up its affairs.

(4) Optional Redemption by Holder

The holder of the Class B Multiple Voting Share shall have the right (the "Class B Redemption Right") to require the Corporation to redeem the Class B Multiple Voting Share at any time for a cash amount equal to Ten Canadian Dollars (Cdn. \$10) plus any declared but unpaid dividends on the Class B Multiple Voting Share (if any). The holder of the Class B Multiple Voting Share may exercise the Class B Redemption Right by providing the Corporation with written notice stating (i) that the holder is exercising the Class B Redemption Right, and (ii) the date on which the redemption shall be completed, which shall not be less than ten (10) days or more than twenty (20) days following the date on which the notice was delivered to the Corporation.

SCHEDULE B

ARRANGEMENT RESOLUTIONS

Lone Pine Resolution

1. the arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Lone Pine, ("**Lone Pine**"), Arsenal ("**Arsenal**") and their respective securityholders, substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached to the joint information circular of Lone Pine and Arsenal dated August [●], 2016 (the "**Information Circular**"), as the Plan of Arrangement may be amended in accordance with its terms, are hereby authorized, approved and adopted;
2. the amended and restated arrangement agreement between Lone Pine and Arsenal amended as of August 2, 2016 and made effective and restated as of June 23, 2016 (the "**Arrangement Agreement**") pursuant to which the parties thereto have proposed to implement the Arrangement Agreement, a copy of which is attached to the Information Circular, together with such amendments thereto made in accordance with the terms thereof as may be approved by the persons referred to in paragraph 5 of this resolution, such approval to be evidenced conclusively by execution and delivery of any such amendments, is hereby ratified, confirmed and approved;
3. Lone Pine is authorized to apply for a final order from the Court of Queen's Bench of Alberta (the "**Court**") approving the Arrangement, and any director or officer of Lone Pine is authorized, for and on behalf of and in the name of Lone Pine, to cause such application to be made and, if such order is granted, Lone Pine is authorized to file, and any one director or officer of Lone Pine is hereby authorized to execute, with or without corporate seal, and to deliver or cause to be delivered for filing, with the Registrar of Corporations under the ABCA, articles of arrangement and such other documents as in the opinion of such director or officer may be necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement (as amended, if applicable), such determination to be conclusively evidenced by the execution and delivery of such documents;
4. notwithstanding that this special resolution has been duly passed (and the Arrangement adopted) by the shareholders of Lone Pine, or that the Arrangement has been approved by the Court, the directors of Lone Pine are authorized and empowered, in their discretion, without further notice to or approval of the shareholders of Lone Pine to: (i) to amend or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby; and (ii) revoke this special resolution at any time prior to the filing of articles of arrangement and other materials under the ABCA to give effect to the Arrangement, and not proceed with the Arrangement; and
5. any director or officer of Lone Pine is authorized and directed, for and on behalf of and in the name of Lone Pine, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

Arsenal Resolution

1. the arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving, among others, Lone Pine, ("**Lone Pine**"), Arsenal ("**Arsenal**") and their respective securityholders, substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached to the joint information circular of Lone Pine and Arsenal dated August [●], 2016 (the "**Information Circular**"), as the Plan of Arrangement may be amended in accordance with its terms, are hereby authorized, approved and adopted;
2. the amended and restated arrangement agreement between Lone Pine and Arsenal amended as of August 2, 2016 and made effective and restated as of June 23, 2016 (the "**Arrangement Agreement**") pursuant to which the parties thereto have proposed to implement the Arrangement Agreement, a copy of which is attached to the Information Circular, together with such amendments thereto made in accordance with the terms thereof as may be approved by the persons referred to in paragraph 5 of this resolution, such approval to be evidenced conclusively by execution and delivery of any such amendments, is hereby ratified, confirmed and approved;
3. Arsenal is authorized to apply for a final order from the Court of Queen's Bench of Alberta (the "**Court**") approving the Arrangement, and any director or officer of Arsenal is authorized, for and on behalf of and in the name of Arsenal, to cause such application to be made and, if such order is granted, Lone Pine is authorized to file, and any one director or officer of Arsenal is hereby authorized to execute, with or without corporate seal, and to deliver or cause to be delivered for filing, with the Registrar of Corporations under the ABCA, articles of arrangement and such other documents as in the opinion of such director or officer may be necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement (as amended, if applicable), such determination to be conclusively evidenced by the execution and delivery of such documents;
4. notwithstanding that this special resolution has been duly passed (and the Arrangement adopted) by the shareholders of Arsenal, or that the Arrangement has been approved by the Court, the directors of Arsenal are authorized and empowered, in their discretion, without further notice to or approval of the shareholders of Arsenal to: (i) to amend or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby; and (ii) revoke this special resolution at any time prior to the filing of articles of arrangement and other materials under the ABCA to give effect to the Arrangement, and not proceed with the Arrangement; and
5. any director or officer of Arsenal is authorized and directed, for and on behalf of and in the name of Lone Pine, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

SCHEDULE C
FORM OF NEWS RELEASE

(not attached)

SCHEDULE D

REPRESENTATIONS AND WARRANTIES OF ARSENAL

1. **Organization and Qualification**

Arsenal and each of its subsidiaries: (i) is a corporation duly incorporated and organized and validly existing under laws of its jurisdiction of incorporation or formation; (ii) has the requisite corporate power and authority to own its assets as now owned and to carry on its business as now being conducted; and (iii) is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned or leased, or the nature of its activities makes such registration necessary.

2. **Authority Relative to this Agreement**

Arsenal has the requisite corporate authority to enter into this Agreement and any agreement ancillary hereto and to perform and carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the consummation by Arsenal of the transactions contemplated hereby and by any agreement ancillary hereto have been duly authorized by the Arsenal Board and, except for the approval of the Arsenal Resolution by the Arsenal Shareholders in accordance with the Interim Order, no other corporate proceedings on its part are or will be necessary to authorize this Agreement and the transactions contemplated hereby and any agreement ancillary hereto. This Agreement has been duly executed and delivered by Arsenal and constitutes the legal, valid and binding obligation of Arsenal enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws relating to or affecting creditors' rights generally and to general principles of equity.

3. **Subsidiaries**

Arsenal has no subsidiaries other than those described in the Arsenal Disclosure Letter, and Arsenal has no interest in any other partnership, corporation or other business organization. As of the date hereof, Arsenal, directly or indirectly, owns all of the outstanding securities of each of the subsidiaries described in the Arsenal Disclosure Letter. All of the issued and outstanding securities of each of Arsenal's subsidiaries are duly authorized, validly issued, fully paid and non-assessable, are owned free and clear of all Encumbrances (except as set forth in the Arsenal Disclosure Letter), and are not subject to any proxy, voting trust or other agreement relating to the voting of such securities. There are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such securities or assets of any of Arsenal's subsidiaries.

4. **Capitalization**

- (a) As of the date hereof, the authorized share capital of Arsenal consists of an unlimited number of Arsenal Shares and an unlimited number of preferred shares, issuable in series, of which only 19,422,976 Arsenal Shares and no preferred shares are issued and outstanding.
- (b) There are up to 273,237 Arsenal Shares issuable pursuant to the exercise of outstanding Arsenal Options granted under the Arsenal Option Plan, which has not been amended, and there are up to 778,630 Arsenal Shares issuable pursuant to 315,630 Arsenal Share Awards outstanding on the date hereof and 463,000 Arsenal Share Awards to be granted prior to the Effective Date, all under the Arsenal Share Award Plan, which has not been

amended. The terms of exercise or vesting, as applicable, of the outstanding Arsenal Options and Arsenal Share Awards are as described in the Arsenal Disclosure Letter.

- (c) Except for the Arsenal Options and Arsenal Share Awards outstanding as of the date hereof, or issued after the date hereof as set forth in the certificate delivered by Arsenal to Lone Pine pursuant to section 2.2 of this Agreement, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Arsenal of any securities of Arsenal (including the Arsenal Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Arsenal (including the Arsenal Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, shareholder agreements, pooling agreements, voting trust agreements or other agreements, arrangements or commitments based upon the book value, income or other attribute of Arsenal.
- (d) All outstanding Arsenal Shares have been duly authorized and validly issued, are fully paid and non-assessable and all Arsenal Shares issuable upon exercise of outstanding Arsenal Options or upon vesting of outstanding Arsenal Share Awards in accordance with their terms will be duly authorized and validly issued, fully paid and non-assessable.

5. **No Violations**

- (a) Subject to Arsenal obtaining the consent of its lenders under the Credit Facilities to the Arrangement, neither the execution and delivery of this Agreement by Arsenal, the consummation by it of the transactions contemplated hereby or by agreements ancillary hereto nor compliance by it with any of the provisions hereof or agreements ancillary hereto will:
 - (i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, any of the terms, conditions or provisions of:
 - (A) the articles or by-laws of Arsenal or any of its subsidiaries, or
 - (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Arsenal or any one or more of its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Arsenal or its subsidiaries is bound; or
 - (ii) subject to compliance with the statutes and regulations referred to in section 5(b) below, violate any Applicable Law or Order applicable to Arsenal or any one or more of its subsidiaries;
- (b) Subject to compliance with the provisions of the Competition Act (if applicable), Securities Laws, the ABCA and TSX requirements, and to Arsenal obtaining the consent of its lenders under the Credit Facilities to the Arrangement:
 - (i) there is no legal impediment to Arsenal's consummation of the transactions contemplated by this Agreement or by any agreements ancillary hereto; and

- (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Arsenal in connection with the consummation of the Arrangement.

6. Consents and Approvals

- (a) No consent, approval, order or authorization of, or declaration, registration or filing with any Governmental Authority is required to be obtained or made by Arsenal in connection with the execution and delivery of this Agreement or the consummation by Arsenal of the transactions contemplated hereby, other than:
 - (i) Competition Act Clearance, if applicable;
 - (ii) any approvals required by the Interim Order;
 - (iii) the Final Order;
 - (iv) filings required under the ABCA, and filings with and approvals required by Securities Authorities;
 - (v) routine filings with the Alberta Energy Regulator and, if required by the Alberta Energy Regulator in connection with the Arrangement, a licence transfer application under the Oil and Gas Conservation Rules (Alberta) and approval or acceptance thereof by the Alberta Energy Regulator; and
 - (vi) any other consents, approvals, orders, authorizations, declarations, registrations or filings which, if not obtained or made, would not, individually or in the aggregate, materially impede the completion of the Arrangement or the other transactions contemplated hereby.
- (b) Except as set forth in the Arsenal Disclosure Letter and subject to Arsenal obtaining the consent of its lenders under the Credit Facilities to the Arrangement, no consent, approval or authorization is required under any material contract, agreement, licence, franchise or permit to which Arsenal is bound or is subject in connection with the execution and delivery of this Agreement or the consummation by Arsenal of the transactions contemplated hereby, where failure to obtain such consent, approval or authorization would, individually or in the aggregate, have a Material Adverse Effect in respect of Arsenal.

7. Absence of Certain Changes

Since December 31, 2015, except as disclosed in the Arsenal Disclosure Letter:

- (a) Arsenal and each of its subsidiaries have conducted their business in the ordinary course of business consistent with past practice, except for the transactions contemplated by this Agreement, and there has not been (i) any change in the financial condition, properties, assets, liabilities, business or results of their operations, prospects or any circumstance, occurrence or development (including any adverse change with respect to any circumstance, occurrence or development existing on or prior to December 31, 2015) of which management of Arsenal has knowledge which has had or could reasonably be expected to have (individually or in the aggregate) a Material Adverse Effect in respect of

Arsenal; (ii) any material damage, destruction or other casualty loss with respect to any material asset, whether or not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares or other securities of Arsenal or any of its subsidiaries, or any repurchase, redemption or other acquisition by Arsenal or any of its subsidiaries of any outstanding shares or other securities of Arsenal or any of its subsidiaries; (iv) any material change in any method of accounting or accounting practice by Arsenal or any of its subsidiaries; (v) any increase in the compensation payable or to become payable to its officers or employees (except for increases in the ordinary course of business and consistent with past practice); any establishment, adoption, entry into or amendment of any collective bargaining, bonus, profit sharing, thrift, compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee; or (vi) any agreement to do any of the foregoing listed in clauses (i) through (v);

- (b) there has been no Material Adverse Change in respect of Arsenal, and neither Arsenal nor any of its subsidiaries has taken any action which, if taken after the date of this Agreement, would be prohibited by Article 3 of this Agreement; and
- (c) neither Arsenal nor any of its subsidiaries has amended any of their respective articles, by-laws or other constating documents.

8. No Undisclosed Material Liabilities

Except as set forth in the Arsenal Disclosure Letter or disclosed or reflected in the Arsenal Financial Statements, and other than liabilities and obligations pursuant to the terms of this Agreement, neither Arsenal nor any of its subsidiaries has incurred any material liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise (or which would be required by GAAP to be reflected on a consolidated balance sheet of Arsenal).

9. Compliance with Continuous Disclosure Obligations

- (a) The documents comprising all documents filed by or on behalf of Arsenal since January 1, 2015 on SEDAR and accessible to the public through www.sedar.com under Arsenal's profile: (i) did not at the time filed contain any untrue statement of a material fact or omit any data or information required to be stated therein or necessary to make the statements therein, not misleading in light of the circumstances under which they were made; and (ii) included all documents required to be filed in accordance with Securities Laws with the Securities Authorities and complied, in all material respects, with Securities Laws.
- (b) Arsenal has timely filed with Securities Authorities all documents required to be filed in accordance with applicable requirements of Securities Laws. There are no material changes relating to Arsenal or its business that have not been publicly disclosed. Arsenal has not filed with Securities Authorities any confidential material change reports still maintained on a confidential basis.
- (c) The Arsenal Financial Statements and related management's discussion and analysis were prepared in accordance with GAAP consistently applied (except as otherwise expressly indicated in the Arsenal Financial Statements), and in each case fairly present in all material respects the consolidated financial position, results of operations and cash flows

of Arsenal and its subsidiaries as of the dates thereof and for the periods indicated therein.

10. **Securities Law Matters**

- (a) Arsenal is a reporting issuer under, and is in compliance in all material respects with, the Securities Laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, and with the requirements of the TSX, including requirements that Arsenal:
 - (i) duly file or deliver, as applicable, on a timely basis, all such forms, statements and other documents required under such Securities Laws and TSX requirements to be filed or delivered by Arsenal with or to Securities Authorities; and
 - (ii) publicly disclose, on a timely basis, all such information required under such Securities Laws and TSX requirements to be publicly disclosed by Arsenal, including information regarding any "material change" in relation to Arsenal and any change in a "material fact" in relation to the equity securities of the Arsenal, as those terms are defined in the *Securities Act* (Alberta).

All of such forms, statements and other documents were prepared in compliance with Securities Laws and TSX requirements in all material respects, and such forms, statements and other documents or other publicly disclosed information contained no "misrepresentation" as that term is defined in the *Securities Act* (Alberta).

- (b) Arsenal has implemented and maintains a system of disclosure controls and procedures and internal control over financial reporting sufficient to provide reasonable assurance regarding financial reporting and the preparation of financial statements for external purposes in accordance with GAAP (except as otherwise indicated in the Arsenal Financial Statements), including that (i) all information required to be disclosed by Arsenal in the reports that it files with Securities Authorities is recorded, processed, summarized and reported within the time periods specified by Securities Laws, and (ii) all such information is accumulated and communicated to management of Arsenal, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (c) Other than as disclosed in Arsenal's management's discussion and analysis prepared and filed with the Securities Authorities in accordance with Securities Laws, there have not been any changes in Arsenal's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Arsenal's internal control over financial reporting. All significant deficiencies and material weaknesses in the design or operation of Arsenal's internal control over financial reporting which are reasonably likely to adversely affect Arsenal's ability to record, process, summarize and report financial information have been disclosed to Arsenal's outside auditors and the audit committee of Arsenal's board of directors. To the knowledge of Arsenal, there has not been any fraud, whether or not material, that involves management or other employees who have a significant role in Arsenal's internal control over financial reporting.
- (d) There have been no disagreements with the current auditor of Arsenal.

- (e) Arsenal: (i) is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934; (ii) is not an investment company registered or required to be registered under the United States Investment Company Act of 1940, as amended; and (iii) does not have, and does not have an obligation to have, a class of securities registered under section 12 of the United States Securities Exchange Act of 1934, as amended, and does not have a reporting obligation under section 13(a) or section 15(d) of the United States Securities Exchange Act of 1934, as amended.

11. Absence of Guarantees

Except as disclosed in the Arsenal Financial Statements, Arsenal has not given or agreed to give, nor is it a party to or bound by, any guarantee, surety or indemnity in respect of indebtedness or other obligations of any person, or any other commitment by which Arsenal is, or is contingently, responsible for such indebtedness or other obligations (other than indemnification of directors and officers in accordance with Applicable Laws, the by-laws of Arsenal or applicable agreements relating thereto (the form of which has been made available to Arsenal) and other than rights of indemnification granted under registrar and transfer agency agreements, agency or underwriting agreements, to Arsenal's bankers or financial advisors, or pursuant to operating or similar agreements in the ordinary course of business).

12. Indebtedness

As of the date hereof, the only outstanding indebtedness for borrowed money of Arsenal and its subsidiaries (excluding any indebtedness between Arsenal and any of its subsidiaries) is set forth in the Arsenal Disclosure Letter.

13. Books and Records; Shareholder Agreements

The minute books of Arsenal have been maintained in accordance with all Applicable Laws and are correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof (other than certain minutes that either are in draft form yet to be approved or deal with the transactions contemplated by this Agreement) and there are no unanimous or other shareholder agreements among Arsenal's shareholders. The books of account and other records, whether of a financial or accounting nature or otherwise, of Arsenal have been maintained in all material respects in accordance with prudent business practices and accurately and fairly reflect the basis for Arsenal's Financial Statements.

14. Compliance with Laws

The business and operations of Arsenal and its subsidiaries has been and is now conducted in accordance with good oilfield and environmental practices and in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing, regulatory approvals and environmental legislation, regulations or by-laws or other requirements of any Governmental Authorities applicable to Arsenal and its subsidiaries in each jurisdiction in which they respectively carry on business and Arsenal and each of its subsidiaries holds the licences, regulatory approvals, registrations and qualifications with respect to their respective business and assets in all jurisdictions in which Arsenal and its subsidiaries each carry on business which are necessary or desirable to carry on their respective businesses, as now conducted, and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation. All filings and fees required to be made and paid by Arsenal or any one or more of its subsidiaries pursuant to Applicable Laws have been made and paid in accordance with all Applicable Laws.

15. **Operational Matters**

To the knowledge of Arsenal, except as set forth in the Arsenal Disclosure Letter:

- (a) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Arsenal have been, in all material respects: (i) duly paid; (ii) duly performed; or (iii) provided for prior to the date hereof; and
- (b) all costs, expenses and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Arsenal is directly or indirectly bound have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.

16. **No Joint Venture Interest, etc.**

Except for arrangements typical in the Canadian oil and gas industry and in the ordinary course of business of Arsenal and its subsidiaries, neither Arsenal nor any of its subsidiaries is a partner, beneficiary, trustee, co-tenant, joint venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking and neither Arsenal nor any of its subsidiaries has any significant investment interests in any business owned or controlled by any third party.

17. **Brokerage Fees**

Except as set forth in the Arsenal Disclosure Letter, Arsenal has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated.

18. **Employment Matters**

- (a) Except as set forth in the Arsenal Disclosure Letter, no Employee is on short-term or long-term disability leave, maternity or parental leave, extended absence or receiving benefits pursuant to compensation legislation.
- (b) Except as set forth in the Arsenal Disclosure Letter, there are no employment contracts or arrangements which are not terminable on the giving of reasonable notice in accordance with Applicable Laws, nor are there any management agreements, change of control agreements, retention bonuses or employment contracts providing for cash or other compensation or benefits upon the consummation of the transactions contemplated by this Agreement.
- (c) Arsenal and each of its subsidiaries has been and is being operated in compliance with all Applicable Laws relating to Employees, including employment standards, occupational health and safety, workers' compensation, human rights, labour relations, privacy or pay equity.
- (d) All workers compensation premiums have been paid in full and the workers compensation accounts of Arsenal and its subsidiaries are in good standing.

- (e) There are no claims or complaints and, to the knowledge of Arsenal, there are no threatened claims or complaints, against Arsenal or any of its subsidiaries pursuant to any Applicable Laws relating to Employees, including wrongful dismissal, constructive dismissal, employment standards, human rights, labour relations, occupational health and safety, workers' compensation, privacy or pay equity. To the knowledge of Arsenal, there are no existing facts that would support a claim or complaint against Arsenal or any of its subsidiaries under any such Applicable Laws, and there are no outstanding Orders or settlements (or pending settlements) which place any obligation upon Arsenal to do or refrain from doing any act under any such Applicable Laws.
- (f) Neither Arsenal nor any of its subsidiaries is a party, either directly, voluntarily or by operation of law, to any collective agreement, letters of understanding, letters of intent or other written communication with any trade union or association which may qualify as a trade union, which would cover any of the Employees. Arsenal is not aware of any ongoing or threatened activity to organize any of the Employees in a trade union.
- (g) There are no outstanding or, to the knowledge of Arsenal, threatened unfair labour practices, complaints, or applications of any kind, including any proceedings which could result in certification of a trade union as bargaining agent for Employees.
- (h) Except as set forth in the Arsenal Disclosure Letter, there are no pension or other benefit plans for Employees. Arsenal has provided Lone Pine with correct and complete copies of all employee plans, together with all summary plan descriptions and all material correspondence related thereto.
- (i) All amounts due and payable (and other than accrued amounts) for salaries, severance, wages, consulting fees, bonuses, overtime, commissions, vacation pay, sick pay or other compensation and benefits have been paid in full.
- (j) None of the employee plans provide benefits to retired employees or to the beneficiaries or descendants of retired employees.

19. **Material Contracts**

Arsenal and each of its subsidiaries is in compliance, in all material respects, with all agreements, permits, licences, regulatory approvals, plans, certificates and other rights and authorizations necessary for the conduct of the business of Arsenal and its subsidiaries, respectively, and all such agreements, permits, licenses, regulatory approvals, plans, certificates and other rights and authorizations are valid and subsisting and no default exists under (nor does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such agreements, documents, rights or authorizations on the part of Arsenal or its subsidiaries or, to the knowledge of Arsenal, on the part of any other party to such agreements, documents, rights or authorizations.

20. **Confidentiality Agreements**

Neither Arsenal nor any of its subsidiaries has waived or released the applicability of any "standstill" or other provisions of any confidentiality or standstill agreement, entered into by Arsenal or any of its subsidiaries.

21. Restrictions on Business Activities

There is no agreement or Order binding upon Arsenal or any of its subsidiaries that has the effect of materially prohibiting, restricting or impairing any material business practice of the Arsenal or any of its subsidiaries, any material acquisition of property or assets by Arsenal or any of its subsidiaries or the conduct of any material business by Arsenal or any of its subsidiaries, as now conducted (including following the transactions contemplated by this Agreement).

22. Litigation

Except as set forth in the Arsenal Disclosure Letter, there are no claims, actions, suits, complaints, proceedings or investigations commenced, or, to the knowledge of Arsenal, contemplated or threatened against or affecting Arsenal, any of its subsidiaries or their respective properties or assets, at law or in equity, before or by any Governmental Authority, domestic, or foreign, of any kind, nor to the knowledge of Arsenal are there any existing facts or conditions which may reasonably be expected to be a proper basis for any actions, suits, proceedings or investigations, which in any case has or could reasonably be expected to have Material Adverse Effect in respect of Arsenal.

23. Insurance

Except as set forth in the Arsenal Disclosure Letter, Arsenal maintains such policies of insurance, issued by reputable insurers, as are appropriate to the operations, property and assets of Arsenal and each of its subsidiaries, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets. All such policies of insurance are in full force and effect and neither Arsenal nor any of its subsidiaries is in default, as to the payment of premium or otherwise, under the terms of any such policy. No material claims have been made by Arsenal or any of its subsidiaries under any insurance in the past two years and neither Arsenal nor any of its subsidiaries has failed to make a claim thereunder on a timely basis. Each of such policies shall be kept in full force and effect by Arsenal and its applicable subsidiaries through the Effective Date.

24. Tax Matters

- (a) Except as set forth in the Arsenal Disclosure Letter, Arsenal and each of its subsidiaries has duly and timely filed, and will duly and timely file, its Tax Returns for all taxation periods ending prior to the Effective Time with the appropriate Governmental Authorities and has reported, and will, duly, completely and correctly report, all income and all other amounts reported and information required to be reported thereon.
- (b) Except as set forth in the Arsenal Disclosure Letter, Arsenal and each of its subsidiaries has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Authority. Arsenal has established reserves that are reflected in the Arsenal Financial Statements that are at least equal to its liability for all Taxes that are not yet due and payable. Arsenal has not received any refund of Taxes to which it is not entitled.
- (c) Neither Arsenal nor any of its subsidiaries is a party to any tax sharing agreement, tax indemnification agreement or other agreement or arrangement relating to Taxes with any person. Neither Arsenal nor any of its subsidiaries has any liability for the Taxes of any other person under any Applicable Laws, as a transferee or successor, by contract or otherwise.

- (d) All *ad valorem*, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of the assets owned by Arsenal or any subsidiary prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or Tax assessments which could result in an encumbrance on such assets.
- (e) Except as set forth in the Arsenal Disclosure Letter, neither Arsenal nor any of its subsidiaries has requested, or entered into any agreement or other arrangement or executed any waiver providing for, any extension of time within which:
 - (i) to file any Tax Return covering any Taxes for which Arsenal or a subsidiary is or may be liable;
 - (ii) to file any elections, designations or similar filings relating to Taxes for which Arsenal or a subsidiary is or may be liable;
 - (iii) Arsenal or a subsidiary is required to pay or remit any Taxes or amounts on account of Taxes; or
 - (iv) any Governmental Authority may assess or collect Taxes for which Arsenal or a subsidiary is or may be liable.
- (f) All liabilities for Taxes of Arsenal and each of its subsidiaries have been assessed by the relevant taxing authorities and notices of assessment have been issued to Arsenal and its subsidiaries by all relevant taxing authorities for all taxation years prior to and including the taxation year ended December 31, 2014.
- (g) Neither Arsenal nor any of its subsidiaries has claimed and will not claim in any Tax Return for any taxation year ending on or before the Effective Date, any reserve (including any reserve under paragraph 20(1)(n) or subparagraph 40(1)(a)(iii) of the Income Tax Act or any analogous provision under the legislation of any province or other jurisdiction) of any amount which could be included in the income of Arsenal or a subsidiary for any period ending after the Effective Date.
- (h) Except as set forth in the Arsenal Disclosure Letter, there are no proceedings, investigations, audits, claims or other actions now pending or, to the knowledge of Arsenal, contemplated or threatened against Arsenal or any of its subsidiaries in respect of any Taxes, and there are no matters under discussion, audit or appeal with any Governmental Authority relating to Taxes. Neither Arsenal nor any of its subsidiaries is negotiating any final or draft assessment or reassessment in respect of Taxes with any Governmental Authority and neither Arsenal nor any of its subsidiaries has received any indication from any Governmental Authority that an assessment or a reassessment is proposed or may be proposed in respect of any Taxes for any period ending prior to the Effective Time.
- (i) Arsenal and each of its subsidiaries has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any Employees and any non-resident person, the amount of all Taxes and other deductions required by the Income Tax Act or any other Applicable Laws to be withheld from any such amount, and has duly and timely remitted the same to the appropriate Governmental Authority.

- (j) The tax basis of the assets of Arsenal and each subsidiary by category, including the classification of such assets as being depreciable, amortizable or resource properties giving rise to resource pools as reflected in the Tax Returns of Arsenal and its subsidiaries, is true and correct in all material respects.
- (k) Neither Arsenal nor any of its subsidiaries has acquired property from a non-arm's length person, within the meaning of the Income Tax Act, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which would subject it to a liability under section 160 of the Income Tax Act or under any equivalent provisions of any other Applicable Laws.
- (l) Neither Arsenal nor any of its subsidiaries has made any payment, nor is it obligated to make any payment, and is not a party to any agreement under which it could be obligated to make any payment that may not be deductible by virtue of sections 67 or 78 of the Income Tax Act or any analogous provincial or similar provision.
- (m) Arsenal is duly registered under subdivision (d) of Division V of Part IX of the Excise Tax Act (Canada) with respect to the goods and services tax and harmonized sales tax.
- (n) To the knowledge of Arsenal, there are no circumstances existing which could result in the application to Arsenal or any subsidiary of debt forgiveness tax rules under sections 80 to 80.04 of the Income Tax Act or any equivalent provision under applicable U.S. or Canadian federal or provincial law.
- (o) Arsenal is and at all times has been a "principal business corporation" for the purposes of subsection 66(15) of the Income Tax Act.

25. Non-Arm's Length Transactions

No former or current Employee, or any other person not dealing at arm's length with Arsenal, has any indebtedness, liability or obligation to Arsenal; and Arsenal is not indebted or otherwise obligated to any such person except for employment arrangements with Employees (including obligations in respect of outstanding Arsenal Options and Arsenal Share Awards).

26. Flow-Through Shares

Except as set forth in the Arsenal Disclosure Letter, neither Arsenal nor any of its subsidiaries has any outstanding or unfulfilled obligations to incur and renounce "Canadian exploration expenses" or "Canadian development expenses" (within the meaning of the Income Tax Act) or any other amounts in connection with any subscriptions for common shares issued on a "flow-through" basis pursuant to the Income Tax Act.

27. Intellectual Property

To the knowledge of Arsenal, Arsenal or its subsidiaries own or have a legal and valid licence to all patents, patent applications, trademarks and service marks (including registrations and applications therefor), trade names, copyrights and written know-how, trade secrets and all other similar proprietary data and the goodwill associated therewith ("**Intellectual Property**") necessary to operate the business of Arsenal and its subsidiaries as it is currently conducted. Arsenal has not received any notice of infringement, misappropriation or conflict with the intellectual property rights of others in connection with the use by Arsenal or any of its subsidiaries of any Intellectual Property.

28. **Environmental**

To the knowledge of Arsenal, except as set forth in the Arsenal Disclosure Letter:

- (a) neither Arsenal nor any of its subsidiaries has received notice of any violation of or investigation relating to any federal, provincial or local environmental or pollution law, regulation or ordinance relating to pollution or protection of human health, the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including Applicable Laws relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "**Hazardous Materials**") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "**Environmental Laws**") with respect to the assets, business or operations of Arsenal or its subsidiaries, as applicable;
- (b) Arsenal has made available to Lone Pine copies of all environmental studies, audits, assessments and reports with respect to Arsenal, its subsidiaries and their respective assets;
- (c) neither Arsenal nor any of its subsidiaries has experienced any spills, releases or discharges of Hazardous Materials that have not been remedied;
- (d) Arsenal and each of its subsidiaries have all permits, licences and other authorizations which are required pursuant to Environmental Laws and are material to the assets, business or operations of Arsenal or such subsidiary, respectively;
- (e) Arsenal and each of its subsidiaries, and the assets operated or maintained by them, are in all material respects in compliance with all applicable Environmental Laws and the terms and conditions of all Orders, permits, licences, authorizations, codes and plans made, issued, entered, promulgated or approved thereunder relating to the assets or operations of Arsenal or its subsidiaries; and
- (f) there are no pending or, to the knowledge of Arsenal, threatened, administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against Arsenal or any of its subsidiaries.

29. **Real Property**

- (a) All real property title to which is held by Arsenal or any of its subsidiaries (collectively, and including buildings and improvements thereon, the "**Arsenal Owned Real Property**") has been disclosed in the Arsenal Disclosure Letter. Neither Arsenal nor any of its subsidiaries has received written notice of any condemnation proceeding or proposed action or agreement for taking in lieu of condemnation (nor, to the knowledge of Arsenal, is any such proceeding, action or agreement pending or threatened) with respect to any portion of the Arsenal Owned Real Property.
- (b) All real property leased, subleased, licensed or otherwise occupied (whether as a tenant, subtenant or pursuant to other occupancy arrangements, but excluding the Arsenal Interests) by Arsenal or any of its subsidiaries (collectively, and including buildings and

improvements thereon, the "**Arsenal Leased Real Property**") has been disclosed in the Arsenal Disclosure Letter.

- (c) All buildings and improvements forming part of the Arsenal Owned Real Property or Arsenal Leased Real Property, as applicable, and used in the respective businesses of Arsenal and its subsidiaries are in a condition that is sufficient for the operation of the respective businesses of Arsenal and its subsidiaries as currently conducted.
- (d) Except as described in the Arsenal Disclosure Letter, Arsenal and its subsidiaries, as applicable, have good fee simple title and marketable title to all Arsenal Owned Real Property and valid leasehold, subleasehold or license interests in all Arsenal Leased Real Property free and clear of all Encumbrances.
- (e) Except as would not have a Material Adverse Effect in respect of Arsenal, neither Arsenal nor any of its subsidiaries has received any written communication from, or provided any written communication to, any other party to a lease for Arsenal Leased Real Property or any lender, alleging that Arsenal or any of its subsidiaries or such other party, as the case may be, is in default under such lease.

30. **Interest in Properties**

- (a) Although it does not warrant title, Arsenal has no reason to believe that it, or its subsidiaries, does not have title to, or an irrevocable right to produce and sell, the petroleum, natural gas and related hydrocarbons produced and sold by it or its subsidiaries, as applicable (for the purposes of this section, the foregoing are referred to as the "**Arsenal Interests**") and Arsenal represents and warrants that: (i) neither it nor any of its subsidiaries has received any written notices, and to the knowledge of Arsenal the lessee to whom notices are required to be sent has not received any notices, that any of the leases related to the Arsenal Interests are subject to any accrued drilling or off-set obligations that have not been satisfied or permanently waived; (ii) to the knowledge of Arsenal, none of the Arsenal Interests is subject to reduction or conversion to an interest of any other size or nature by reference to payout of any well or otherwise pursuant to any right or interest created by, through or under Arsenal, except related to bank financing or those arising in the ordinary course of business; and (iii) following the Effective Date, Arsenal will be entitled to hold and enjoy the Arsenal Interests without any lawful interruption by any person claiming, by, through or under Arsenal or its applicable subsidiaries; except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have a Material Adverse Effect in respect of Arsenal.
- (b) Arsenal is not aware of any defects, failures or impairments in its title to its or its subsidiaries' oil and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (i) the quantity and pre-tax present worth values of the oil, natural gas or natural gas liquids reserves of Arsenal shown in the Arsenal Reserves Report; (ii) the current production of Arsenal; or (iii) the current cash flow of Arsenal.
- (c) Neither Arsenal nor any of its subsidiaries has received notice of any default under any of the leases or other title and operating documents, or any other agreement or instrument, pertaining to their respective oil and natural gas assets or properties or to which Arsenal

or any of its subsidiaries is, as applicable, a party or bound, except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Arsenal.

- (d) To the knowledge of Arsenal:
 - (i) each of Arsenal and its subsidiaries is in good standing under all, and is not in default under any; and
 - (ii) there is no existing condition, circumstance or other matter that constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents, joint venture agreements, or any other agreements or instruments, pertaining to its oil and natural gas assets or properties to which it is a party or by or to which it or such assets or properties are bound or subject and, to the knowledge of Arsenal, all such leases, title and operating documents, joint venture agreements and other agreements and instruments are in good standing and in full force and effect and, to the knowledge of Arsenal, none of the counterparties to such leases, title and operating documents, joint venture agreements or other agreements and instruments are in default thereunder except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Arsenal.

- (e) Except as set forth in the Arsenal Disclosure Letter, none of the oil and natural gas assets or properties of Arsenal are subject to reduction by reference to payout of, or production penalty on, any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Arsenal or any of its subsidiaries, except to the extent that all such reductions or changes to an interest would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Arsenal.
- (f) None of the wells in which Arsenal or any of its subsidiaries holds an interest has been produced in excess of applicable production allowables imposed under any Applicable Laws by any Governmental Authority and Arsenal does not have any knowledge of any pending change in production allowables imposed under any Applicable Laws by any Governmental Authority that may be applicable to any of the wells in which it or any of its subsidiaries holds an interest, other than changes of general application in the jurisdiction in which such wells are located and in each case except to the extent that such non-compliance or changes would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Arsenal.
- (g) Arsenal has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority and, to the knowledge of Arsenal, none of the wells in which it or any of its subsidiaries holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not reasonably be expected to have a Material Adverse Effect in respect of Arsenal.
- (h) All wells located on any lands in which Arsenal or any of its subsidiaries has an interest, or lands with which such lands have been pooled or unitized, which have been

abandoned, have been abandoned in accordance, in all material respects, with Applicable Laws regarding the abandonment of wells.

- (i) Except as set forth in the Arsenal Disclosure Letter, Arsenal has not: (i) alienated or encumbered its oil and natural gas assets or any part or portion thereof; (ii) committed and is not aware of their having been committed any act or omission whereby such assets or any part or portion thereof may be cancelled or determined, and such assets are now free and clear of all liens, royalties (including gross overriding royalties), conversion rights and other claims of third parties, created by, through or under Arsenal or of which Arsenal has knowledge.
- (j) All *ad valorem*, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of the oil and natural gas assets and properties of Arsenal or any of its subsidiaries prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or assessments that could result in a lien or charge on the oil and natural gas assets and properties of Arsenal or any of its subsidiaries, except where the failure to pay such Taxes or assessments or the imposition of such liens or charges would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Arsenal.

31. No Expropriation

No notice or proceeding in respect to any property or asset of Arsenal or any of its subsidiaries has been given or commenced nor is there any intent or proposal to give any such notice or to commence any such proceeding.

32. Anti-Corruption

The business of Arsenal and its subsidiaries has been and are now conducted in compliance with Anti-Corruption Laws in all material respects. None of Arsenal or any of its subsidiaries has received notice of or, to the knowledge of Arsenal, is aware of, any legal proceedings, internal or external investigations, reports or allegations relating to corruption or to actual or potential breaches of Anti-Corruption Laws involving Arsenal or any of its subsidiaries or, to the knowledge of Arsenal, the Employees.

SCHEDULE E

REPRESENTATIONS AND WARRANTIES OF LONE PINE

1. **Organization and Qualification**

Each of Lone Pine and Lone Pine Holdings: (i) is a corporation duly incorporated and organized and validly existing under laws of the Province of Alberta; (ii) has the requisite corporate power and authority to own its assets as now owned and to carry on its business as now being conducted; and (iii) is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned or leased, or the nature of its activities makes such registration necessary.

2. **Authority Relative to this Agreement**

Lone Pine has the requisite corporate authority to enter into this Agreement and any agreement ancillary hereto and to perform and carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the consummation by Lone Pine of the transactions contemplated hereby and by any agreement ancillary hereto have been duly authorized by the Lone Pine Board and, except for the approval of the Lone Pine Resolution by the Lone Pine Shareholders in accordance with the Interim Order, no other corporate proceedings on its part are or will be necessary to authorize this Agreement and the transactions contemplated hereby and any agreement ancillary hereto. This Agreement has been duly executed and delivered by Lone Pine and constitutes the legal, valid and binding obligation of Lone Pine enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws relating to or affecting creditors' rights generally and to general principles of equity.

3. **Subsidiaries**

The only subsidiary of Lone Pine is Lone Pine Holdings, and Lone Pine has no interest in any other partnership, corporation or other business organization. As of the date hereof, Lone Pine owns all of the outstanding securities of Lone Pine Holdings. All of the issued and outstanding securities of Lone Pine Holdings are duly authorized, validly issued, fully paid and non-assessable, are owned free and clear of all Encumbrances (except as set forth in the Lone Pine Disclosure Letter), and are not subject to any proxy, voting trust or other agreement relating to the voting of such securities. There are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such securities or assets of Lone Pine Holdings.

4. **Capitalization**

- (a) As of the date hereof, the authorized share capital of Lone Pine consists of an unlimited number of Lone Pine Common Shares, one Lone Pine Multiple Voting Share and an unlimited number of preferred shares, issuable in series, of which only 24,985,757 Lone Pine Common Shares, one Lone Pine Multiple Voting Share and 74,999,996 Lone Pine Preferred Shares are issued and outstanding.
- (b) There are up to 1,836,804 Lone Pine Shares issuable pursuant to Lone Pine Incentive Awards outstanding on the date hereof and granted under the Lone Pine Incentive Plan, which has not been amended. The terms of vesting and settlement, as applicable, of the outstanding Lone Pine Incentive Awards are described in the notes to the Lone Pine Financial Statements.

- (c) Except for the Lone Pine Incentive Awards outstanding as of the date hereof, or issued after the date hereof as set forth in the certificate delivered by Lone Pine to Arsenal pursuant to section 2.2 of this Agreement, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Lone Pine of any securities of Lone Pine (including the Lone Pine Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Lone Pine (including the Lone Pine Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, shareholder agreements, pooling agreements, voting trust agreements or other agreements, arrangements or commitments based upon the book value, income or other attribute of Lone Pine.
- (d) All outstanding Lone Pine Shares have been duly authorized and validly issued, are fully paid and non-assessable and all Lone Pine Shares issuable upon exercise of outstanding Lone Pine Incentive Awards or upon vesting of outstanding Lone Pine Incentive Awards in accordance with their terms will be duly authorized and validly issued, fully paid and non-assessable.
- (e) Lone Pine Delaware holds the one outstanding Lone Pine Multiple Voting Share.

5. **No Violations**

- (a) Neither the execution and delivery of this Agreement by Lone Pine, the consummation by it of the transactions contemplated hereby or by agreements ancillary hereto nor compliance by it with any of the provisions hereof or agreements ancillary hereto will:
 - (i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, any of the terms, conditions or provisions of:
 - (A) the articles or by-laws of Lone Pine or its subsidiary, or
 - (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Lone Pine or its subsidiary is a party or to which either of them, or any of their respective properties or assets, may be subject or by which Lone Pine or its subsidiary is bound, other than as disclosed in the Lone Pine Disclosure Letter; or
 - (ii) subject to compliance with the statutes and regulations referred to in section 5(b) below, violate any Applicable Law or Order applicable to Lone Pine or its subsidiary;
- (b) Subject to compliance with the provisions of the Competition Act (if applicable), Securities Laws and the ABCA, and to Lone Pine obtaining the consent of its lenders under its senior secured credit facility to the Arrangement:
 - (i) there is no legal impediment to Lone Pine's consummation of the transactions contemplated by this Agreement or by any agreements ancillary hereto; and

- (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Lone Pine in connection with the consummation of the Arrangement.

6. Consents and Approvals

- (a) No consent, approval, order or authorization of, or declaration, registration or filing with, any Governmental Authority is required to be obtained or made by Lone Pine in connection with the execution and delivery of this Agreement or the consummation by Lone Pine of the transactions contemplated hereby other than:
 - (i) Competition Act Clearance, if applicable;
 - (ii) any approvals required by the Interim Order;
 - (iii) the Final Order;
 - (iv) filings required under the ABCA, and filings with and approvals required by Securities Authorities;
 - (v) routine filings with the Alberta Energy Regulator and, if required by the Alberta Energy Regulator in connection with the Arrangement, a licence transfer application under the Oil and Gas Conservation Rules (Alberta) and approval or acceptance thereof by the Alberta Energy Regulator; and
 - (vi) any other consents, approvals, orders, authorizations, declarations, registrations or filings which, if not obtained or made, would not, individually or in the aggregate, materially impede the completion of the Arrangement or the other transactions contemplated hereby.
- (b) Except as set forth in the Lone Pine Disclosure Letter, no consent, approval or authorization is required under any material contract, agreement, licence, franchise or permit to which Lone Pine is bound or is subject in connection with the execution and delivery of this Agreement or the consummation by Lone Pine of the transactions contemplated hereby, where failure to obtain such consent, approval or authorization would, individually or in the aggregate, have a Material Adverse Effect in respect of Lone Pine.

7. Absence of Certain Changes

Since December 31, 2015:

- (a) Lone Pine has conducted its business in the ordinary course of business consistent with past practice, except for the transactions contemplated by this Agreement, and there has not been (i) any change in the financial condition, properties, assets, liabilities, business or results of their operations, prospects or any circumstance, occurrence or development (including any adverse change with respect to any circumstance, occurrence or development existing on or prior to December 31, 2015) of which management of Lone Pine has knowledge which has had or could reasonably be expected to have (individually or in the aggregate) a Material Adverse Effect in respect of Lone Pine; (ii) any material damage, destruction or other casualty loss with respect to any material asset, whether or

not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares or other securities of Arsenal or its subsidiary, or any repurchase, redemption or other acquisition by Lone Pine or its subsidiary of any outstanding shares or other securities of Lone Pine or its subsidiary; (iv) any material change in any method of accounting or accounting practice by Lone Pine or its subsidiary; or (v) any agreement to do any of the foregoing listed in clauses (i) through (iv);

- (b) there has been no Material Adverse Change in respect of Lone Pine, and neither Lone Pine nor its subsidiary has taken any action which, if taken after the date of this Agreement, would be prohibited by Article 3 of this Agreement; and
- (c) neither Lone Pine nor its subsidiary has amended its articles, by-laws or other constating documents.

8. No Undisclosed Material Liabilities

Except as disclosed or reflected in the Lone Pine Financial Statements, and other than liabilities and obligations pursuant to the terms of this Agreement, neither Lone Pine nor its subsidiary has incurred any material liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise (or which would be required by GAAP to be reflected on a consolidated balance sheet of Lone Pine).

9. Absence of Guarantees

Except as set forth in the Lone Pine Disclosure Letter or disclosed in the Lone Pine Financial Statements, Lone Pine has not given or agreed to give, nor is it a party to or bound by, any guarantee, surety or indemnity in respect of indebtedness or other obligations of any person, or any other commitment by which Lone Pine is, or is contingently, responsible for such indebtedness or other obligations (other than indemnification of directors and officers in accordance with Applicable Laws, the by-laws of Lone Pine or applicable agreements relating thereto (the form of which has been made available to Lone Pine) and other than rights of indemnification granted under registrar and transfer agency agreements, agency or underwriting agreements, to Lone Pine's bankers, or pursuant to operating or similar agreements in the ordinary course of business).

10. Indebtedness

As of the date hereof, the only outstanding indebtedness for borrowed money of Lone Pine and its subsidiary (excluding any indebtedness between the Corporation and its subsidiary) is as set forth in the Lone Pine Disclosure Letter.

11. Books and Records and Shareholder Agreements

The minute books of Lone Pine have been maintained in accordance with all Applicable Laws and are correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof (other than certain minutes that either are in draft form yet to be approved or deal with the transactions contemplated by this Agreement). There are no unanimous or other shareholder agreements among the Lone Pine Shareholders, other than the registration rights agreement dated July 9, 2015 between Lone Pine and certain of its shareholders (a copy of which was provided to Arsenal). The books of account and other records, whether of a financial or accounting nature or otherwise, of Lone Pine have been maintained in all material respects in accordance with prudent business practices and accurately and fairly reflect the basis for Lone Pine's Financial Statements.

12. Compliance with Laws

The business and operations of Lone Pine and its subsidiary have been and are now conducted in accordance with good oilfield and environmental practices and in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing, regulatory approvals and environmental legislation, regulations or by-laws or other requirements of any Governmental Authorities applicable to Lone Pine and its subsidiary in each jurisdiction in which they respectively carry on business and Lone Pine and its subsidiary holds the licences, regulatory approvals, registrations and qualifications with respect to their respective business and assets in all jurisdictions in which Lone Pine and its subsidiary each carry on business which are necessary or desirable to carry on their respective businesses, as now conducted, and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation. All filings and fees required to be made and paid by Lone Pine or its subsidiary pursuant to Applicable Laws have been made and paid in accordance with all Applicable Laws.

13. Operational Matters

To the knowledge of Lone Pine:

- (a) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Lone Pine have been, in all material respects: (i) duly paid; (ii) duly performed; or (iii) provided for prior to the date hereof; and
- (b) all costs, expenses and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Lone Pine is directly or indirectly bound have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.

14. No Joint Venture Interest, etc.

Except for arrangements typical in the Canadian oil and gas industry and in the ordinary course of business of Lone Pine and its subsidiary, neither Lone Pine nor its subsidiary is a partner, beneficiary, trustee, co-tenant, joint venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking and neither Lone Pine nor its subsidiary has any significant investment interests in any business owned or controlled by any third party.

15. Brokerage Fees

Lone Pine has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated.

16. Material Contracts

Each of Lone Pine and its subsidiary is in compliance, in all material respects, with all agreements, permits, licences, regulatory approvals, plans, certificates and other rights and authorizations necessary for the conduct of the business of Lone Pine and its subsidiary, respectively, and all such agreements, permits, licenses, regulatory approvals, plans, certificates and other rights and authorizations are valid and subsisting and no default exists under (nor does there exist any condition which with the

passage of time or the giving of notice or both would result in such a breach or default under) any such agreements, documents, rights or authorizations on the part of Lone Pine or its subsidiary or, to the knowledge of Lone Pine, on the part of any other party to such agreements, documents, rights or authorizations.

17. Confidentiality Agreements

Neither Lone Pine nor its subsidiary has waived or released the applicability of any "standstill" or other provisions of any confidentiality or standstill agreement, entered into by Lone Pine or its subsidiary.

18. Restrictions on Business Activities

There is no agreement or Order binding upon Lone Pine or its subsidiary that has the effect of materially prohibiting, restricting or impairing any material business practice of the Lone Pine or its subsidiary, any material acquisition of property or assets by Lone Pine or its subsidiary or the conduct of any material business by Lone Pine or its subsidiary, as now conducted (including following the transactions contemplated by this Agreement).

19. Litigation

Except as set forth in the Lone Pine Disclosure Letter, there are no claims, actions, suits, complaints, proceedings or investigations commenced, or, to the knowledge of Lone Pine, contemplated or threatened against or affecting Lone Pine, its subsidiary or their respective properties or assets, at law or in equity, before or by any Governmental Authority, domestic, or foreign, of any kind, nor to the knowledge of Lone Pine are there any existing facts or conditions which may reasonably be expected to be a proper basis for any actions, suits, proceedings or investigations, which in any case has or could reasonably be expected to have Material Adverse Effect in respect of Lone Pine.

20. Insurance

Lone Pine maintains such policies of insurance, issued by reputable insurers, as are appropriate to the operations, property and assets of Lone Pine and its subsidiary, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets. All such policies of insurance are in full force and effect and neither Lone Pine nor its subsidiary is in default, as to the payment of premium or otherwise, under the terms of any such policy. Except as set forth in the Lone Pine Disclosure Letter, no material claims have been made by Lone Pine or its subsidiary under any insurance in the past two years and neither Lone Pine nor any of its subsidiary has failed to make a claim thereunder on a timely basis. Each of such policies shall be kept in full force and effect by Lone Pine through the Effective Date.

21. Tax Matters

- (a) Lone Pine and its subsidiary has duly and timely filed, and will duly and timely file, its material Tax Returns for all taxation periods ending prior to the Effective Time with the appropriate Governmental Authorities and has reported, and will, duly, completely and correctly report, all income and all other amounts reported and information required to be reported thereon.
- (b) Lone Pine and its subsidiary has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Authority. Lone Pine has established reserves

that are reflected in the Lone Pine Financial Statements that are at least equal to its liability for all Taxes that are not yet due and payable. Lone Pine has not received any refund of Taxes to which it is not entitled.

- (c) Neither Lone Pine nor its subsidiary is a party to any tax sharing agreement, tax indemnification agreement or other agreement or arrangement relating to Taxes with any person. Neither Lone Pine nor its subsidiary has any liability for the Taxes of any other person under any Applicable Laws, as a transferee or successor, by contract or otherwise.
- (d) All *ad valorem*, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of the assets owned by Lone Pine or any subsidiary prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or Tax assessments which could result in an encumbrance on such assets.
- (e) Lone Pine has not requested, or entered into any agreement or other arrangement or executed any waiver providing for, any extension of time within which:
 - (i) to file any Tax Return covering any Taxes for which Lone Pine is or may be liable;
 - (ii) to file any elections, designations or similar filings relating to Taxes for which Lone Pine is or may be liable;
 - (iii) Lone Pine is required to pay or remit any Taxes or amounts on account of Taxes; or
 - (iv) any Governmental Authority may assess or collect Taxes for which Lone Pine is or may be liable.
- (f) All liabilities for Taxes of Lone Pine have been assessed by the relevant taxing authorities and notices of assessment have been issued to Lone Pine by all relevant taxing authorities for all taxation years prior to and including the taxation year ended December 31, 2014.
- (g) The tax basis of the assets of Lone Pine and its subsidiary by category, including the classification of such assets as being depreciable, amortizable or resource properties giving rise to resource pools as reflected in the Tax Returns of Lone Pine and its subsidiary is true and correct in all material respects, except as set forth in the Lone Pine Disclosure Letter.
- (h) Neither Lone Pine nor its subsidiary has acquired property from a non-arm's length person, within the meaning of the Income Tax Act, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which would subject it to a liability under section 160 of the Income Tax Act or under any equivalent provisions of any other Applicable Laws.
- (i) Neither Lone Pine nor its subsidiary has made any payment, nor is it obligated to make any payment, and is not a party to any agreement under which it could be obligated to

make any payment that may not be deductible by virtue of sections 67 or 78 of the Income Tax Act or any analogous provincial or similar provision of any other Applicable Laws.

- (j) Except as set forth in the Lone Pine Disclosure Letter, there are no proceedings, investigations, audits, claims or other actions now pending or, to the knowledge of Lone Pine, threatened against Lone Pine in respect of any Taxes, and there are no matters under discussion, audit or appeal with any Governmental Authority relating to Taxes. Except as set forth in the Lone Pine Disclosure Letter, Lone Pine is not negotiating any final or draft assessment or reassessment in respect of Taxes with any Governmental Authority and Lone Pine has not received any indication from any Governmental Authority that an assessment or a reassessment is proposed or may be proposed in respect of any Taxes for any period ending prior to the Effective Date.
- (k) Lone Pine has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employees and any non-resident person, the amount of all Taxes and other deductions required by the Income Act or any other Applicable Laws to be withheld from any such amount, and has duly and timely remitted the same to the appropriate Governmental Authority.
- (l) Lone Pine is duly registered under subdivision (d) of Division V of Part IX of the Excise Tax Act (Canada) with respect to the goods and services tax and harmonized sales tax.

22. **Non-Arm's Length Transactions**

No former or current employee of Lone Pine or its subsidiary, or any other person not dealing at arm's length with Lone Pine, has any indebtedness, liability or obligation to Lone Pine; and Lone Pine is not indebted or otherwise obligated to any such person, except pursuant to for employment arrangements with employees (including obligations in respect of Lone Pine Incentive Awards).

23. **Environmental**

To the knowledge of Lone Pine:

- (a) neither Lone Pine nor its subsidiary has received notice of any violation of or investigation relating to any Environmental Laws with respect to the assets, business or operations of Lone Pine or its subsidiary, as applicable;
- (b) Lone Pine has made available to Arsenal copies of all environmental studies, audits, assessments and reports with respect to Lone Pine, its subsidiary and their respective assets;
- (c) neither Lone Pine nor its subsidiary has experienced any spills, releases or discharges of Hazardous Materials that have not been remedied;
- (d) Lone Pine and its subsidiary have all permits, licences and other authorizations which are required pursuant to Environmental Laws and are material to the assets, business or operations of Lone Pine or its subsidiary, respectively;
- (e) Lone Pine and its subsidiary, and the assets operated or maintained by them, are in all material respects in compliance with all applicable Environmental Laws and the terms

and conditions of all Orders, permits, licences, authorizations, codes and plans made, issued, entered, promulgated or approved thereunder relating to the assets or operations of Lone Pine or its subsidiary; and

- (f) there are no pending or, to the knowledge of Lone Pine, threatened, administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against Lone Pine or its subsidiary.

24. **Real Property**

- (a) All real property fee title to which is held by Lone Pine or its subsidiary (collectively, and including buildings and improvements thereon, the "**Lone Pine Owned Real Property**") has been disclosed in the Lone Pine Disclosure Letter. Neither Lone Pine nor its subsidiary has received written notice of any condemnation proceeding or proposed action or agreement for taking in lieu of condemnation (nor, to the knowledge of Lone Pine, is any such proceeding, action or agreement pending or threatened) with respect to any portion of the Lone Pine Owned Real Property.
- (b) All real property leased, subleased, licensed or otherwise occupied (whether as a tenant, subtenant or pursuant to other occupancy arrangements, but excluding the Lone Pine Interests) by Lone Pine or its subsidiary (collectively, and including buildings and improvements thereon, the "**Lone Pine Leased Real Property**") has been disclosed in the Lone Pine Disclosure Letter.
- (c) All buildings and improvements forming part of the Lone Pine Owned Real Property or Lone Pine Leased Real Property, as applicable, and used in the respective businesses of Lone Pine and its subsidiary are in a condition that is sufficient for the operation of the respective businesses of Lone Pine and its subsidiary as currently conducted.
- (d) Except as described in the Lone Pine Disclosure Letter, Lone Pine and its subsidiary, as applicable, has good fee simple title and marketable title to all Lone Pine Owned Real Property, and valid leasehold, subleasehold or license interests in all Lone Pine Leased Real Property, free and clear of all Encumbrances.
- (e) Except as would not have a Material Adverse Effect in respect of Lone Pine, neither Lone Pine nor its subsidiary has received any written communication from, or provided any written communication to, any other party to a lease for Lone Pine Leased Real Property or any lender, alleging that Lone Pine or its subsidiary or such other party, as the case may be, is in default under such lease.

25. **Interest in Properties**

- (a) Although it does not warrant title, Lone Pine has no reason to believe that it, or its subsidiary, does not have title to, or an irrevocable right to produce and sell, the petroleum, natural gas and related hydrocarbons produced and sold by it or its subsidiary, as applicable (for the purposes of this section, the foregoing are referred to as the "**Lone Pine Interests**") and Lone Pine represents and warrants that: (i) neither it nor its subsidiary has received any written notices, and to the knowledge of Lone Pine the lessee to whom notices are required to be sent has not received any notices, that any of the leases related to the Lone Pine Interests are subject to any accrued drilling or off-set

obligations that have not been satisfied or permanently waived; (ii) to the knowledge of Lone Pine, none of the Lone Pine Interests is subject to reduction or conversion to an interest of any other size or nature by reference to payout of any well or otherwise pursuant to any right or interest created by, through or under Lone Pine, except related to bank financing or those arising in the ordinary course of business; and (iii) following the Effective Date, Lone Pine will be entitled to hold and enjoy the Lone Pine Interests without any lawful interruption by any person claiming, by, through or under Lone Pine or its subsidiary; except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.

- (b) Lone Pine is not aware of any defects, failures or impairments in its title to its or its subsidiary's oil and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (i) the quantity and pre-tax present worth values of the oil, natural gas or natural gas liquids reserves of Lone Pine shown in the Lone Pine Reserves Report; (ii) the current production of Lone Pine; or (iii) the current cash flow of Lone Pine.
- (c) Neither Lone Pine nor its subsidiary has received notice of any default under any of the leases or other title and operating documents, or any other agreement or instrument, pertaining to their respective oil and natural gas assets or properties or to which Lone Pine or its subsidiary is, as applicable, a party or bound, except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.
- (d) To the knowledge of Lone Pine:
 - (i) each of Lone Pine and its subsidiary is in good standing under all, and is not in default under any; and
 - (ii) there is no existing condition, circumstance or other matter that constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents, joint venture agreements, or any other agreements or instruments, pertaining to its oil and natural gas assets or properties to which it is a party or by or to which it or such assets or properties are bound or subject and, to the knowledge of Lone Pine, all such leases, title and operating documents, joint venture agreements and other agreements and instruments are in good standing and in full force and effect and, to the knowledge of Lone Pine, none of the counterparties to such leases, title and operating documents, joint venture agreements or other agreements and instruments are in default thereunder except to the extent that such defaults would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.

- (e) None of the oil and natural gas assets or properties of Lone Pine are subject to reduction by reference to payout of, or production penalty on, any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Lone Pine or its subsidiary, except to the extent that all such

reductions or changes to an interest would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.

- (f) None of the wells in which Lone Pine or its subsidiary holds an interest has been produced in excess of applicable production allowables imposed under any Applicable Laws by any Governmental Authority and Lone Pine does not have knowledge of any pending change in production allowables imposed under any Applicable Laws by any Governmental Authority that may be applicable to any of the wells in which it or its subsidiary holds an interest, other than changes of general application in the jurisdiction in which such wells are located and in each case except to the extent that such non-compliance or changes would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.
- (g) Lone Pine has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority and, to the knowledge of Lone Pine, none of the wells in which it or its subsidiary holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.
- (h) All wells located on any lands in which Lone Pine or its subsidiary has an interest, or lands with which such lands have been pooled or unitized, which have been abandoned, have been abandoned in accordance, in all material respects, with Applicable Laws regarding the abandonment of wells.
- (i) All *ad valorem*, property, production, severance and similar Taxes and assessments based on or measured by the ownership of property or the production of hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of the oil and natural gas assets and properties of Lone Pine or its subsidiary prior to the date hereof have been properly and fully paid and discharged, and there are no unpaid Taxes or assessments that could result in a lien or charge on the oil and natural gas assets and properties of Lone Pine or its subsidiary, except where the failure to pay such Taxes or assessments or the imposition of such liens or charges would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect in respect of Lone Pine.

26. No Expropriation

No notice or proceeding in respect to any property or asset of Lone Pine or its subsidiary has been given or commenced nor is there any intent or proposal to give any such notice or to commence any such proceeding.

27. Anti-Corruption

The business of Lone Pine and its subsidiary has been and are now conducted in compliance with Anti-Corruption Laws in all material respects. Neither Lone Pine nor its subsidiary has received notice of or, to the knowledge of Lone Pine, is aware of, any legal proceedings, internal or external investigations, reports or allegations relating to corruption or to actual or potential breaches of Anti-Corruption Laws involving Lone Pine or its subsidiary or, to the knowledge of the Lone Pine, its employees.

28. **Lone Pine Delaware**

- (a) Lone Pine Delaware is a corporation duly incorporated and organized and validly existing under laws of the State of Delaware and has the requisite corporate power and authority to own its assets as now owned and to carry its business it is now being conducted, and Lone Pine Delaware is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties and assets, owned or leased, or the nature of its activities make such registration necessary.
- (b) As of the date hereof, the authorized share capital of Lone Pine Delaware consists of 75,000,000 Class A common shares and 225,000,000 Class B multiple voting shares, of which only 24,985,757 Class A common shares and 74,999,996 Class B multiple voting shares are issued and outstanding.
- (c) Except for the Lone Pine Incentive Awards outstanding as of the date hereof, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Lone Pine Delaware of any securities of Lone Pine Delaware or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Lone Pine Delaware, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, shareholder agreements, pooling agreements, voting trust agreements or other agreements, arrangements or commitments based upon the book value, income or other attribute of Lone Pine Delaware.
- (d) All outstanding shares in the capital stock of Lone Pine Delaware have been duly authorized and validly issued, and are fully paid and non-assessable.
- (e) Lone Pine Delaware has no material liabilities.
- (f) The only material asset of Lone Pine Delaware is the one outstanding Lone Pine Multiple Voting Share.

SCHEDULE F

AGREEMENT AND PLAN OF MERGER

(not attached. See Appendix L)

APPENDIX F
ARSENAL FAIRNESS OPINION

June 23, 2016

The Board of Directors
Arsenal Energy Ltd.
Suite 1900, 639 - 5th Avenue SW
Calgary, Alberta T2P 0M9

To the Board of Directors:

National Bank Financial Inc. ("**NBF**") understands that pursuant to an amended and restated arrangement agreement amended as of August 2, 2016 and dated effective June 23, 2016 (the "**Arrangement Agreement**") among Lone Pine Resources Canada Ltd. ("**Lone Pine**") and Arsenal Energy Inc. ("**Arsenal**"), such parties have agreed, among other things and upon the terms and conditions set out in the Arrangement Agreement, to effect a business combination by way of an arrangement (the "**Arrangement**") pursuant to the provisions of section 193 of the *Business Corporations Act*, R.S.A. 2000, C. B-9. Completion of the Arrangement will result in the shareholders of Lone Pine and Arsenal receiving common shares of a new corporation ("**New Lone Pine**") in substitution for their existing shares, with New Lone Pine in turn indirectly holding the combined undertakings of Lone Pine and Arsenal. Upon completion of the Arrangement, former Lone Pine securityholders will hold 77% of the New Lone Pine shares and former Arsenal securityholders (the "**Arsenal Shareholders**") will hold 23% of the New Lone Pine shares.

To assist the Board of Directors of Arsenal (the "**Board**") in considering the terms of the Arrangement and the making of its recommendation in respect thereof, the Board engaged NBF to provide financial advice to the Board, including our opinion (the "**Fairness Opinion**") as to whether the consideration to be received by the Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders.

ENGAGEMENT OF NATIONAL BANK FINANCIAL INC.

NBF was formally engaged by Arsenal pursuant to an agreement between Arsenal and NBF (the "**Engagement Agreement**") dated and executed June 21, 2016 whereby Arsenal retained NBF as its financial advisor with respect to a review of a potential transaction. Pursuant to the Engagement Agreement, NBF agreed to provide services in connection with the Arrangement, including delivery of the Fairness Opinion at the request of the Board. NBF has not been asked to prepare, and has not prepared, a formal valuation of Arsenal or Lone Pine, or any of their respective securities or assets, and this Fairness Opinion should not be construed as such.

The terms of the Engagement Agreement provide that NBF is to be paid a fee for its services as financial advisor, including fees in respect of the delivery of the Fairness Opinion and fees that are contingent on a change of control of Arsenal or certain other events. In addition, Arsenal has agreed to reimburse NBF for its reasonable out-of-pocket expenses and indemnify NBF in certain circumstances.

NBF understands that the Fairness Opinion may, at the discretion of the Board, be included in materials distributed to Arsenal Shareholders with respect to the Arrangement, and NBF consents to the inclusion of the Fairness Opinion in its entirety and the summary thereof, in materials provided to Arsenal Shareholders should the Board elect to include the Fairness Opinion.

RELATIONSHIP WITH INTERESTED PARTIES

Other than as set out below, none of NBF, its affiliates or associates is an insider, associate or affiliate of Arsenal or Lone Pine, or any of their respective associates or affiliates (as such terms are defined in the *Securities Act* (Alberta)) (collectively, the "Interested Parties") or a related party of the Interested Parties. NBF is not acting as an advisor to an Interested Party in connection with any other matter, other than acting as financial advisor to Arsenal as outlined herein. NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, NBF conducts research on securities and has, in the past, in the ordinary course of its business, provided research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

NBF's controlling shareholder, National Bank of Canada (the "Bank"), a Canadian chartered bank, is a lender to Arsenal. NBF has advised Arsenal independently of the Bank and has not consulted the Bank in providing its services under its engagement with Arsenal. To the extent that the Bank is required to consent to the Arrangement or approve the continuation of credit to Arsenal, NBF has no role in the Bank's determination.

Other than as set forth above, there are no understandings, agreements or commitments between NBF and any Interested Party with respect to any future business dealings. NBF may, in the future, as it has in the past, in the ordinary course of its business, provide financial advisory, credit or investment banking services to any of the Interested Parties.

CREDENTIALS OF NATIONAL BANK FINANCIAL

NBF is a leading Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Fairness Opinion expressed herein is the opinion of NBF and the form and content hereof have been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

SCOPE OF REVIEW

In connection with rendering the Fairness Opinion, NBF has received and/or relied upon or carried out, among other things, the following (without attempting to verify the accuracy or completeness thereof):

Transaction documents:

1. the Letter of Intent between Arsenal and Lone Pine dated May 25, 2016;
2. the Arrangement Agreement;
3. the Support Agreements entered into between each of the directors and officers of Arsenal and Lone Pine dated June 23, 2016;
4. the form of Option Termination & Share Award Settlement Agreements to be entered into between Arsenal and each of its option holders and holders of share awards;
5. the Joint Management Information Circular of Arsenal and Lone Pine to be dated on or about August 5, 2016;
6. the Plan of Arrangement attached as Schedule 'A' to the Arrangement Agreement;

Financial Disclosure relating to Arsenal:

7. audited annual consolidated financial statements of Arsenal as at and for the years ended December 31, 2015, 2014 and 2013 together, with the notes thereto and the auditors' reports thereon;
8. annual management's discussion and analysis of the financial condition of Arsenal and results of operations for the years ended December 31, 2015, 2014 and 2013;
9. interim unaudited consolidated financial statements of Arsenal for the three and nine months ended September 30, 2015, 2014 and 2013; the three and six months ended June 30, 2015, 2014 and 2013; and the three months ended March 31, 2016, 2015 and 2014;
10. interim management's discussion and analysis of the financial condition of Arsenal and results of operations for the three and nine months ended September 30, 2015, 2014 and 2013; the three and six months ended June 30, 2015, 2014 and 2013; and the three months ended March 31, 2016, 2015 and 2014;
11. annual information forms of Arsenal for the years ended December 31, 2015, 2014 and 2013;
12. public information related to the business, operations, financial performance and trading histories of Arsenal and other selected oil and gas companies, as we considered relevant;

Reserves and other evaluation information relating to Arsenal:

13. the evaluation report, effective December 31, 2015 and dated February 1, 2016, of Deloitte LLP, independent engineering consultants of Calgary, Alberta, regarding certain petroleum and natural gas reserves of Arsenal;

Other information, interviews and discussions relating to Arsenal:

14. financial and operating information, including internal management forecasts, well results, production data, land summaries and other such information, prepared by Arsenal;
15. discussions with senior officers of Arsenal, regarding financial results, budgets and business plans, key assets and obligations, development projects and abandonment and site reclamation obligations;
16. due diligence meetings with the management of Arsenal;
17. a letter of representation from senior officers of Arsenal, addressed to us and dated the date hereof, as to matters of fact relevant to the Arrangement and as to the completeness and accuracy of the information upon which the Fairness Opinion is based;
18. such other financial, market, corporate and industry information, research reports, investigations, discussions and analysis, research and testing of assumptions as we considered necessary or appropriate in the circumstances;

Financial disclosure relating to Lone Pine:

1. audited annual consolidated financial statements of Lone Pine as at and for the year ended December 31, 2015 together, with the notes thereto and the auditors' reports thereon;
2. management's discussion and analysis of the financial condition and results of operations of Lone Pine for the year ended December 31, 2015;

Reserves and other evaluation information relating to Lone Pine:

3. the evaluation report, effective December 31, 2015 and dated April 12, 2016, of Sproule Associates Limited, independent engineering consultants of Calgary, Alberta, regarding the petroleum and natural gas reserves of Lone Pine;

Other information, interviews and discussions relating to Lone Pine:

4. discussions with the management of Lone Pine;
5. a letter of representation from senior officers of Lone Pine, addressed to us and dated the date hereof, as to matters of fact relevant to the Arrangement and as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
6. such other financial, market, corporate and industry information, research reports, investigations, discussions and analysis, research and testing of assumptions as we considered necessary or appropriate in the circumstances.

In addition to the information described above, NBF also participated in certain meetings and discussions with senior officers of Arsenal regarding the Arrangement.

NBF did not meet with the auditors of Arsenal or Lone Pine and has assumed the accuracy and fair presentation of the audited and unaudited financial statements of the Interested Parties, and, as applicable, the reports of the auditors thereon.

NBF has not, to its knowledge, been denied access to any information.

ASSUMPTIONS AND LIMITATIONS

The Fairness Opinion is subject to the assumptions, explanations and limitations herein before described and as set forth below.

NBF has relied, without independent verification, upon, and has assumed the completeness, accuracy and fair presentation of, all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to NBF by or on behalf of the Interested Parties and their respective advisors or otherwise, including, without limitation, in meetings and discussions referred to above under "Scope of Review" (collectively, the "Information"). The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. In accordance with the Engagement Agreement, but subject to the exercise of its professional judgment, NBF has not attempted to verify independently the completeness, accuracy or fair presentation of the Information. With respect to any operating and financial models, forecasts, projections and estimates provided to NBF and used in the analysis supporting the opinion, NBF has noted that projecting future results of any entity is inherently subject to uncertainty and has assumed that such financial models, forecasts, projections and estimates have been reasonably prepared on the basis reflecting the best currently available estimates and judgments of management of the Interested Parties as to the matters covered thereby and in rendering the Fairness Opinion, we express no view as to the reasonableness of such forecasts, projections, estimates or assumptions on which they are based.

Senior officers of Arsenal have represented to NBF in a representation letter dated the date hereof, among other things, that: (i) to the best of Arsenal's knowledge, information and belief, the Information provided orally by, or in the presence of, an officer of Arsenal, or in writing by Arsenal or its agents to NBF relating to Arsenal or the Arrangement was, at the date the Information was provided to NBF, complete, true and correct in all material respects and did not and does not contain any untrue statement of a material fact in respect of Arsenal or the Arrangement and did not and does not omit to state a material fact in relation to Arsenal or the Arrangement necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; (ii) since the dates on which the Information was provided to NBF, except as publically disclosed or as disclosed to NBF, and to the extent that such Information has not been superseded by more recent information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Arsenal and no material change has occurred in the Information or any part thereof which would have or would reasonably be expected to have a material

impact on the Fairness Opinion; (iii) since the dates on which the Information was provided to NBF, no material transaction has been entered into by Arsenal other than the Arrangement Agreement and certain transactions to be completed in connection therewith; and (iv) to the best of Arsenal's knowledge, information and belief, all financial material, documentation and other data concerning Arsenal or the Arrangement, including any projections or forecasts, provided to NBF, were prepared on a basis consistent in all material respects with the accounting policies applied in the consolidated financial statements of Arsenal dated as at December 31, 2015 reflect the assumptions disclosed therein (which assumptions management of Arsenal believes to be reasonable) and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such financial material, documentation or data not misleading in light of the circumstances in which such financial material, documentation and data were provided to NBF.

Senior officers of Lone Pine have represented to NBF in a representation letter dated the date hereof, among other things, that: (i) the Information prepared by Lone Pine, made available by Lone Pine to NBF (directly, or indirectly through Arsenal) relating to Lone Pine, any of its subsidiaries of the Arrangement is, at the date of such information, complete, true and correct in all material respects or, in the case of Information that is in the nature of a projection, forecast or estimate of future performance or results (operating, financial or otherwise) or otherwise constitutes forward-looking information, made in good faith and believed to be reasonable, and did not contain any untrue statement of a material fact in respect of Lone Pine, its subsidiaries or the Arrangement and did not omit to state a material fact in relation to Lone Pine, its subsidiaries or the Arrangement necessary to make the Information not misleading in light of the circumstances under which the Information was made publicly available; (ii) since December 31, 2015, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Lone Pine or any of its subsidiaries and no material change has occurred in the Information as it relates to Lone Pine or any part thereof which would have or which would reasonably be expected to have a material effect on Lone Pine, its subsidiaries or the Arrangement, other than that which has been publicly disclosed; (iii) since December 31, 2015, other than that which has been publicly disclosed, no material transaction has been entered into by Lone Pine (or any of its subsidiaries), other than the Arrangement Agreement; and (iv) all financial material, documentation and other data included in the Information as it relates to Lone Pine were prepared on a basis consistent in all material respects with the accounting policies applied in the consolidated financial statements of Lone Pine dated as of December 31, 2015, and reflect the assumptions disclosed therein (which assumptions management of Lone Pine believes to be reasonable).

With respect to all legal matters relating to the Arrangement and the implementation thereof, we have relied upon, without independent verification, the assessment of Arsenal's legal counsel with respect to such matters. We do not express any opinion with respect to the tax consequences to Arsenal or any Arsenal Shareholder that may arise as a result of the Arrangement and have assumed that no material negative tax consequences arise as a result of the Arrangement. The Arrangement is subject to a number of conditions outside of the control of Arsenal and Lone Pine and we have assumed all conditions precedent to the completion of the Arrangement can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualifications. In rendering this Fairness Opinion, we express no view as to the likelihood that the conditions to the Arrangement will be satisfied or waived.

NBF has also assumed that all of the representations and warranties contained in the Arrangement Agreement are correct as of the date hereof in all material aspects and that the Arrangement will be completed substantially in accordance with its terms and all applicable laws.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Arsenal and Lone Pine and their affiliates, as they were reflected in the Information. In our analyses and in preparing the Fairness Opinion, we made numerous assumptions with respect to

industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While NBF believes these assumptions to be reasonable with respect to Arsenal and Lone Pine in the industry in which they operate, some or all of these assumptions may prove to be incorrect.

The Fairness Opinion has been prepared and is provided for the use of the Board only and may not be relied upon by any other person without the prior written consent of NBF. The Fairness Opinion is provided as of the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion that may come or be brought to the attention of NBF after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, NBF reserves the right to change, modify or withdraw the Fairness Opinion.

NBF expresses no opinion with respect to future trading prices of the securities of Arsenal or Lone Pine and the Fairness Opinion does not constitute a recommendation as to whether any Arsenal Shareholder should tender Arsenal Shares to the Arrangement.

The Fairness Opinion is based upon a variety of factors. Accordingly, NBF believes that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by NBF, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of the Fairness Opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

CONCLUSION

Based upon and subject to the foregoing and such other matters as NBF considered relevant, NBF is of the opinion that, as of the date hereof, the consideration to be received by the Arsenal Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Arsenal Shareholders.

Yours very truly,

National Bank Financial Inc

NATIONAL BANK FINANCIAL INC.

APPENDIX G

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LONE PINE

Corporate Overview

LPR Canada is an independent oil and gas exploration, development and production company incorporated under the ABCA and headquartered in Calgary, Alberta, with reserves, producing properties and exploration prospects located in the provinces of Alberta, British Columbia, Québec and the Northwest Territories. LPR Canada also has non-material producing properties and exploration prospects located in Newfoundland and Labrador and Nova Scotia. LPR Canada is a subsidiary of LPRI, a Delaware corporation that controls LPR Canada through a 75% voting interest. The sole material asset of LPRI is its shareholding in LPR Canada, which holds and conducts all oil and gas assets and operations of Lone Pine. The shareholders of LPRI and the shareholders of LPR Canada (other than LPRI) are substantially the same.

From 1996 through June 2011, LPR Canada (previously named "Canadian Forest Oil Ltd." until a name change on June 30, 2011) was a wholly-owned subsidiary of Forest Oil Corporation ("**Forest**"), a public U.S. oil and gas company headquartered in Denver, Colorado, that owned and operated all of Forest's Canadian assets. In late 2010, Forest determined to separate its Canadian assets from the rest of its operations. The separation was effected through a contribution of ownership interests in LPR Canada by Forest to LPRI, which was also a wholly-owned subsidiary of Forest at the time, and an initial public offering by LPRI of a minority interest in its then-outstanding share capital. That offering was completed in June 2011. Forest subsequently distributed its approximately 82% remaining ownership interest in LPRI to the Forest shareholders in September 2011, upon which LPRI (and therefore LPR Canada) ceased to be a subsidiary of Forest.

LPRI was a public company traded on the New York Stock Exchange and TSX from the time of its initial public offering until September 2013, when LPRI, LPR Canada (then a wholly-owned subsidiary of LPRI) and certain affiliates commenced proceedings (the "**Creditor Protection Proceedings**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") in the Court. The CCAA proceedings, together with ancillary proceedings under Chapter 15 of the United States Bankruptcy Code, were completed in January 2014 with a comprehensive capital reorganization and financial restructuring implemented by way of a plan of compromise and arrangement (the "**Plan**") under the CCAA.

The current ownership structure of LPRI and LPR Canada arises from implementation of the Plan, pursuant to which (among other things): (i) former unsecured creditors, comprising primarily former holders of senior notes issued by LPR Canada, were issued LPR Canada Common Shares and LPRI Class A Stock in connection with the compromise of their claims (with one share of LPRI Class A Stock issued for every LPR Canada Common Share issued); (ii) certain of such creditors made a further capital investment by subscribing for LPR Canada Preferred Shares and LPRI Class B Stock (with one share of LPRI Class B Stock issued for every LPR Canada Preferred Share issued); (iii) LPRI was issued the LPR Canada Class C Multiple Voting Share, through which it retains voting control over LPR Canada; (iv) the previously-outstanding common stock of LPRI was cancelled; and (v) secured creditors were fully repaid.

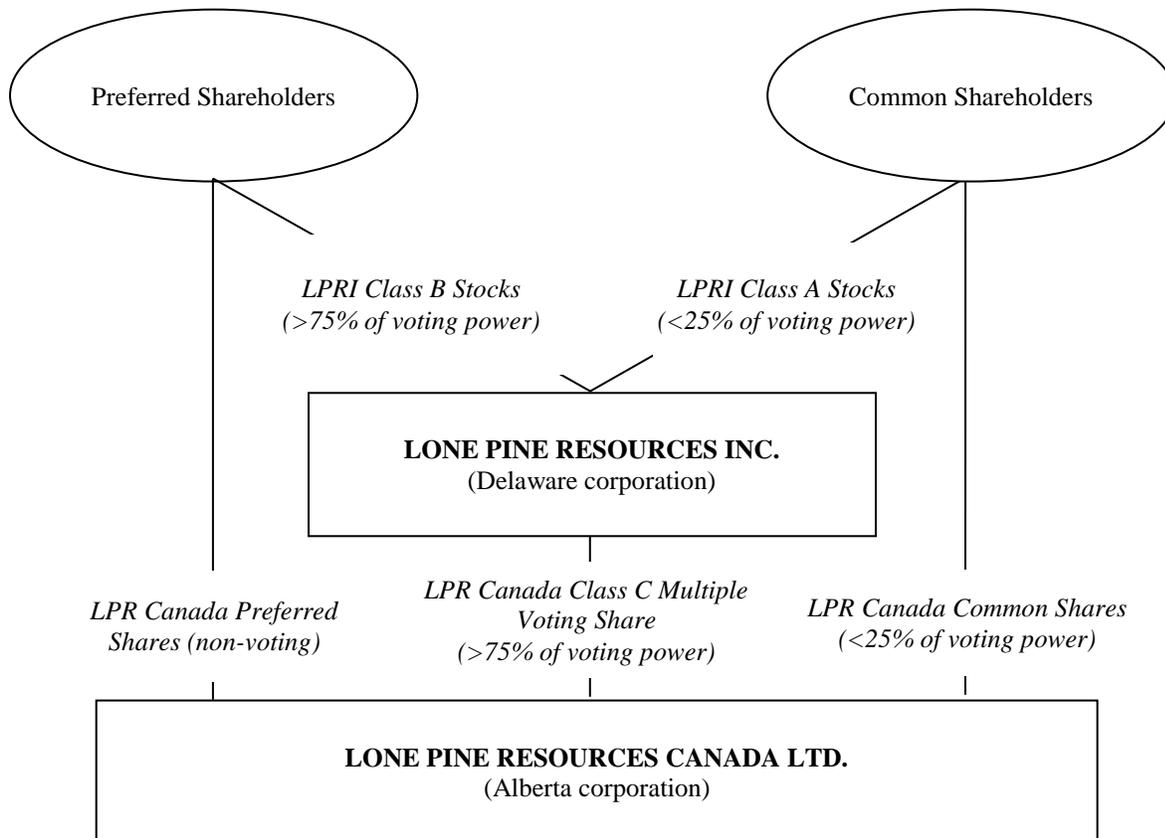
Liberty Harbor PF LPR LLC and Goldman Sachs & Co., and their respective affiliates (collectively, the "**Principal Holders**") were significant holders of senior notes and other unsecured debt of LPR Canada that was compromised under the Plan, for which they (together with other unsecured creditors, excluding cash pool creditors) were issued LPR Canada Common Shares and LPRI Class A Stock in proportion to the principal amount of their compromised claims. The Principal Holders also provided backstop support for further capital investment provided under the Plan and received a proportionate portion of a US\$4 million backstop fee in partial consideration for their compromised debt claims. As participants in the further capital investment provided for under the Plan, the Principal Holders subscribed for and purchased LPR Canada Preferred Shares and LPRI Class B Stock. To Lone Pine's knowledge, the current holdings of Lone Pine Securities by Principal Holders – particulars of which are described below under "*Principal Lone Pine Shareholders*" in this Appendix G and in the Circular at *Part II – General Proxy Matters – Voting Securities and Principal Holders Thereof* – arise solely from these transactions under the Plan.

In connection with implementation of the Plan, LPRI ceased to be a reporting issuer under Canadian securities laws, and its reporting obligations under U.S. federal securities laws were terminated.

Lone Pine has been privately-held since implementation of the Plan.

Intercorporate Relationships

The following diagram sets out a simplified corporate structure of Lone Pine. See "*Description of Share Capital*" in this Appendix G for a description of the rights, privileges, restrictions and conditions attaching to each class of share referred to in the following diagram. The current structure resulted from implementation of the Plan.



Shareholder Overlap

Substantially all LPRI Shareholders (or, in certain cases, their affiliated or related persons) are also LPR Canada Shareholders, and vice versa. More particularly, to Lone Pine's knowledge (i) all current holders of Class A Stock and Class B Stock received their LPRI Shares pursuant to implementation of the Plan, and (ii) each such holder (or, in certain cases, an affiliated or related party of such holder) also holds, for every share of Class A Stock or Class B Stock held, one LPR Canada Common Share or one LPR Canada Preferred Share, as applicable.

Relative Value

All of Lone Pine's oil and gas properties are owned and operated by LPR Canada. LPRI does not hold any material assets other than the LPR Canada Class C Multiple Voting Share.

The LPR Canada Class C Multiple Voting Share confers upon the holder 75,000,000 votes, constituting a majority of the voting power in LPR Canada with respect to the election of directors and other matters requiring shareholder approval generally, but with economic rights that are commensurate with being one (1) share out of the equivalent of over 120 million shares currently outstanding. The LPR Canada Class C Multiple Voting Share is redeemable by the holder at a redemption price of Ten Canadian Dollars (Cdn. \$10.00).

In light of the foregoing, LPRI and, accordingly, the LPRI Class A Stock and LPRI Class B Stock, is considered to be of nominal value in relation to the corresponding LPR Canada Common Shares and corresponding LPR Canada

Preferred Shares that were issued in tandem with the LPRI Class A Stock and LPRI Class B Stock under the Plan. Accordingly, it is expected that the holders of Class A Stock and Class B Stock will realize economic returns not through dealings in their LPRI Shares but rather through dealings in their corresponding LPR Canada Shares.

Subsidiaries

As of March 31, 2016, Lone Pine had no subsidiaries with assets exceeding 10% of the consolidated assets of Lone Pine or with revenues exceeding 10% of the consolidated revenues of Lone Pine. Furthermore, as of March 31, 2016 Lone Pine had no other subsidiaries, when considered in the aggregate, with assets exceeding 20% of the consolidated assets of Lone Pine or revenues exceeding 20% of the consolidated revenues of Lone Pine.

GENERAL DESCRIPTION OF THE BUSINESS

Overview

Lone Pine is an independent oil and gas exploration, development and production company with operations in Canada. Lone Pine's reserves, producing properties and exploration prospects are located in the provinces of Alberta, British Columbia, Québec and the Northwest Territories. LPR Canada also has non-material producing properties and exploration prospects located in Newfoundland and Labrador and Nova Scotia.

As of December 31, 2015, Lone Pine's proved plus probable reserves, as estimated by Sproule, Lone Pine's independent reserves engineers, were approximately 12,304 Mboe, of which approximately 75% were oil and natural gas liquids ("NGLs"), approximately 25% were natural gas and approximately 45% were classified as proved developed reserves. As of December 31, 2015, Lone Pine had approximately 31 gross (27.95 net) proved undeveloped drilling locations and approximately 1,019,900 gross (791,430 net) acres of land (approximately 87% of which was undeveloped). See "Statement of Reserves Data and Other Oil and Gas Information" in this Appendix G. The following table presents summary data for each of Lone Pine's significant properties as of December 31, 2015:

	Estimated Total Proved Reserves (Mboe) ⁽¹⁾	Estimated Proved Developed Reserves (Mboe) ⁽¹⁾	Average Daily Gross Sales Volumes (Boe/d) ⁽¹⁾	Undeveloped Acreage		Proved Undeveloped Drilling Location	
	Gross	Gross	Gross	Gross	Net	Gross	Net
Evi Area	5,656	3,553	1,751	63,320	63,116	26	23.00
Utica Shale	0	0	0	396,338	238,247	0	0.00
Laird Basin	0	0	0	53,788	52,995	0	0.00
Wheatland	1,337	579	35	68,867	68,859	5	4.95
<u>Other</u>	<u>1,460</u>	<u>1,460</u>	<u>866</u>	<u>300,835</u>	<u>264,781</u>	<u>0</u>	<u>0.00</u>
Total	8,453	5,592	2,652	883,148	687,998	31	27.95

Notes:

- (1) Reserves and sales volumes are presented on an oil-equivalent basis using a conversion of six (6) Mcfe per bbl of oil or NGL. This conversion is based on energy equivalence and not price equivalence and does not represent a value equivalency at the wellhead.

History

On September 25, 2013, LPRI, LPR Canada (then a wholly-owned subsidiary of LPRI) and certain affiliates commenced the Creditor Protection Proceedings under the CCAA in the Court and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware

(the "U.S. Bankruptcy Court"). On January 9, 2014, the Court issued an order (the "**Sanction Order**") sanctioning and approving the Plan. On January 10, 2014, the U.S. Bankruptcy Court issued an order recognizing and enforcing the Sanction Order in the United States under Chapter 15 of the U.S. Bankruptcy Code.

On January 31, 2014, Lone Pine implemented the Plan and emerged from the Creditor Protection Proceedings under the CCAA and Chapter 15 of the United States Bankruptcy Code. Implementation of the Plan resulted in comprehensive capital reorganization and financial restructuring of Lone Pine whereby LPRI became a private entity and Lone Pine's financial position at December 31, 2014 had improved significantly compared with the prior year.

On August 12, 2014, LPR Canada sold all the assets within its Deep Basin CGU for cash proceeds of \$110.4 million net of disposition costs. The Deep Basin CGU was comprised of gas-weighted undeveloped and developed properties in the Narraway and Ojay fields, located in Alberta and British Columbia. The disposition resulted in approximately \$2.0 million gain on sale of property and equipment for the year 2014. Proceeds from the disposition were used to fully repay Lone Pine's borrowings under its outstanding credit facilities.

On June 30, 2015, LPR Canada entered into a lease acquisition agreement for mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta. The mineral leases generally have a primary term of three (3) years, with a three-year extension option. In exchange for the leases, LPR Canada paid \$9.3 million of cash consideration.

Effective December 8, 2015, Lone Pine entered into a farm-in and option agreement to farm-in certain lands in the Wheatland area.

Description of Principal Properties

The following is a description of LPR Canada's current principal oil and natural gas properties as at December 31, 2015. Unless otherwise specified, acreage, well count and production information are as at December 31, 2015.

Evi Area

As of December 31, 2015, LPR Canada had approximately an average working interest of 97% in 77,920 gross acres (75,895 net acres) in and near the Evi field, located in the Peace River Arch area of northern Alberta. This position offers LPR Canada a stable light oil production base with significant opportunity to increase its reserve base with waterflood. LPR Canada has drilled and participated in a total of 122 horizontal wells in the Evi area since it entered the area in 2004. In 2011, LPR Canada implemented its waterflood pilot project and currently has nine (9) injection wells (eight (8) horizontal with one (1) vertical). In 2015, Evi had average daily sales volumes of approximately 1,751 boe per day. LPR Canada believes that it can ultimately enhance production rates and recoveries in the Evi area through further waterflood development and infill drilling of its acreage. For 2015 and 2016, LPR Canada has been and will continue to focus its development efforts in the waterflood project.

Wheatland Area

As of December 31, 2015, LPR Canada leased approximately 69,507 gross acres (69,491 net) of freehold lands in and near the Wheatland area, located east of Calgary, in Southern Alberta. This position offers LPR Canada an organic growth platform of medium grade oil and associated natural gas. During 2015, LPR Canada had drilled four (4) multi-stage fracture stimulated horizontal wells, of which one (1) well came on production in December 2015. In 2015, LPR Canada had average daily sales volumes of approximately 35 boe per day from production in the Wheatland area. LPR Canada believes that it can significantly increase the area production with its large inventory of identified locations from this multi-zone stacked bypass light oil play. For 2016, LPR Canada plans to continue proving up the Wheatland prospects by drilling additional wells at the Wheatland area.

Main Undeveloped Properties (Shales)

As of December 31, 2015, LPR Canada had approximately 396,338 gross acres (238,247 net acres) in Québec that are prospective for the Utica Shale. Natural gas produced from this area is in close proximity to major markets

in Canada and the northeastern United States, which historically has provided for premium product pricing compared to the NYMEX Henry Hub pricing. The Utica Shale is relatively shallow compared to other shale plays in North America, which LPR Canada believes will provide for an economic advantage relative to the drilling costs associated with developing the resource. However, the development of these assets has been suspended since 2011 due to changes in provincial energy policies and regulations.

As at December 31, 2015, LPR Canada had approximately 53,788 gross acres (52,995 net acres) in the Liard Basin located in the Northwest Territories that are prospective for the Muskwa Shale. This is a natural gas shale play adjacent to the producing Horn River Basin. LPR Canada believes that its acreage in the Liard Basin is analogous to the Muskwa Shale in the Horn River Basin. LPR Canada's acreage is located in close proximity to a pipeline in the Northwest Territories providing for the sale and distribution of any natural gas produced. In the third and fourth quarters of 2011, LPR Canada re-entered and recompleted a well in the Liard Basin, and in February 2012, LPR Canada submitted an application to the National Energy Board for a commercial discovery declaration that granted its lease for continuation to the year 2033.

Marketing and Delivery Commitments

Lone Pine's natural gas production is generally sold on a month-to-month basis in the spot market, priced in reference to published indices. Lone Pine's oil production is generally sold under short-term contracts at prices based upon refinery postings and is typically sold at or near the wellhead. Lone Pine's NGLs production is typically sold under term agreements at gas processing facilities at prices based on the average of posted prices less pipeline tariffs and fractionation fees. Lone Pine believes that the loss of one or more of its current oil, natural gas or NGLs purchasers would not have a material adverse effect on its ability to sell its production, because any individual purchaser could be readily replaced by another purchaser, absent a broad market disruption.

Employees

As of December 31, 2015, Lone Pine had 22 employees and 30 contractors. Lone Pine requires the services of accountants, landmen, engineers, field operators and other professionals to aid in specialized areas and to explore and analyze oil prospects and to determine a method in which the oil prospects may be developed in a cost-effective manner. In addition, Lone Pine relies on the owners and operators of oil drilling equipment to drill and develop prospects to production. Lone Pine has been able to acquire the services of these persons as needed in the past and believes that it will be able to continue to acquire these services as needed in the future.

Competition

Lone Pine encounters competition in all aspects of its business, including acquisition of properties and oil and gas leases, marketing oil, natural gas and NGLs, obtaining services and labor and securing drilling rigs and other equipment necessary for maintaining, drilling and completing wells. Lone Pine's ability to increase reserves in the future will depend on its ability to generate successful prospects on its existing properties, execute on organic development programs and acquire additional producing properties and/or prospects for future development and exploration. A large number of the companies that Lone Pine competes with have substantially larger workforces and greater financial and operational resources than Lone Pine. Because of the nature of Lone Pine's oil and gas assets and management's experience in exploiting its reserves and acquiring properties, management believes that Lone Pine effectively competes in its markets. See "*Risk Factors – Competitive Risk*" in this Appendix G.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling and service rigs and other heavy equipment, thereby limiting or temporarily halting Lone Pine's drilling and producing activities and other oil and gas operations. These constraints and the resulting shortages or high costs could delay or temporarily halt Lone Pine's operations and materially increase its operating and capital costs. Such seasonal anomalies can also pose challenges to Lone Pine in meeting its well

drilling objectives and capital commitments and may increase competition for equipment, supplies and personnel during the winter months, which could lead to shortages and increased costs or delay or temporarily halt its operations.

Bankruptcies and Reorganizations

There has not been any bankruptcy, receivership or similar proceedings against Lone Pine or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by Lone Pine or any of its subsidiaries, within the three (3) most recently completed financial years, other than the Creditor Protection Proceedings, or completed during or proposed for the current financial year. There has been no material restructuring transaction of Lone Pine or any of its subsidiaries within the three (3) most recently completed financial years, other than the Creditor Protection Proceedings, nor has any been completed or proposed for the current financial year. See "*General Description of the Business – History*" in this Appendix G for more information in respect of the Creditor Protection Proceedings.

Industry Regulation

The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government, and Lone Pine's oil and gas operations are subject to various Canadian federal, provincial, territorial and local laws and regulations. These laws and regulations may be changed in response to economic or political conditions, and regulate, among other things, land tenure, the exploration and development of hydrocarbon resources and production, handling, storage, transportation and disposal of oil and gas, oil and gas by-products and other substances and materials produced or used in connection with oil and gas operations. More particularly, matters subject to current governmental regulation and/or pending legislative or regulatory changes include the licensing for drilling and completion of wells, the method and ability to produce from wells, surface usage, transportation of production, conservation matters, the discharge or other release into the environment of wastes and other substances in connection with drilling and production activities (including fracture stimulation operations), bonds or other financial responsibility requirements to cover drilling contingencies and well plugging and abandonment costs, reports concerning Lone Pine's operations, the spacing of wells, unitization and pooling of properties and royalties and taxation. Failure to comply with the laws and regulations in effect from time to time may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, loss or cancellation of governmental or regulatory approvals and the issuance of injunctions or similar orders that could delay, limit or prohibit certain of Lone Pine's operations. Lone Pine cannot predict the ultimate cost of compliance with these requirements or their effect on Lone Pine's operations.

Federal authorities do not regulate the price of oil and gas in export trade. Legislation exists, however, that regulates the quantities of oil, natural gas and natural gas liquids that may be removed from the provinces and exported from Canada in certain circumstances. At various times, regulatory agencies have imposed price controls and limitations on oil and natural gas production. In order to conserve supplies of oil and natural gas, these agencies may also restrict the rates of flow of oil and natural gas wells below actual production capacity. Further, a significant spill from one of Lone Pine's facilities could have a material adverse effect on Lone Pine's business, financial condition, cash flows and results of operations.

Lone Pine does not expect that any of these regulatory controls and restrictions will affect its operations in a manner significantly different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record, Lone Pine is unable to predict what regulatory controls or restrictions may be enacted.

Royalties

General

Each of the provinces and territories in which Lone Pine operates has legislation and regulations governing royalties, land tenure, production rates and taxes, environmental protection and other matters under their respective jurisdictions. The royalty regime applicable in the provinces and territories in which Lone Pine operates is a significant factor in the profitability of its production. Crown royalties payable in respect of production from Crown, or public, lands are determined by government regulation and are typically calculated as a percentage of the value of gross production.

The value of production and the rate of royalties payable depend on prescribed reference prices, well productivity, geographical location, field discovery rate and the type of product produced.

Royalties payable on production from privately-owned lands are determined by negotiations between Lone Pine and the resource owners, although production from such lands is subject to certain provincial taxes and royalties. Any such royalties (or royalty-like interests) are carved out of the working interest owner's interest through non-public transactions and are often referred to as overriding royalties, gross overriding royalties, net profit interests or net carried interests.

Governments sometimes adopt incentive programs to stimulate oil and gas exploration and development activity in their jurisdictions, which may include royalty rate reductions, drilling credits, royalty holidays or royalty tax credits. Such programs are often of limited duration and target specified types of oil and gas activities.

Alberta

The majority of Lone Pine's current oil and gas production is from properties located in Alberta.

In terms of oil or natural gas production from Crown lands, royalties are payable to the Province of Alberta. In respect of freehold lands, mineral taxes are payable to the Province of Alberta. The Government of Alberta's approach to the royalty and tax regime is regularly reviewed for compliance with the purpose of the regimes; to ensure that Albertans were receiving a fair share from energy development through royalties, taxes and fees. On January 29, 2016, the Alberta Royalty Review Advisory Panel provided a report to the Alberta government recommending changes to Alberta's royalty framework. The Alberta government has indicated that it will introduce legislation in 2016 to implement the Panel's recommendations.

The Panel found that Alberta's existing royalties were comparable with those in other jurisdictions, but certain issues needed to be addressed. In particular, the Panel recommended that there be a single royalty structure/rate for all hydrocarbons produced from a well instead of the current system that distinguishes between oil, gas and natural gas liquids in calculating royalties. It also recommended elimination of multiple drilling incentive programs and replacing them with a permanent royalty formula. Specifically, the Panel proposed a new, modernized Alberta royalty framework (the "**Modernized Framework**") that will apply to all wells drilled after January 1, 2017. The current royalty framework (the "**Old Framework**") will continue to apply to wells drilled prior to January 1, 2017 for a period of ten (10) years ending on December 31, 2026. After the expiry of this ten-year period, these older wells will become subject to the Modernized Framework.

The Modernized Framework will apply to all hydrocarbons other than oil sands which will remain subject to their existing royalty regime. Royalties on production from non-oil sands wells under the Modernized Framework will be determined on a "revenue-minus-costs" basis with the cost component based on a Drilling and Completion Cost Allowance formula for each well, depending on its vertical depth and horizontal length. The formula will be based on the industry's average drilling and completion costs as determined by the Alberta Energy Regulator ("**AER**") on an annual basis.

Producers will pay a flat royalty rate of 5 percent of gross revenue from each well that is subject to the Modernized Framework until the well reaches payout. Payout for a well is the point at which cumulative revenues from the well equals the Drilling and Completion Cost Allowance for the well set by the AER. After payout, producers will pay an increased post-payout royalty on revenues determined by reference to the then current commodity prices of the various hydrocarbons. Similar to the Old Framework, the post-payout royalty rate under the Modernized Framework will vary with commodity prices. Once production in a mature well drops below a threshold level where the rate of production is too low to sustain the full royalty burden, its royalty rate will be adjusted downward as the mature well's production declines. The Drilling and Completion Cost Allowance formula, post-payout royalty rates and production thresholds for mature wells was announced on April 21, 2016, and are effective January 1, 2017.

As the Modernized Framework will use deemed drilling and completion costs in calculating the royalty and not the actual drilling and completion costs incurred by a producer, efficient producers will benefit if their well costs are lower

than the Drilling and Completion Cost Allowance and, accordingly, they will continue to pay the lower 5% royalty rate for a period of time after their wells achieve actual payout.

The Old Framework is applicable to all conventional oil and natural gas wells drilled prior to January 1, 2017 and bitumen production. Subject to certain available incentives, effective from the January 2011 production month, royalty rates for conventional oil production under the Old Framework range from a base rate of 0% to a cap of 40%.

The Old Framework also introduced a natural gas royalty formula which provides for a reduction based on the measured depth of the well below 2,000 metres (the "**Depth Factor Adjustment**"), as well as the acid gas content of the produced gas (the "**Acid Gas Adjustment**"). Subject to certain available incentives, effective from the January 2011 production month royalty rates for natural gas production under the Old Framework range from a base rate of 5% to a cap of 36%.

Under the Old Framework, the royalty rate applicable to natural gas liquids is a flat rate of 40% for pentanes and 30% for butanes and propane.

In terms of oil and natural gas production obtained from lands other than Crown lands, taxes are payable to the Province of Alberta. Approximately 19% of the mineral rights in the Province of Alberta are freehold mineral rights not owned by the Crown. The tax levied in respect of freehold oil and gas production in the Province of Alberta is calculated annually based on a rate dependent on the prescribed tax rate, the quantity of produced oil or gas, and the unit value of the produced oil or gas.

Pursuant to the Old Framework a number of incentive programs, such as the Deep Oil Exploratory Well Program, the Enhanced Oil Recovery Royalty Program ("**EOR Program**"), the Natural Gas Deep Drilling Program, and the Innovative Energy Technologies Program (the "**IETP**"), were created.

The Deep Oil Exploratory Well Regulation provides a limited royalty exemption for qualifying exploratory oil wells spudded or deepened between January 1, 2009 and December 31, 2013 that are deeper than 2,000 metres and have a producing interval below 2,000 metres.

With respect to the EOR Program, the Enhanced Oil Recovery Royalty Regulation, 2014 provides that Alberta Energy may approve royalty reductions for qualifying enhanced oil recovery projects.

The Natural Gas Deep Drilling Regulation, 2010 provides a limited royalty reduction for qualifying exploratory and development natural gas wells spudded or deepened after May 1, 2010, with producing intervals that are deeper than 2,000 metres. The Natural Gas Deep Drilling Regulation will expire on November 30, 2016.

The IETP is intended to promote producers' investment in research, technology and innovation for the purposes of improving environmental performance while creating commercial value. The IETP provides royalty reductions to successful applicants. Alberta Energy determines which projects qualify for the IETP, as well as the level of support that will be provided. The IETP will expire on October 31, 2017.

On March 3, 2009, the Government of Alberta also announced the New Well Royalty Reduction (the "**NWRR**") incentive program. The New Well Royalty Reduction Regulation provided that the NWRR would be available to qualifying wells that commence or recommence producing conventional oil or natural gas on or after April 1, 2009. Pursuant to the New Well Royalty Regulation, production from a qualifying well is calculated at royalty of 5% until either the end of the eligible production month cap of the well, the date that the volume cap is reached for that well or the date the well becomes part of a Project under the Oil Sands Royalty Regulation, 2009, whichever occurs first. The NWRR program will expire on June 30, 2018.

British Columbia

After Alberta, the remainder of Lone Pine's current oil and gas production is from properties located in British Columbia.

Producers of oil and natural gas from Crown lands in British Columbia are required to pay annual rental payments, and make monthly royalty payments in respect of oil and natural gas produced. The amount payable as a royalty in respect of oil depends on the type and vintage of the oil, the quantity of oil produced in a month and the value of that oil. Generally, oil is classified as either light or heavy and the vintage of oil is classified as either "old oil" which is produced from a pool discovered before October 31, 1975, "new oil" produced from a pool discovered between October 31, 1975 and June 1, 1998, and "third-tier oil" produced from a pool discovered after June 1, 1998 or through an enhanced oil recovery scheme. The royalty calculation takes into account the production of oil on a well-by-well basis, the specified royalty rate for a given vintage of oil, the average unit selling price of the oil and any applicable royalty exemptions. Royalty rates are reduced on low productivity wells, reflecting the higher unit costs of extraction, and are the lowest for third-tier oil, reflecting the higher unit costs of both exploration and extraction.

The royalty payable in respect of natural gas produced on Crown lands is determined by a sliding scale formula based on a reference price, which is the greater of the average net price obtained by the producer and a prescribed minimum price. For non-conservation gas (not produced in association with oil), the royalty rate depends on the date of acquisition of the oil and natural gas tenure rights and the spud date of the well and may also be impacted by the select price, a parameter used in the royalty rate formula to account for inflation. Royalty rates are fixed for certain classes of non-conservation gas when the reference price is below the select price. Conservation gas is subject to a lower royalty rate than non-conservation gas. Royalties on natural gas liquids are levied at a flat rate of 20% of the sales volume.

Producers of oil and natural gas from freehold lands in British Columbia are required to pay monthly freehold production taxes. For oil, the level of the freehold production tax is based on the volume of monthly production. It is either a flat rate, or, beyond a certain production level, is determined using a sliding scale formula based on the production level. For natural gas, the freehold production tax is either a flat rate, or, at certain production levels, is determined using a sliding scale formula based on the reference price similar to that applied to natural gas production on Crown land, and depends on whether the natural gas is conservation gas or non-conservation gas. The production tax rate for freehold natural gas liquids is a flat rate of 12.25%.

As of January 1, 2017, all liquefied natural gas ("LNG") facilities will be subject to a 3.5% income tax. This income tax is scheduled to increase to 5% in 2037. During the period in which net operating losses and capital investment are deducted, a tax rate of 1.5% will apply to the taxpayer's net income. Once the net operating losses and capital investment have been depleted, the full rate of 3.5% is payable. To encourage investment, the Government of British Columbia will offer a corporate income tax credit to any LNG taxpayer based on the amount of LNG acquired for an LNG facility.

The Government of British Columbia maintains a number of targeted royalty programs for key resource areas intended to increase the competitiveness of British Columbia's low productivity natural gas wells. These include both royalty credit and royalty reduction programs, including the following:

- Deep Well Royalty Credit Program providing a royalty credit for natural gas wells defined in terms of a dollar amount applied against royalties, is well specific and applies to drilling and completion costs for vertical wells with a true vertical depth greater than 2,500 metres and horizontal wells with a true vertical depth greater than 1,900 metres (or 2,300 metres if spud before September 1, 2009) and if certain other criteria are met, is intended to reflect the higher drilling and completion costs. Effective April 1, 2014, there are two (2) tiers to the Deep Well Royalty Credit Program, "tier one" and "tier two". The pre-existing Deep Well Royalty Credit Program, as described above, will comprise tier two of the program. Tier one of the Deep Well Royalty Credit Program applies to shallower horizontal wells with a true vertical depth less than or equal to 1,900 metres if spud after March 31, 2014. Currently all wells that qualify for the tier one royalty credits are subject to a minimum royalty of 6% while wells that qualify for the tier two royalty credits are subject to a minimum royalty of 3%. These minimum royalty amounts apply when the net royalty payable would otherwise be zero for a production month;
- Deep Re-Entry Royalty Credit Program providing a royalty credit for deep re-entry wells with a true vertical depth to the top of pay if the re-entry well event is greater than 2,300 metres and a re-entry date after

November 30, 2003; or if the well was spud on or after January 1, 2009, with a true vertical depth to the completion point of the re-entry well event being greater than 2,300 metres;

- Deep Discovery Royalty Credit Program providing the lesser of a 3-year royalty holiday or 283,000,000 m³ of royalty free gas for deep discovery wells with a true vertical depth greater than 4,000 metres whose surface locations are at least 20 kilometres away from the surface location of any well drilled into a recognized pool within the same formation;
- Coalbed Gas Royalty Reduction and Credit Program providing a royalty reduction for coalbed gas wells with average daily production less than 17,000 m³ as well as a royalty credit for coalbed gas wells equal to \$50,000 for wells drilled on Crown land and a tax credit equal to \$30,000 for wells drilled on freehold land;
- Marginal Royalty Reduction Program providing a monthly royalty reduction for low productivity natural gas wells with an average daily rate of production less than 23 m³ for every metre of marginal well depth in the first 12 months of production. To be eligible, wells must have been spudded after May 31, 1998 and the first month of marketable gas production must have occurred between June 2003 and August 2008. Once a well passes the initial eligibility test, a reduction is realized in each month that average daily production is less than 25,000m³;
- Ultra-Marginal Royalty Reduction Program providing royalty reductions for low productivity, shallow natural gas wells. Vertical wells must be less than 2,500 metres and horizontal wells less than 2,300 metres to be eligible. Production in the first 12 months ending after January 2007 must be less than 17m³ per metre of depth for exploratory wildcat wells and less than 11 m³ per metre of depth for development wells and exploratory outpost wells. The well must have been spudded or re-entered after December 31, 2005. A reduction is realized in each month that average daily production is less than 60,000 m³. Horizontal wells that are spud on or after April 1, 2014 are not eligible for the Ultra-Marginal Royalty Reduction Program due to the potential for overlap with shallower horizontal wells eligible for a royalty credit under the Deep Well Royalty Credit Program; and
- Net Profit Royalty Reduction Program providing reduced initial royalty, rates to facilitate the development and commercialization of technically complex resources such as coalbed gas, tight gas, shale gas and enhanced-recovery projects, with higher royalty rates applied once capital costs have been recovered.

Oil produced from an oil well that is located on either Crown or freehold land and completed in a new pool discovered subsequent to June 30, 1974 may also be exempt from the payment of a royalty for the first 36 months of production or 11,450 m³ of production, whichever comes first.

The Government of British Columbia also maintains an Infrastructure Royalty Credit Program that provides royalty credits for up to 50% of the cost of certain approved road construction or pipeline infrastructure projects intended to facilitate increased oil and gas exploration and production in under-developed areas and to extend the drilling season.

Québec

At this time, Québec does not have a legislative and regulatory regime that is specific to the oil and gas industry and, accordingly, oil and gas exploration and development in Québec is subject to regulation under various laws and regulations. Currently, Québec's oil and gas resources are regulated principally under the province's mining laws and regulations pursuant to which, among other things, royalty rates of 5 to 12.5% of the market value in fees for petroleum and natural gas apply, depending on the depth of the wellhead. The previous attempt to amend the Mining Act, Bill 43, was defeated in the National Assembly on October 31, 2013. On December 10, 2013, Bill 70 – An Act to amend the Mining Act, was given Royal Assent. The Act amends certain provisions of the Mining Act, including providing local municipalities with more decision-making powers; however, these amendments do not change any provisions relating to the royalty rates for oil and natural gas.

In March 2011, the Québec Government proposed a new shale gas royalty regime that would come into effect once an environmental assessment reviewing hydraulic fracturing has been completed and the legal and regulatory

framework has been adapted to its conclusions. The details of the proposed shale gas royalty regime are summarized in "A Fair and Competitive Royalty System for Responsible shale gas Production" which was presented as part of the 2011-2012 budget. The proposal contemplated the following measures; however, they were never implemented:

The new royalty regime proposes a progressive royalty rate, calculated on a per well basis, ranging from 5% to 35% for shale gas. The applicable rate will be determined according to a formula that is based on the price of natural gas and the well's productivity.

A non-refundable royalty credit for exploration is expected to apply to an individual well and generally provide for a royalty credit of up to 15% of eligible exploration expenses, subject to a minimum royalty rate of 5% and an ability to carry forward any unused portion of the credit to a subsequent year for the same well.

The government will also introduce a gas development program, the stated objective of which is to encourage exploration by allowing businesses to pay lower royalties in the initial development and commercialization stages of authorized projects in exchange for progressively higher royalties once they have recovered their investments. The program would provide for a minimum royalty of 2% of gross revenue starting at the time that a well is brought into production until eligible investment and operating costs plus interest have been recovered (subject to a maximum of ten (10) years of rate relief), and increased rates thereafter. After eligible investment and operating costs plus interest have been recouped or ten (10) years, whichever comes first, royalty rates would increase to the higher of 5% of gross revenue and: (a) 15% of net revenue, until the business has achieved a 25% rate of return plus interest on its initial investment; (b) 20% of net revenue, until the business has achieved a 100% rate of return plus interest on its initial investment; and (c) 25% of net revenue after the business has achieved a 100% rate of return plus interest on its initial investment.

Northwest Territories

Royalties payable on production from Crown land in the Northwest Territories are reserved to the Canadian federal government and are payable once production from project lands has commenced (being the time at which the petroleum products become marketable).

Crown royalty rates are calculated with reference to whether payout (being the point at which the cumulative adjusted gross revenue from the property exceeds adjusted cumulative costs) has been reached. Prior to payout, royalties are payable on a graduated monthly basis. For the first 18 months of production, the royalty rate is 1% of gross revenues, increasing to 2% of gross revenues from the 19th to the 36th month after production has commenced, to 3% of gross revenues from the 37th to the 54th month, to 4% of gross revenues from the 55th to the 72nd month and to 5% of gross revenues from the 73rd month until payout is achieved. Once payout is achieved, the monthly royalty is fixed at the greater of 30% of net revenues and 5% of the gross revenues of the project.

The royalty formula is as above plus withdrawals from the deferred royalty abandonment trust in that month and minus the royalty deferred due to contributions to the abandonment trust. The royalty payable is reduced by the lesser of the royalty deferral and the investment royalty credit balance.

Royalties are payable to the government on petroleum from the project lands unless consumed, lost or wasted.

Land Tenure

The majority of oil and natural gas resources located in the provinces of Alberta, British Columbia and Québec and in the Northwest Territories are owned by the respective provincial governments and, in the case of the Northwest Territories, the Canadian federal government. Rights are granted to energy companies to explore for and produce oil and natural gas pursuant to leases, licenses and permits and regulations as issued by the applicable governments. Lease terms vary in length from two (2) years and longer. Other terms and conditions to maintain a mineral lease are set out in the relevant legislation or are negotiated.

Lands in petroleum and natural gas license are earned by the drilling of a well. A lease is proven productive at the end of its five-year term by drilling, producing, mapping, being part of a unit agreement or by paying offset compensation.

If a lease is proven productive, it will continue indefinitely beyond the initial term of the lease. The tenure only comes to an end when the holder can no longer prove his agreement is capable of producing oil or gas.

Jurisdictions in Canada, including the provinces of Alberta and British Columbia, have legislation in place for mineral rights reversion to the Crown of both shallow and deep formations that cannot be shown to be capable of production at the end of their primary lease term. Such legislation may also include mechanisms available to energy companies to "continue" lease terms for non-productive lands, having met certain criteria as laid out in the relevant legislation.

Oil and natural gas can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to international conventions and national, provincial, territorial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, discharges, or emissions of various substances produced or used in association with oil and gas operations, as well requirements with respect to oilfield waste handling, storage and disposal, land reclamation, habitat protection, and minimum setbacks of oil and gas activities from surface water bodies.

Environmental legislation in the Province of Alberta is, for the most part, set out in the Environmental Protection and Enhancement Act and the Oil and Gas Conservation Act, which impose strict environmental standards with respect to releases of effluents and emissions, including monitoring and reporting obligations, and impose significant penalties for non-compliance. For example, regulations enacted thereunder target sulphur dioxide and nitrous oxide emissions from oil and gas operations.

Environmental legislation in the Province of British Columbia is, for the most part, set out in the Environmental Management Act ("**EMA**") and the Oil and Gas Activities Act, which regulate the storage, discharge and disposal of air contaminants, effluent and hazardous waste into the environment. The EMA provides for the imposition of significant penalties in the event of non-compliance and for the remediation of contaminated sites. New oil and gas projects, or modifications to existing projects, may be subject to a review under the Environmental Assessment Act.

Environmental legislation in Québec is largely set out in the Environment Quality Act, which ensure the protection of the environment by way of a verification procedure that requires the issuance of a certificate of authorization for a wide range of commercial and industrial activities. The enabling legislation is widely construed so as to include anyone erecting or altering a structure, undertaking to operate an industry, carrying on an activity, using an industrial process, or increasing the production of any goods or services "if it seems likely" that this will result in an emission of contaminants, or change the quality of the environment, with some exceptions.

In 2011, the Québec Government adopted as a policy a moratorium on all shale gas activity in Québec and subsequently established the Strategic Environmental Assessment Committee on shale gas.

In February 2014, the Strategic Environmental Assessment Committee on shale gas released a report detailing some of the regulatory changes which the government of Québec could implement. One option contemplated adopting an act providing for a 25-year moratorium on the shale gas industry. Another option allowed for development with controls by adopting directives, regulations or laws. The report proposed streamlining the process for obtaining permits from the government and indicated that new regulation would apply to the shale gas industry only. The new regulation would tighten existing environmental norms and companies would be expected to comply with any new directives. The report noted that any directives would likely include a reminder that compliance with the following norms is expected: (a) per the terms of Section 22 of the Environment Quality Act, a certificate of authorization must be obtained; (b) the public must be informed and consulted; (c) the proper information and documentation supporting the request must be sent; and (d) authorization must be obtained before using water and respect the applicable regulation.

Environmental legislation in the Northwest Territories is, for the most part, set out in the Environmental Protection Act, the Northwest Territories Waters Act, the Canada Oil and Gas Operations Act, and associated regulations. These acts and regulations stipulate environmental conditions of operating approvals and the environmental standards to which monitoring and reporting obligations, in addition to emissions and waste discharge criteria, adhere to.

Environmental legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material, or in the suspension or revocation of necessary licenses and approvals. Lone Pine may also be subject to civil liability for damage caused by pollution. Certain environmental protection legislation may subject Lone Pine to statutory strict liability in the event of an accidental spill or discharge from a facility, meaning that fault on the part of Lone Pine need not be established if such a spill or discharge is found to have occurred.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require Lone Pine to incur costs to remedy such a discharge in an event not covered by Lone Pine's insurance, which insurance is in line with industry practice. Furthermore, Lone Pine expects incremental future costs associated with compliance with increasingly complex environmental protection requirements with respect to greenhouse gas ("**GHG**") emissions or otherwise, some of which may require the installation of emissions monitoring and measuring devices, the verification and reporting of emissions data and additional financial expenditures to comply with GHG emissions reduction requirements.

Climate Change Regulation

Federal (Canada)

Internationally, Canada is a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**"). In December, 2015, UNFCCC members met in Paris, France. Canada, along with the other countries that are members of the United National Framework Convention on Climate Change, signed a new climate agreement (the "**Paris Agreement**"). Under the Paris Agreement, Canada is legally bound to report and monitor carbon dioxide, methane, nitrous oxide, and other GHG emissions, though details of how this will take place have yet to be determined. Signatory countries agreed to meet every five (5) years to review their individual progress on GHG emissions reductions and consider amendments to their targets. Generally, the Paris Agreement includes the goal of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C" overall, though individual country targets designed to meet these levels are not legally binding. Additionally, the Paris Agreement contemplates that, by 2020, the parties will develop a new market-based mechanism related to carbon trading.

On December 12, 2015, the federal government stated that it will develop and announce its Canada-wide approach to implementing the Paris Agreement within 90 days. On May 15, 2015, the former environment minister Leona Aglukkaq announced the federal government's plans to reduce GHG emissions by 30% below Canada's 2005 levels by 2030 (referred to as the Nationally Determined Contribution). Canada's previous GHG emission reduction target under the Copenhagen Accord was to reduce GHG emissions to 17% below 2005 levels by 2020. Canada formally submitted the Nationally Determined Contribution to the UNFCCC. In December 2014, the Canadian government published Canada's Action on Climate Change declaring its intention to take action on climate change by reducing GHG emissions through a sector-by-sector regulatory approach to protect the environment and support economic prosperity. To date Canada has implemented GHG reducing regulations for renewable fuels, transportation, and coal-fired electricity; however, given the recent change in federal government, the status of any unimplemented initiatives proposed by the former government is unclear.

Alberta

In Alberta, GHG emissions are regulated under the Specified Gas Reporting Regulation ("**SGRR**") and the Specified Gas Emitters Regulation ("**SGER**") pursuant to the Climate Change and Emissions Management Act. The SGRR requires facilities that emit 50,000 tonnes or more of GHGs per year to report their emissions to Alberta Environment

and Parks ("AEP"). The SGER imposes GHG emissions intensity limits and reduction requirements for owners of GHG-emitting facilities. Companies may meet these requirements through improvements to their operations; by purchasing Alberta-based emission reduction or offset credits; or by contributing to the provincial Climate Change and Emissions Management Fund. Lone Pine does not operate any facilities that are regulated by the Alberta GHG emissions regulations.

In August 2015, the Alberta Government appointed a Climate Leadership Panel to provide advice to the government on the development of a comprehensive climate change strategy and to provide the AEP advice on a comprehensive set of policy measures to reduce GHG emissions in Alberta. On November 22, 2015, the government released the Climate Leadership Panel's Report to the Minister and the government announced that it would implement its recommendations on phasing out coal-fired power production, replacing two-thirds of that production with renewable energy and imposing a new economy-wide price on GHG emissions of \$20 per tonne on January 1, 2017, rising to \$30 per tonne on January 1, 2018. The government also announced a new overall annual emissions limit of 100 megatons for the oil sands industry.

The Climate Change Leadership Panel recommended a new Carbon Competitiveness Regulation to replace the SGER that will require distributors of transportation and heating fuels to annually do one or more of the following in recognition that GHG emissions are created when their fuel products are combusted by their customers: (a) acquire and then retire emission performance credits or offset credits; or (b) make payments to a technology fund at a rate of \$30 per tonne of GHGs for transportation and heating fuels sold and distributed in the province. The distributors are expected to pass on the costs of complying with the proposed Carbon Competitiveness Regulation to their customers. The Panel estimates these costs will require customers to pay an additional 7¢ per litre for regular gasoline and \$1.68 Gigajoules for natural gas.

Emissions from flaring at oil and gas wells and facilities and from landfills will also be subject to a GHG emission levy starting at \$20 per tonne in 2017 and increasing to \$30 a tonne in 2018 and thereafter. Fuel gas consumed in operating oil and gas wells, pipelines and facilities will be subject to the \$30 per tonne levy commencing January 1, 2023.

The Panel also recommended that the \$30 per tonne levy increase annually at a rate equal to the rate of inflation plus 2% per year so long as the levy in Alberta does not significantly exceed carbon prices in comparable jurisdictions or any future national carbon standard.

The Panel recommended that new regulations require operators of facilities emitting more than 100,000 tonnes of GHGs per year to measure their facility's emissions intensity and then have AEP reward the lowest 25% of emitters in each industry by providing them with free emission permits which they can then trade or bank for future use. The remaining 75% of the emitters in each industry will be required annually to do one or more of the following: (a) reduce their actual emission intensity to the level of the lowest quartile of emitters; (b) acquire and retire emission performance credits, emission permits or offset credits in an amount that will bring their facility's emissions on a net basis within the lowest quartile of their industry; or (c) make payments to a technology fund at a rate of \$30 per tonne for each tonne that their facility exceeds the baseline established by the lowest 25% of emitters within their industry.

The proposed Carbon Competitiveness Regulation has not yet been released and how the lowest quartile of emitters within an industry will be established for facility's emitting 100,000 tonnes of GHGs or more per year has not been announced. Further, the number of free permits to be given to the lowest quartile and the extent to which facilities in the lowest quartile will be able to trade or bank such permits is not yet known.

Methane emission reduction in the oil and gas industry is also a key to Alberta's new GHG emission plan with a goal of reducing oil and gas methane emissions by 45% from 2014 levels by 2025. The Panel has made two (2) recommendations in this regard. First, if adopted by the government, new design specifications will be put in place by the AER over the next several years for oil and gas wells, pipelines and facilities as well as standards for key equipment and operational best practices. Fugitive emission standards will also be included in the regulatory requirements and will require raising current standards for performance, monitoring, measurement and reporting.

Second, the Panel recommended that regulators, the oil and gas industry, independent experts and environmental groups collaborate to develop and oversee a multi-year plan for updating or retrofitting methane emitting equipment

in existing facilities before the end of the equipment's useful life. The plan's specifics have not yet been announced, but the work would be aimed at creating an offset trading system whereby operators who take early action in retiring methane-emitting equipment can be rewarded. The Panel recommended that at the end of five (5) years, or longer if there is evidence of cost effectiveness, the government should mandate the replacement of such equipment at facilities that have not participated in the offset program before the end of the equipment's life. The alternative to such methane emitting-equipment replacement will be to prematurely shut in and abandon the well or facility which uses such equipment.

British Columbia

In February 2008, the Government of British Columbia announced a revenue-neutral carbon tax that took effect July 1, 2008. The tax is consumption-based and applied at the time of retail sale or consumption of virtually all fossil fuels purchased or used in British Columbia. The current tax level is \$30 per tonne of GHG emissions. The final scheduled increase took effect on July 1, 2012. There is no plan for further rate increases or expansions at this time. In order to make the tax revenue-neutral, the Government of British Columbia has implemented tax credits and reductions in order to offset the tax revenues that the Government of British Columbia would otherwise receive from the tax.

In the 2012 Budget, the Government of British Columbia announced that it would undertake a comprehensive review of the carbon tax and its impact on British Columbians. The review covered all aspects of the carbon tax, including revenue neutrality, and considered the impact on the competitiveness of British Columbia businesses such as those in the agriculture sector, and in particular, British Columbia's food producers. After the review, the Government of British Columbia confirmed that it will keep its revenue-neutral carbon tax, the current carbon tax rates and tax base will be maintained and revenues will continue to be returned through tax reductions.

On April 3, 2008, the Government of British Columbia introduced the Greenhouse Gas Reduction (Cap and Trade) Act (the "**Cap and Trade Act**"), which received royal assent on May 29, 2008 and partially came into force by regulation of the Lieutenant Governor in Council. It sets a province-wide target of a 33% reduction in the 2007 level of GHG emissions by 2020 and an 80% reduction by 2050. Unlike the emissions intensity approach taken by the federal government and the Alberta government, the Cap and Trade Act establishes an absolute cap on GHG emissions. The Reporting Regulation, implemented under the authority of the Cap and Trade Act, sets out the requirements for the reporting of the GHG emissions from facilities in British Columbia emitting 10,000 tonnes or more of carbon dioxide equivalent emissions per year beginning on January 1, 2010. Those reporting operations with emissions of 25,000 tonnes or greater are required to have emissions reports verified by a third party. Recent amendments to the Cap and Trade Act repealed past requirements on public-sector organizations, including Crown corporations, to be carbon neutral by 2010, and they are now only required to produce annual carbon reduction plans and reports. Additional regulations that will further enable the Government of British Columbia to implement a cap and trade system are currently under development.

Québec

The province of Québec is operating under the 2013 – 2020 Climate Change Action Plan ("**Québec Climate Plan**"), which calls for a 20% reduction in GHG emissions below 1990 levels by 2020. The Québec Climate Plan includes fuel oil energy efficiency measures, measures to encourage cleaner energy alternatives and tightened fuel oil sulphur level standards. As part of the overall Québec Climate Plan, the province has passed the Environmental Quality Act, which empowers the Government to set emission limits, establish reporting requirements for GHG emitters and also enables it to take part in the implementation of a cap-and-trade system.

Québec is party to the Western Climate Initiative (the "**WCI**"), which is an organization currently made up of the provinces of British Columbia, Québec, Ontario, Manitoba and the state of California designed to assist in implementing GHG emissions trading programs. Within the Québec framework, businesses are obligated to remit to the Government the emission allowances for each ton of GHG emitted. Without sufficient emission allowances, the company will be forced to purchase them on the carbon market.

The objective is that a company will reduce its emissions to avoid the costs of purchasing emission allowances. The government initially set a global GHG emission ceiling for all targeted emitters. The ceiling will gradually drop over time and achieve absolute reductions in GHG. Regulated businesses are required to cover their GHG emissions as of

January 1, 2013. The government may award them a number of free emission units or "allocations" that take account of the historical level of their emissions and production. The number of free allocated units will gradually drop between 1 and 2 percent each year, beginning in 2015. Starting in 2015 the number of free units allocated per unit of production will diminish by around 1% to 2%. Businesses whose GHG emissions are higher than the number of units allocated will be required to modernize by adopting clean technologies, or by purchasing emission allowances (in the form of emission units, offset credits, or early reduction credits) at government auctions or on the carbon market. Businesses with GHG emissions below their allocation will be able to sell their excess carbon credits to other businesses on the carbon market.

Québec has also enacted a carbon tax on the consumption of fossil fuels within the province under the Regulation respecting the annual duty payable to the Green Fund. Under this regulation, distributors must pay an annual duty to Québec's Green Fund according to the per tonne of carbon dioxide rate published in the Gazette officielle du Québec.

Environmental and Social Policies

Lone Pine has not implemented any social or environmental policies that are fundamental to its operations.

Statement of Reserves Data and Other Oil and Gas Information

The following is a summary of reserves data and other oil and natural gas information of Lone Pine as at December 31, 2015. The reserves were evaluated by Sproule effective December 31, 2015, in the report dated and prepared April 12, 2016 (the "**Sproule Report**").

Disclosure of Reserves Data

The reserves data set out below is based upon the Sproule Report. The Sproule Report summarizes the crude oil, natural gas and NGL reserves of LPR Canada as of December 31, 2015 and the estimated net present values of future net revenue for these reserves using forecast prices and costs, all in accordance with the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. LPR Canada engaged Sproule to evaluate proved and probable reserves attributable to Lone Pine's interest in 100% of its properties and the net present value of estimated future cash flow from such reserves, based on forecast price and cost assumptions. Sproule did not evaluate possible reserves or resources.

All of LPR Canada's reserves are located in Canada in the provinces of Alberta and British Columbia.

The Report on Reserves Data by Independent Qualified Reserves Evaluators in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Schedules "A" and "B", respectively, to this Appendix G. The Audit and Reserves Committee of the Board reviews the qualifications and appointment of the individual qualified reserves evaluators. The Audit and Reserves Committee has also reviewed and approved the Sproule Report.

Estimates of reserves and future net revenue have been made assuming the development of each property in respect of which the estimate is made will occur, without regard to the likely availability to Lone Pine of funding required for that development.

The information relating to the oil and natural gas reserves of Lone Pine contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production and abandonment costs. See "*Joint Information Circular – Forward-Looking Information and Statements*" in the Circular and to "*Risk Factors*" in this Appendix G.

The standard of 6 Mcf: 1 bbl has been used when converting natural gas to boes. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the

energy equivalent of six to one, utilizing a boe conversion ratio of 6 Mcf: 1 bbl could be misleading as an indication of value.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material. The recovery and reserves estimates of Lone Pine's crude oil, natural gas, and NGL reserves as provided herein are estimates only and there is no guarantee that the estimated reserves will in fact be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein. The estimates of reserves and future net reserves for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Throughout the following summary, table differences may arise due to rounding.

Reserves Data (Forecast Prices and Costs) – Breakdown of Reserves (Forecast Case) (as at December 31, 2015)

	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids		Total Oil Equivalent	
	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBoe)	Net (MBoe)
Proved Developed Producing	3,323	2,979	98	95	7,005	5,859	192	131	4,780	4,181
Proved Developed Non-Producing	261	216	-	-	2,919	2,454	65	51	812	676
Proved Undeveloped	2,427	2,154	-	-	2,220	1,802	64	52	2,861	2,507
Total Proved	6,012	5,348	98	95	12,144	10,115	320	234	8,453	7,362
Probable	2,419	2,003	235	196	6,293	5,141	148	114	3,851	3,170
Total Proved Plus Probable	8,430	7,351	333	290	18,437	15,256	469	348	12,304	10,532

Net Present Value of Future Net Revenue (Forecast Case) (as at December 31, 2015)

Before Income Taxes Discounted at (%/year):

Reserves Category	0% (\$M)	5% (\$M)	10% (\$M)	15% (\$M)	20% (\$M)
Proved					
Developed Producing	121,833	97,462	80,311	68,029	58,951
Developed Non-Producing	12,652	10,785	9,274	8,084	7,143
Undeveloped	59,507	33,056	17,552	8,109	2,136
Total Proved	193,992	141,304	107,137	84,222	68,230
Probable	117,300	77,764	55,336	41,437	32,184
Total Proved Plus Probable	311,292	219,068	162,472	125,658	100,414

After Income Taxes Discounted at (%/year):

Reserves Category	0% (\$M)	5% (\$M)	10% (\$M)	15% (\$M)	20% (\$M)	Unit Value at 10%⁽¹⁾ \$/Boe
Proved						
Developed Producing	121,833	97,462	80,311	68,029	58,951	19.21
Developed Non-Producing	12,652	10,785	9,274	8,084	7,143	13.73
Undeveloped	59,507	33,056	17,552	8,109	2,136	7.00
Total Proved	193,992	141,304	107,137	84,222	68,230	14.55
Probable	117,300	77,764	55,336	41,437	32,184	17.46
Total Proved Plus Probable	311,292	219,068	162,472	125,658	100,414	15.43

Notes:

- (1) Unit values are based on net reserves.
- (2) Values reflect abandonment and reclamation costs for all existing wells assigned reserves and for all future locations assigned reserves in the Sproule Report, as well as abandonment and reclamation costs for dedicated facilities required to produce assigned reserves.

Additional Information Concerning Future Net Revenue (Forecast Case) (as at December 31, 2015)

Reserves Category	Revenue (1) (\$M)	Royalties (2) (\$M)	Operating Costs (\$M)	Development Costs (\$M)	Abandonment and Reclamation Costs (\$M)	Future Net Revenue Before Income Taxes (\$M)	Income Taxes (\$M)	Future Net Revenue After Income Taxes (\$M)
Total								
Proved	576,225	66,347	227,924	68,898	19,064	193,992	-	193,992
Total Proved Plus Probable	848,455	112,275	314,126	89,483	21,279	311,292	-	311,292

Notes:

- (1) Total Revenue includes company revenue before royalty and includes other income.
- (2) Royalties include Crown, freehold, overriding royalties and freehold mineral tax.

Additional Information Concerning Future Net Revenue (Forecast Case) (as at December 31, 2015)

Reserves Category	Product Type ⁽¹⁾	Future Net Revenue Before Income Taxes ⁽³⁾ (Discounted at 10%/year) (\$M)	Unit Value⁽³⁾ (\$/Boe)
Proved	Light and medium oil ⁽¹⁾	96,757	15.56
	Heavy oil ⁽¹⁾	1,495	10.51
	Natural gas ⁽²⁾	8,885	8.88
	Total	107,137	14.55
Proved Plus Probable	Light and medium oil ⁽¹⁾	146,957	16.58
	Heavy oil ⁽¹⁾	4,571	11.81
	Natural gas ⁽²⁾	10,945	8.55
	Total	162,472	15.43

Notes:

- (1) Includes solution gas and other by-products.
- (2) Includes by-products but excludes solution gas.
- (3) Unit values are calculated using total net reserves for each product group.

Notes to Reserves Data Tables:

- (1) Columns may not add due to rounding.
- (2) All estimates of reserves data presented herein have been prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* 101 and the Canadian Oil and Gas Evaluation Handbook. Relevant definitions are set out in the following notes.
- (3) Reserve estimates of Natural Gas include associated and non-associated gas.
- (4) The unit values are based on net reserve volumes before income tax
- (5) Future Development Costs shown are associated with booked reserves in the Reserves report and do not necessarily represent LPR Canada's full exploration and development budget.
- (6) "Future income taxes" are estimated:
 - (i) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
 - (ii) without deducting estimated future costs that are not deductible in computing taxable income;
 - (iii) taking into account estimated tax credits and allowances; and
 - (iv) applying to the future pre-tax net cash flows relating to Lone Pine's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.
- (7) "**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on analysis of drilling, geological, geophysical and engineering data, with the use of established technology and under specified economic conditions which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of uncertainty associated with the estimate.

- (8) **"Proved reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (9) **"Probable reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (10) **"Developed reserves"** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- (11) **"Developed producing reserves"** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (12) **"Developed non-producing reserves"** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (13) **"Undeveloped reserves"** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (*i.e.*, proved or probable) to which they are assigned.
- (14) **"Forecast prices and costs"** are those: (i) generally acceptable as being a reasonable outlook of the future; and (ii) if and only to the extent that, there are fixed or presently determinable future prices or costs to which Lone Pine is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in clause (i). The table under "Pricing Assumptions" below identifies benchmark reference prices that apply to Lone Pine.
- (15) **"Future income taxes"** are estimated: (i) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities; (ii) without deducting estimated future costs that are not deductible in computing taxable income; (iii) taking into account estimated tax credits and allowances; and (iv) applying to the future pre-tax net cash flows relating to Lone Pine's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.
- (16) **"Exploration costs"** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;

- (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
- (17) "**Development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
 - (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
 - (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) provide improved recovery systems.
- (17) "**Exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.
- (18) "**Development well**" means a well drilled inside the established limits of an oil or gas reservoir or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- (19) "**Service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
- (20) "**Stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as: (i) "exploratory type" if not drilled into a proved property; or (ii) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

Pricing Assumptions

The future net revenues and net present values presented in the Sproule Report were calculated using the Sproule pricing, exchange rate and inflation rate assumptions as of January 1, 2015. Price offsets and differentials for each property were determined by comparing actual historical benchmark prices to actual prices received at the property.

Year	Oil			Natural Gas	Natural Gas Liquids			Operating Cost Inflation Rate (%/yr)	Capital Cost Inflation Rate (%/yr)	Exchange Rate (\$US/\$Cdn)
	WTI Crude Oil ⁽¹⁾ (\$US/Bbl)	Canadian Light Sweet Crude ⁽²⁾ (\$Cdn/Bbl)	Western Canadian Select Crude Oil ⁽³⁾ (\$Cdn/Bbl)	Alberta AECO-C Spot ⁽⁴⁾ (\$Cdn/MMbtu)	Edmonton Propane ⁽⁵⁾ (\$Cdn/Bbl)	Edmonton Butane ⁽⁵⁾ (\$Cdn/Bbl)	Edmonton Pentanes Plus (\$Cdn/Bbl)			
History										
2011	95.00	95.16	77.09	3.72	53.12	71.25	104.12	1.4	5.3	1.012
2012	94.19	86.57	73.08	2.43	47.40	64.48	100.76	1.0	4.5	1.001
2013	97.98	93.27	74.93	3.13	38.37	69.88	105.48	1.0	0.7	0.971
2014	93.00	93.99	81.06	4.50	44.42	68.02	102.39	2.0	-1.0	0.905
2015	48.80	57.45	46.09	2.70	6.17	36.81	61.45	1.4	-19.7	0.783
Forecast										
2016	45.00	55.20	45.26	2.25	9.09	39.09	59.10	0.0	0.0	0.750
2017	60.00	69.00	57.96	2.95	13.64	51.43	73.88	0.0	4.0	0.800
2018	70.00	78.43	65.88	3.42	25.84	58.46	83.98	1.5	4.0	0.830
2019	80.00	89.41	75.11	3.91	35.35	66.64	95.73	1.5	4.0	0.850
2020	81.20	91.71	77.03	4.20	42.30	68.35	98.19	1.5	1.5	0.850

Escalation Rate of 1.5%/yr thereafter

Notes:

- (1) West Texas Intermediate at Cushing Oklahoma 40 degrees API, 0.5% sulphur.
- (2) Edmonton Light Sweet 40 degrees API, 0.3% sulphur.
- (3) Western Canadian Select at Hardisty, Alberta 20.5 degrees API, source change 2013-07.
- (4) Alberta AECO Spot Gas price assuming 1,000 btu/scf.
- (5) Source change 2013-01.

The weighted average historical prices realized by LPR Canada for the year ended December 31, 2015 were \$51.24/Bbl for crude oil, \$3.01/Mcf for natural gas and \$10.76/Bbl for natural gas liquids.

Reserves Reconciliation

The following tables provide a reconciliation of LPR Canada's gross reserves of crude oil, natural gas and NGLs for the year ended December 31, 2015, presented using forecast prices and costs.

<u>Reserve Category</u>	<u>Factors</u>	<u>Light and Medium Oil (MBbl)</u>	<u>Heavy Oil (MBbl)</u>	<u>Natural Gas (MMcf)</u>	<u>Natural Gas Liquids (MBbl)</u>	<u>Total Oil Equivalent (MBoe)</u>
Proved	December 31, 2014	5,805	133	8,396	206	7,543
	Extensions	308	-	1,483	34	589
	Infill Drilling	1,078	-	2,182	60	1,501
	Improved Recovery	372	-	26	4	380
	Technical Revisions	(904)	29	2,394	71	(405)
	Discoveries	-	-	-	-	-
	Acquisitions	-	-	-	-	-
	Dispositions	-	-	-	-	-
	Economic Factors	(46)	(11)	(788)	(20)	(208)
	Production	(600)	(53)	(1,549)	(34)	(946)
	December 31, 2015	6,012	98	12,143	320	8,453
Probable	December 31, 2014	3,289	202	590	32	3,621
	Extensions	78	-	372	9	148
	Infill Drilling	691	-	3,351	79	1,329
	Improved Recovery	187	-	25	3	194
	Technical Revisions	(1,806)	37	2,110	30	(1,388)
	Discoveries	-	-	-	-	-
	Acquisitions	-	-	-	-	-
	Dispositions	-	-	-	-	-
	Economic Factors	(19)	(4)	(155)	(4)	(53)
	Production	-	-	-	-	-
	December 31, 2015	2,419	235	6,294	148	3,851
Proved Plus Probable	December 31, 2014	9,094	334	8,986	238	11,163
	Extensions	385	-	1,855	43	737
	Infill Drilling	1,768	-	5,534	139	2,830
	Improved Recovery	559	-	51	6	574
	Technical Revisions	(2,710)	66	4,504	101	(1,793)
	Discoveries	-	-	-	-	-
	Acquisitions	-	-	-	-	-
	Dispositions	-	-	-	-	-
	Economic Factors	(65)	(15)	(943)	(24)	(261)
	Production	(600)	(53)	(1,549)	(34)	(946)
	December 31, 2015	8,430	333	18,437	469	12,304

Notes:

- (1) Gross Reserves means LPR Canada's working interest reserves before calculation of royalties, and before consideration of LPR Canada's royalty interests.
- (2) Opening Balances provided by LPR Canada.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are assigned by Sproule in accordance with standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Generally, proved undeveloped reserves are those reserves related to drilling wells or very near producing pools or wells further away from gathering systems requiring relatively high capital to bring on production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Generally probable undeveloped reserves are those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. This category also includes probable reserves assigned to proved undeveloped locations.

Proved Undeveloped Reserves and Year First Attributed

	Light & Medium Oil (MBbl)		Heavy Oil (MBbl)		Natural Gas (MMcf)		Natural Gas Liquids (MBbl)		Oil Equivalent (MBoe)	
	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end
2013	-	4,240	-	-	-	27,624	-	27	-	8,871
2014	-	2,332	-	-	-	167	-	16	-	2,376
2015	1,627	2,427	-	-	2,192	2,220	61	64	2,053	2,861

Probable Undeveloped Reserves and Year First Attributed

	Light & Medium Oil (MBbl)		Heavy Oil (MBbl)		Natural Gas (MMcf)		Natural Gas Liquids (MBbl)		Oil Equivalent (MBoe)	
	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end	First Attributed	Total at Year-end
2013	-	3,243	-	210	-	69,259	-	17	-	15,013
2014	-	2,867	-	202	-	294	-	19	-	3,137
2015	240	1,420	-	204	3,341	3,574	78	82	875	2,302

Notes:

- (1) "First Attributed" refers to the fiscal year during which the reserves were first assigned.

Once Undeveloped Reserves are identified, they are generally scheduled into LPR Canada's development plans. LPR Canada paces its development programs to optimize the value of undeveloped reserves. This pace is affected by changing economic conditions (due to pricing, and operating or capital costs), changing technical conditions (production performance or new data from wells, changing design parameters (such as using horizontal wells, rather than vertical wells, to develop a field), infrastructure constraints (pipeline or facility limitations), and surface access (landowners, weather, and/or regulatory approval). Over 95% of the proved plus probable undeveloped reserves are located in the Evi and Wheatland core area. LPR Canada has planned a program for the development of a portion of the undeveloped reserves in 2016 and 2017, focusing on the Wheatland drilling and Evi waterflood programs.

Significant Factors or Uncertainties Affecting Reserves Data

Uncertainties are inherent in estimating quantities of reserves, including many factors beyond LPR Canada's control. Reserve engineering is a subjective process of estimating subsurface accumulations of oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available

data and its interpretation. As a result, estimates by different engineers often vary, sometimes significantly. In addition, physical factors such as the results of drilling, testing, and production subsequent to the date of an estimate, as well as economic factors such as changes in product prices or development and production expenses, may require revision of such estimates. Accordingly, oil and natural gas quantities ultimately recovered will vary from reserve estimates.

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices, and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions, and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

Other than as discussed above and the various risks and uncertainties that participants in the oil and gas industry are exposed to generally, LPR Canada has not identified significant economic factors or uncertainties that will affect any particular components of the reserves data disclosed herein.

Additional Information Concerning Abandonment & Reclamation Costs

Abandonment and reclamation costs are estimated on an area-by-area basis using Lone Pine's own internal historical costs when available and historical industry costs where necessary or appropriate. If representative comparisons are not readily available, an estimate is prepared based on regulatory requirements. The economic forecasts include abandonment, reclamation and salvage costs associated with existing and future wells with associated reserves. The economic forecasts do not include abandonment and reclamation costs associated with pipelines, facilities or wells that do not have associated reserves. Approximately \$21.3 million (inflated and undiscounted) has been deducted in estimating the net present value of future net revenue of total proved and probable reserves as disclosed herein.

Lone Pine currently estimates that the future abandonment and reclamation obligations in respect of all of its properties (those properties with attributed reserves as well as those properties with no attributed reserves) will be approximately \$111.8 million (reflected in the Lone Pine Annual Financial Statements as decommissioning liabilities obligation of \$70.5 million calculated by escalating costs at 1.7 per cent per year and discounting at liability-specific risk-free rates of approximately 0.7% to 2.2%). For more information, see Note 9 "Decommissioning Liabilities" of the Lone Pine Annual Financial Statements and the section under the heading "Decommissioning Liabilities" in the Lone Pine Annual MD&A attached to this Appendix G as Schedule "C" and Schedule "D", respectively. During 2015, \$1.4 million of actual expenditures were incurred on abandonment and reclamation activities. The following table discloses Lone Pine's estimated abandonment and reclamation costs, inflated at 1.7%, for all owned wells and facilities as at December 31, 2015, calculated both at an undiscounted and at a 10% discount rate:

Abandonment and Reclamation Costs	Undiscounted	Discounted at 10%
(\$M)		
Total at December 31, 2015	111,832	27,011

Future Development Costs

The table below sets out the total development costs deducted in the estimation in the Sproule Report of future net revenue attributable to proved reserves and proved plus probable reserves (using forecast prices and costs).

Future Development Costs	Forecast Prices and Costs (Undiscounted)	
	Proved Reserves	Proved Plus Probable Reserves
Year	(\$M)	(\$M)
2016	415	415
2017	28,447	41,289
2018	22,331	27,507
2019	17,704	20,271
2020	-	-
Remaining	-	-
Total	68,898	89,483

LPR Canada currently expects that the capital required to fund estimated future development costs will be provided from its internally-generated cash flows, borrowings under its credit facility and if necessary, issuance of equity. The costs of funding are not included in the reserves and future net revenue estimates and would reduce reserves and future net revenues to some degree depending upon the funding sources utilized. LPR Canada does not anticipate that the costs of funding would make the development of any property uneconomic. LPR Canada may in the future consider alternative sources of financing in light of new or changing circumstances.

Estimates of reserves and future net revenues have been made assuming the development of each property, in respect of which the estimate is made, will occur, without regard to the likely availability to Lone Pine of funding required for the development. There can be no guarantee that funds will be available or that LPR Canada will allocate funding to develop all of the reserves attributed in the Sproule Report. Failure to develop those reserves would have a negative impact on future funds from operations.

Other Oil and Gas Information

For a description of Lone Pine's important oil and gas properties, please see "General Description of the Business – Description of Principal Properties" in this Appendix G.

Oil and Natural Gas Properties and Wells

The following table sets for the number and status of wells in which LPR Canada held a working interest as of December 31, 2015. A well bore with multiple completions is counted as only one well.

	Oil Wells				Gas Wells			
	Producing		Non-Producing ⁽¹⁾		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	182	162	157	144.4	32	12.8	131	112.2
British Columbia	-	-	-	-	2	1.1	43	34.0
Québec	-	-	-	-	-	-	11	4.4
NWT	-	-	-	-	-	-	3	2.2
Total	182	162	157	144.4	34	13.9	188	152.8

Notes:

(1) Non-producing wells include wells which are capable of producing, but which are currently not producing. Non-producing wells do not include other types of wells such as service wells or wells that have been abandoned.

Lone Pine's properties are located onshore in Canada with close proximity to processing and transportation infrastructure. In respect of properties to which reserves have been attributed and which are capable of producing but which are not producing, approximately 42% of which are gas properties that have been shut-in since May 2015 due to depressed gas prices, with another 55% relating to wells drilled at the Wheatland area but not yet tied-in as of December 31, 2015. The non-producing wells at Wheatland have been tied in and are now producing.

Properties With No Attributed Reserves

The following table summarizes undeveloped acreage in which LPR Canada owned a working interest or held an exploration license as of December 31, 2015. Acreage related to royalty, overriding royalty and other similar interests is excluded from this summary, as well as acreage related to any options held by LPR Canada to acquire additional leasehold interests. At December 31, 2015, 159,116 acres of LPR Canada's net undeveloped acreage will expire in 2016, if not extended by exploration or production activities.

	Undeveloped Acreage	
	Gross	Net
Alberta	285,170	271,570
British Columbia	16,458	12,533
Québec	396,338	238,247
NWT	53,788	52,995
West Coast (offshore)	112,310	112,310
East Coast (offshore)	19,084	343
Total	883,148	687,998

Undeveloped acres are lands that have not been assigned reserves. Undeveloped acres are mineral agreement specific. Where LPR Canada holds interests in different formations under the same surface area pursuant to separate leases, the acreage for each lease is grouped and the surface area is included once in the gross and net amounts. Except for the capital commitments disclosed in the Lone Pine Financial Statements (as defined below) for the year ended December 31, 2015, LPR Canada does not have any other material work commitments related to its undeveloped acres in 2016.

LPR Canada's land assets range from discovery areas where tenure to the property is held indefinitely by hydrocarbon test results or production to exploration areas in the early stages of evaluation. LPR Canada continually reviews the economic viability and ranking of these unproved properties on the basis of product pricing, capital availability and allocation and level of infrastructure development in any specific area. From this process, some properties are scheduled for economic development activities while others are temporarily held inactive, sold, swapped or allowed to expire and relinquished back to the mineral rights owner.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

Québec Utica Shale Properties

In March 2011, the Government of Québec announced that it would move forward with a strategic environmental assessment ("SEA") of the shale gas industry in the province as recommended by the province's environmental advisory agency, the Bureau d'audiences publiques sur l'environnement, which had conducted an inquiry into the sustainable development of the shale gas industry in Québec.

Further in June 2011, the Québec National Assembly passed, *An Act to limit oil and gas activities*. This statute was proclaimed into force on June 13, 2011. It exempted holders of exploration licenses from prescribed exploration work requirements and effectively extended the term of such licenses until June 2014, a deadline that was indefinitely extended in 2014 to a date to be determined by the government. It also prohibited oil and gas activities in the St. Lawrence River upstream of Anticosti Island and on the islands situated in that part of the river and revoked, without compensation, oil and gas rights previously issued for that area.

LPR Canada held exploration rights to 33,460 net acres of undeveloped lands under the St. Lawrence River, representing approximately 14% of LPR Canada's overall net acres in Québec, that were revoked by *An Act to limit oil and gas activities*. On November 8, 2012, Lone Pine filed a Notice of Intent to Submit a Claim to Arbitration under the North American Free Trade Agreement against the Government of Canada in response to the expropriation without compensation effected by Province of Québec through this statute. That arbitration remains ongoing.

After the completion of the SEA on shale gas in 2014, the Government of Québec commissioned a strategic environmental assessment of the oil and gas industry in Québec and committed to introducing new hydrocarbon legislation based on the findings of this new SEA. In April 2016, the Government of Québec released its *Energy Policy 2030*, under which the Government of Québec, among many things, expresses an intention to adopt a new approach for fossil fuels and plans to further clarify the legal framework governing such projects. In June 2016, the Government of Québec introduced Bill 106 at the National Assembly, which, among other things, introduces the new proposed *Petroleum Resources Act* to regulate the exploration, development and production of hydrocarbons in Québec.

As a result of the SEA, LPR Canada has deferred further field activity in the interim. No reserves are attributed to Lone Pine's Québec properties

Laird Properties

Due to the remote location and geology of the Liard properties, drilling and capital costs are much higher than other LPR Canada assets. To date, LPR Canada's development activities on the Liard properties have been limited to re-entering and recompleting an existing non-producing vertical test well in order to increase LPR Canada's understanding of the asset. As a result of the continuing depressed pricing of natural gas, it is not economical to develop the Liard properties. Certain competitors are taking part in LNG projects on the west coast of British Columbia, which may enhance the economic viability of developing the Liard basin, however, these LNG projects are still a number of years away from being developed. Furthermore, it is anticipated that many of these prospective LNG projects will secure supply from the Montney and Horn River gas fields that are currently being developed before the Liard Basin. In summary, development of the Liard properties is subject to significant economic hurdles and the timing of development is uncertain.

Forward Contracts

LPR Canada is exposed to market risks resulting from fluctuations in commodity prices, power prices, foreign exchange rates and interest rates in the normal course of operations. LPR Canada maintains a risk management program to reduce the volatility of revenues, increase the certainty of funds from operations, and to protect acquisition and development economics. LPR Canada may also potentially be exposed to losses in the event of default by the counterparties to these derivative instruments. LPR Canada manages this risk by diversifying its derivative portfolio among a number of financially sound counterparties, including counterparties among Lone Pine's lending syndicate, and by monitoring their ongoing credit risks. Lone Pine's risk management program is governed by certain guidelines approved by the Board of Directors. These guidelines permit hedging up to a maximum of 75% of production from currently developed properties for up to three (3) years. Further to these authorizations, the Board of Directors may approve hedging higher percentages of production or longer term hedging transactions to mitigate risks relating to, and protecting the economics of major capital expenditures, including acquisitions. The Audit and Reserves Committee of the Board of Directors reviews policies, procedures and provides oversight to management in the areas of financial and business risks including activities related to LPR Canada's hedging program. A summary of financial and physical contracts in respect of hedging activities can be found in Note 19 "Financial Instruments, Fair Values and Risk Management" to the Lone Pine Annual Financial Statements for the year ended December 31, 2015.

Tax Horizon

LPR Canada was not required to pay any cash income taxes for the period ended December 31, 2015. Based on current estimates of future taxable income and levels of tax deductible expenditures, management believes that LPR Canada will not be required to pay cash income taxes in 2016 and does not anticipate being in a cash income tax payable situation through 2068 and beyond at the currently anticipated rate of capital expenditures and forecasted commodity prices.

Costs Incurred

The following table summarizes property acquisition costs, exploration costs, and development costs incurred by LPR Canada for the year ended December 31, 2015.

Expenditures	(\$M)
Property acquisition (disposition) costs, net - proved properties	(150)
Property acquisition (disposition) costs, net - unproved properties ⁽¹⁾	9,288
Exploration Costs ⁽²⁾	-
Development Costs ⁽³⁾	13,733
Non-oil and gas assets	1,756
Total	24,627

Notes:

- (1) Cost of land acquired, lease rentals on unproved properties. Unproved properties are included in table titled "Properties with No Attributed Reserves".
- (2) Geological and geophysical costs and drilling and completion costs for exploratory wells.
- (3) Drilling and completion costs for development wells and equipping, tie in and facility costs for all wells.

Exploration and Development Activities

The following table summarizes LPR Canada's gross participation and net interest in wells drilled by LPR Canada during the year ended December 31, 2015.

	Development		Exploratory	
	Gross	Net	Gross	Net
Oil wells	4	3.95	-	-
Gas wells	-	-	-	-
Service wells	-	-	-	-
Stratigraphic test wells	-	-	-	-
Dry holes	-	-	-	-
Total	4	3.95	-	-

Production Estimates

The following tables summarize the annual gross production volumes for 2016 estimated by Sproule for properties held on December 31, 2015 using forecast prices and costs, all of which will be produced in Canada. These estimates assume certain activities take place, such as the development of Undeveloped Reserves, and that there are no dispositions.

	Light & Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	Total Oil Equivalent
	(Bbls/d)	(Bbls/d)	(Mcf/d)	(Bbls/d)	(Boe/d)
Proved Producing					
Evi	1,328	-	485	49	1,458
Wheatland	75	-	179	4	109
Hayter	-	44	231	-	83
Non-op / Other	-	-	3,024	22	526
Total Proved Producing	1,403	44	3,919	75	2,175
Proved					
Evi	1,330	-	486	50	1,461
Wheatland	273	-	1,343	31	528
Hayter	-	44	231	-	83
Non-op / Other	-	-	3,024	21	525
Total Proved	1,603	44	5,084	102	2,596
Probable					
Evi	76	-	29	3	84
Wheatland	53	-	225	5	96
Hayter	-	1	8	-	2
Non-op / Other	-	-	84	1	15
Total Probable	129	1	346	9	197
Proved Plus Probable					
Evi	1,406	-	514	52	1,544
Wheatland	327	-	1,568	36	624
Hayter	-	45	239	-	85
Non-op / Other	-	-	3,109	23	540
Total Proved Plus Probable	1,732	45	5,430	111	2,793

Production History

The following table discloses, on a quarterly basis for the year ended December 31, 2015, LPR Canada's share of average gross daily production volume.

	Light and Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	Total (Boe/d)
	(Bbls/d)	(Bbls/d)	(Mcf/d)	(Bbls/d)	
Evi	1,629	-	446	48	1,751
Wheatland	26	-	48	1	35
Hayter	-	145	214	-	181
Non-op / Other	20	-	3,869	20	685
Total (Boe/d)	1,675	145	4,577	69	2,652

The following table summarizes, on a quarterly basis for the year ended December 31, 2015, certain information in respect of the product prices received, royalties paid, production costs incurred and resulting netback for LPR Canada.

	Quarters Ended 2015			
	Q1	Q2	Q3	Q4
Average Daily Production ⁽¹⁾				
Light and medium oil (Bbls/d)	1,789	1,668	1,565	1,679
Heavy oil (Bbls/d)	172	153	135	120
Natural gas (Mcf/d)	5,267	4,590	4,336	4,130
Natural gas liquids (Bbls/d)	80	67	64	63
Total (Boe/d)	2,919	2,653	2,487	2,551
Average Prices Received				
Light and medium oil (\$/Bbl)	46.92	63.62	52.09	48.04
Heavy oil (\$/Bbl)	33.25	47.51	35.44	26.20
Natural gas (\$/Mcf)	3.41	2.92	3.05	2.56
Natural gas liquids (\$/Bbl)	11.54	9.09	5.69	17.08
Total (\$/Boe)	37.18	48.01	40.17	37.44
Royalties				
Light and medium oil (\$/Bbl)	3.32	1.97	3.80	4.26
Heavy oil (\$/Bbl)	3.00	3.55	2.72	1.65
Natural gas (\$/Mcf)	(0.12)	(0.14)	(0.10)	0.10
Natural gas liquids (\$/Bbl)	2.83	5.54	5.58	5.32
Total (\$/Boe)	2.08	1.34	2.51	3.18
Production Costs ⁽²⁾⁽³⁾				
Light and medium oil (\$/Bbl)	19.05	18.56	19.71	18.60
Heavy oil (\$/Bbl)	29.81	25.88	30.20	42.12
Natural gas (\$/Mcf)	2.31	(0.39)	1.70	0.18
Natural gas liquids (\$/Bbl)	16.78	11.48	17.06	14.80
Total (\$/Boe)	18.44	13.63	17.87	15.92
Netback Received				
Light and medium oil (\$/Bbl)	24.54	43.09	28.58	25.19
Heavy oil (\$/Bbl)	0.44	18.08	2.52	(17.57)
Natural gas (\$/Mcf)	1.22	3.45	1.45	2.28
Natural gas liquids (\$/Bbl)	(8.08)	(7.92)	(16.95)	(3.16)
Total (\$/Boe)	16.66	33.04	19.79	18.34

Notes:

- (1) Before the deduction of royalties.
- (2) Operating costs are composed of direct costs incurred to operate both oil and natural gas wells. A number of assumptions are required to allocate these costs between product types.
- (3) Operating recoveries associated with operated properties are charged to operating costs and accounted for as a reduction to general and administrative costs.

FINANCIAL STATEMENT DISCLOSURE & MANAGEMENT DISCUSSION AND ANALYSIS

Lone Pine's Management's Discussion and Analysis for the three-month period ended March 31, 2016 (the "**Lone Pine Interim MD&A**") and the Interim Unaudited Combined and Consolidated Financial Statements for the three-month period ended March 31, 2016 and 2015 and the related notes thereto (the "**Lone Pine Interim Financial Statements**") are attached to this Appendix G as Schedule "C". Lone Pine's Management's Discussion and Analysis for the years ended December 31, 2015, 2014 and 2013 (the "**Lone Pine Annual MD&A**", and together with the Lone Pine Interim MD&A, the "**Lone Pine MD&A**") and the Annual Audited Combined and Consolidated Financial Statements for the years ended December 31, 2015, 2014 and 2013 and the related notes thereto (the "**Lone Pine Annual Financial Statements**", and together with the Lone Pine Interim Financial Statements, the "**Lone Pine Financial Statements**") are attached to this Appendix G as Schedule "D". The Lone Pine MD&A should be read in conjunction with the Lone Pine Financial Statements.

SELECTED FINANCIAL DATA

The following selected financial data with respect to the Lone Pine Financial Statements for the periods covered therein are derived from Lone Pine Financial Statements. The following information should be read in conjunction with the Lone Pine Financial Statements and the Lone Pine MD&A attached to this Appendix G as Schedule "C" and Schedule "D".

Amounts in thousands, except per share data.

	Three-Months Ended March 31,		Years Ended December 31,		
	2016	2015	2015	2014	2013
Combined and Consolidated Statements of Financial Position					
Total Assets	195,542	205,343	198,905	207,192	462,986
Accounts Receivable	5,092	6,825	6,582	7,069	10,319
Property and Equipment	116,725	103,295	115,272	104,480	345,460
Total Liabilities	266,312	241,952	272,967	222,619	423,667
Shareholders' Equity (Deficit)	(70,770)	(36,609)	(74,062)	(15,427)	(18,150)
Combined and Consolidated Statements of Loss and Comprehensive Loss					
Revenue, net of royalties	6,554	9,224	37,145	98,011	108,012
Realized and unrealized gains (losses) on derivative instruments	4,437	799	9,942	13,573	(7,633)
Expenses	7,794	31,613	106,923	184,979	259,359
Net Loss and Comprehensive Loss	3,197	(21,590)	(59,894)	(73,395)	(158,980)
Combined and Consolidated Statement of Changes in Equity (Deficit)					
Total Deficit	(70,770)	(36,609)	(74,062)	(15,427)	(18,150)
Combined and Consolidated Statements of Cash Flows					
Operating Activities	526	4,210	20,767	30,493	12,805
Financing Activities	-	-	(217)	(81,634)	18,297
Investing Activities	(9,372)	(850)	(22,787)	60,060	(24,791)

DESCRIPTION OF SHARE CAPITAL

LPRI

The authorized capital of LPRI consists of an unlimited number of LPRI Class B Stock and an unlimited number of LPRI Class A Stock (which are collectively referred to as "**LPRI Shares**"), of which, 74,999,996 shares of LPRI Class B Stock and 24,985,757 shares of LPRI Class A Stock are issued and outstanding as at the date hereof.

The terms governing the LPRI Shares are summarized below.

LPRI Shares

- Substantial economic equivalency – The LPRI Shares are substantially economically equivalent, differing only with respect to the number of votes attached to each share.
- Convertibility – The LPRI Shares are not convertible into shares of any other class.
- Redemption – The LPRI Shares are not subject to optional or automatic redemption as of right.
- Voting – Holders of LPRI Shares are entitled to vote on all matters on which stockholders generally are entitled to vote; provided, however, that except as otherwise required by law or its certificate of incorporation holders of LPRI Shares, as such, shall not be entitled to vote on any amendment to the certificate that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled to vote thereon. On any such vote, for each share held of record: (a) holders of LPRI Class B Stock are entitled to such number of votes per share as is initially equal to one and thereafter increases by the annual 10% Accretion Rate; and (b) holders of LPRI Class A Stocks will be entitled to one vote. "**Accretion Rate**" means: (i) with respect to the LPR Canada Preferred Shares, the 10% per annum rate at which the redemption price per share of the LPR Canada Preferred Shares (which shall initially be equal to the price at which they were initially issued) will increase over time; and (b) with respect to the LPRI Class B Stocks, the 10% per annum rate at which the number of votes attached to each LPRI Class B Stock (which shall initially be one vote per share), will increase over time.
- Dividends – Subject to the rights (if any) of the holders of shares ranking in priority to the LPRI Shares, holders of LPRI Shares are entitled to receive such dividends and other distributions (payable in cash, capital stock of LPRI or otherwise) when, as and if declared thereon by the LPRI Board from time to time out of any assets or funds of LPRI legally available thereof, and share equally on a per share basis (*pari passu* as between the LPRI Class B Stocks and the LPRI Class A Stocks) in such dividends and distributions.
- Distributions on liquidation – In the event of any voluntary or involuntary liquidation, dissolution or winding-up of LPRI, after payment or provision for payment of the debts and other liabilities of LPRI, and subject to the rights (if any) of the holders of preferred stock in respect thereof, the holders of LPRI Shares shall be entitled to receive all of the remaining assets of LPRI available for distribution to its stockholders, ratably (*pari passu* as between the LPRI Class B Stocks and the LPRI Class A Stocks) in proportion to the number of LPRI Shares held by them. For this purpose a liquidation, dissolution or winding-up of LPRI does not include any consolidation or merger of LPRI with or into any other corporation(s) or other entity or a sale, lease, exchange or conveyance of all or part of the assets of LPRI.
- Shareholder protections and other provisions – In addition to the share terms described herein, holders of LPRI Shares are subject to the shareholder protections and other provisions described under "*Shareholder Protections and Other Provisions*" in this Appendix G.

LPRI Canada

The authorized capital of LPR Canada consists of an unlimited number of LPR Canada Preferred Shares, an unlimited number of LPR Canada Class A Voting Common Shares (referred to in the Circular, collectively, as "**LPR Canada**")

Shares") and one LPR Canada Class C Multiple Voting Shares, of which, 74,999,996 LPR Canada Preferred Shares, 24,985,757 LPR Canada Common Shares and 1 LPR Canada Class C Multiple Voting Share are issued and outstanding as at the date hereof.

The terms governing the LPR Canada Shares and LPR Canada Class C Multiple Voting Share are summarized below.

LPR Canada Preferred Shares

- Preferred shares issuable in series – LPR Canada is authorized to issue an unlimited number of preferred shares, issuable in series. The LPR Canada Preferred Shares constitute the first series of preferred shares. Any additional series of preferred shares will consist of such number of shares as may, before the issuance thereof, be determined by the LPR Canada Board, and subject to the requirements of the ABCA, the LPR Canada Board may from time to time fix, before the issuance thereof, the designation, rights, privileges, restrictions and conditions attaching to each such additional series of preferred shares.
- Convertibility – For so long as the LPR Canada Class C Multiple Voting Share is outstanding, the LPR Canada Preferred Shares are convertible into LPR Canada Class B Non-Voting Common Shares. From and after the time that the LPR Canada Class C Multiple Voting Share is redeemed or otherwise cancelled (a "Class C Event"), the LPR Canada Preferred Shares will be convertible into LPR Canada Common Shares. In either case, the number of LPR Canada Common Shares or LPR Canada Class B Non-Voting Common Shares (as applicable, the "Underlying Shares") into which each LPR Canada Preferred Share is convertible will be based on a conversion ratio determined by dividing (x) the then-applicable redemption price of the LPR Canada Preferred Shares by (y) the conversion price of the LPR Canada Preferred Shares. The redemption price and conversion price were both, as at January 31, 2014, equal to the issue price, such that the LPR Canada Preferred Shares were initially convertible into LPR Canada Class B Non-Voting Common Shares on a one-for-one basis. Thereafter, the redemption price increases by the annual 10% Accretion Rate, resulting in an escalating conversion ratio. The conversion price is also subject to downward anti-dilution adjustment, on a weighted-average basis, in the event of any future issuance of participating shares (or securities convertible into participating shares) at a price per share that is less than the then-applicable conversion price. Any such reduction in the conversion price will result in a corresponding increase in the conversion ratio and therefore the number of Underlying Shares into which each LPR Canada Preferred Share is convertible. The conversion price, and the number and type of securities to be received on conversion, are also subject to adjustment in the event of any stock split, stock dividend, share consolidation or reclassification, or any distribution to holders of other participating shares or capital reorganizations without, in either case, a corresponding equivalent distribution on or change in respect of the LPR Canada Preferred Shares.

Conversion of LPR Canada Preferred Shares into Underlying Shares is at the holder's option, except that in the event of an initial public offering (whether on a treasury or secondary basis) of shares of LPR Canada pursuant to a prospectus or registration statement filed with a receipted or declared effective, as applicable, under applicable securities laws, and following which the shares of LPR Canada are listed or quoted on the TSX, NYSE or NASDAQ Stock Market or other recognized stock exchange in Canada ("IPO") all LPR Canada Preferred Shares will automatically convert to Underlying Shares.

- Redemption – The LPR Canada Preferred Shares are redeemable, in whole or in part, after January 31, 2018, at the option of LPR Canada and January 31, 2022 at the option of the holder at a price per share equal to their issue price plus the annual 10% Accretion Rate (plus any declared but unpaid dividends thereon). The redemption price will be paid, at the holder's election, in cash or through the issuance of Underlying Shares having a fair market value (as determined by the LPR Canada Board but subject to the right of the holders of a majority of the LPR Canada Preferred Shares to object and have the fair market value determined by an independent nationally-recognized valuator) equal to the then-applicable redemption price; provided that, if the holder elects to receive the redemption price in cash, it shall only be entitled to receive a cash amount for the redeemed LPR Canada Preferred Shares up to the paid-up capital (calculated in accordance with the Tax Act of such redeemed LPR Canada Preferred Shares and any amounts owing in respect of the redemption price in excess of such paid-up capital amount shall be paid through the issuance of LPR Canada Common

Shares having a fair market value equal to the excess amount owing. If LPR Canada exercises its redemption right, holders will be given at least ten (10) business days' notice of the redemption and, until a specified time on the redemption date, will remain entitled to exercise their conversion rights in respect of each affected LPR Canada Preferred Share. Any partial redemption by LPR Canada shall be effected on a *pro rata* basis.

In addition, in connection with any "**Change of Control**" (as defined below), a holder of LPR Canada Preferred Shares has the right to elect either (i) to require that its LPR Canada Preferred Shares be repurchased by LPR Canada for an amount (the "**Change of Control Price**") equal to the greater of (A) the then-applicable redemption price, and (B) the amount that the holder would have received pursuant to the Change of Control as a holder of Underlying Shares had the holder converted that LPR Canada Preferred Share into Underlying Shares immediately prior to the Change of Control, or (ii) to convert such holder's LPR Canada Preferred Shares, immediately prior to the occurrence of the Change of Control, into Underlying Shares. If the holder elects to require that its LPR Canada Preferred Shares be repurchased, the Change of Control Price shall be payable, at the holder's election, in cash or through the issuance of Underlying Shares, or a combination thereof; provided that, if the holder elects to receive the Change of Control Price in cash, it shall only be entitled to receive a cash amount for the repurchased LPR Canada Preferred Shares up to the paid-up capital (calculated in accordance with the Tax Act) of such repurchased LPR Canada Preferred Shares, and any amounts owing in respect of the Change of Control Price in excess of such paid-up capital amount shall be paid through the issuance of Class A Common Shares having a fair market value equal to the excess amount owing.

Each holder of LPR Canada Preferred Shares who elects to redeem its LPR Canada Preferred Shares for cash or have its LPR Canada Preferred Shares repurchased for cash in connection with a Change of Control, and who receives LPR Canada Common Shares upon such redemption or repurchase in payment of any amounts owing in respect of the redemption price or the Change of Control Price (as applicable) in excess of the paid-up capital of such redeemed or repurchased LPR Canada Preferred Shares, has the right (a "**Class A Put Right**"), exercisable only during the 30-day period following the issuance of such LPR Canada Common Shares, to require LPR Canada to purchase the LPR Canada Common Shares issued in respect of such redemption or repurchase (but not other LPR Canada Common Shares held by such holder) for a cash amount equal to the fair market value of such shares.

For purposes of the foregoing, a "**Change of Control**" means: (i) prior to a Class C Event, the acquisition, directly or indirectly, and by any means whatsoever, by any one person or group of persons acting jointly or in concert, of 75% of the outstanding shares of LPRI; (ii) the acquisition, directly or indirectly, and by any means whatsoever, by any one person or group of persons acting jointly or in concert, of 75% of the issued and outstanding shares of LPR Canada; or (iii) the sale by LPR Canada of all or substantially all of its assets.

- Voting – The LPR Canada Preferred Shares are non-voting shares except in those limited circumstances required by law and with respect to Majority Actions described below under "*Special approval rights*", and holders thereof are not entitled to receive notice of or to attend at meetings of LPR Canada shareholders unless otherwise required by law. After a Class C Event, however, holders of LPR Canada Preferred Shares will be entitled to receive notice of and attend at any meeting at which the holders of LPR Canada Common Shares are entitled to vote, and to vote at any such meeting (or in respect of any written resolution in lieu thereof) together with the holders of LPR Canada Common Shares, as a single class, on the basis of, for each LPR Canada Preferred Share held, such number of votes (calculated to four (4) decimal places) as is equal to the number of Class A Common Shares into which the LPR Canada Preferred Shares is convertible immediately prior to the record date for the meeting.
- Special approval rights – The following matters ("**Majority Actions**") require the approval of the holders of the LPR Canada Preferred Shares:
 - any authorization or issuance of, or agreement to authorize or issue, any equity securities of LPR Canada, or securities or rights of any kind convertible into or exchangeable for any equity securities of LPR Canada (including, without limitation, the adoption of any new stock option or other equity compensation plan after the Plan Implementation Date), other than awards authorized by the LPR

Canada Board and made pursuant to any stock option or other equity compensation plan in effect on January 31, 2014 or thereafter implemented and approved, as applicable, in accordance with the share provisions;

- any material amendment, modification or restatement of the articles or bylaws of LPR Canada, or any modification of the number of directors constituting the entire LPR Canada Board;
- any declaration or payment of any dividend or other distribution on or in respect of any shares in the capital of LPR Canada;
- other than in respect of a redemption of the LPR Canada Preferred Shares in accordance with their terms, any redemption, purchase, repurchase or other acquisition for value of any equity securities of LPR Canada (other than pursuant to an employee benefit plan, agreement or arrangement);
- completion of any IPO of shares by LPR Canada;
- any amalgamation, merger or consolidation of LPR Canada with or into one or more persons, or sale or transfer of all or substantially all of the assets of LPR Canada;
- any recapitalization or reorganization or any voluntary liquidation of LPR Canada under applicable bankruptcy or reorganization legislation, or the dissolution or winding up of LPR Canada;
- other than a credit facility of LPR Canada in effect as of January 31, 2014 and drawings thereunder, LPR Canada issuing or becoming liable for any long-term indebtedness in excess of US\$10 million individually or US\$20 million in the aggregate;
- any acquisition by LPR Canada of assets or equity securities of any entity in excess of US\$10 million individually, or US\$20 million in the aggregate;
- any material change in accounting methods or policies of the LPR Canada; and
- any change in auditor of LPR Canada.

Approval of any Majority Action by the holders of the LPR Canada Preferred Shares may be given by: (a) written consent signed by the holders of a majority of LPR Canada Preferred Shares then outstanding; or (b) a resolution passed at a meeting of holders of LPR Canada Preferred Shares by a majority of votes cast by holders who voted in respect of the resolution.

- Dividends – Subject to the prior rights and privileges (if any) attaching to any other class of LPR Canada shares, holders of LPR Canada Preferred Shares have the right to receive dividends at such times and in such amounts as the LPR Canada Board may in its discretion from time to time declare. In addition, any dividend declared on the LPR Canada Common Shares, LPR Canada Class B Non-Voting Common Shares and/or LPR Canada Class C Multiple Voting Share shall be shared on a *pari passu* basis between the holders of such shares and the holders of the LPR Canada Preferred Shares, *pro rata* according to the number of shares held (calculated, in the case of the LPR Canada Preferred Shares, on an "as converted" basis as if all had been converted into Underlying Shares immediately prior to the dividend record date).
- Distributions on liquidation – In the event of a voluntary or involuntary liquidation of LPR Canada under applicable bankruptcy or reorganization legislation, any distribution to shareholders following a sale of all or substantially all of its assets, or the dissolution or winding-up of LPR Canada (a "**Liquidation Event**"), each holder of LPR Canada Preferred Shares has a preferred right to receive, in cash or other assets, for each LPR Canada Preferred Share held, from out of (but only the extent of) the property of LPR Canada legally available for distribution to shareholders, before any payment or other distribution is made on any other class of shares, an amount (the "**Preferred Share Liquidation Preference**") equal to the greater of: (a) the then-applicable redemption price (as increased by the annual 10% Accretion Rate); and (b) the amount the holder

would have received as a holder of that number of Underlying Shares into which the Series 1 Preferred Share was then convertible assuming that all LPR Canada Preferred Shares were converted into Underlying Shares immediately prior to the Liquidation Event.

- Shareholder protections and other provisions – In addition to the share terms described herein, holders of LPR Canada Preferred Shares will be subject to the shareholder protections and other provisions described under "*Shareholder Protections and Other Provisions*" in this Appendix G.

LPR Canada Common Shares

- Substantial economic equivalency – The LPR Canada Common Shares are substantially economically equivalent to the LPR Canada Class B Non-Voting Common Shares issuable on conversion of the LPR Canada Preferred Shares prior to a Class C Event (or redemption to the extent that the redemption price is paid through the issuance of LPR Canada Class B Non-Voting Common Shares).
- Convertibility – The LPR Canada Common Shares are not convertible into shares of any other class. After a Class C Event, however, and until consummation of an IPO, the LPR Canada Common Shares and the LPR Canada Class B Non-Voting Common Shares will become inter-convertible on a one-for-one basis. The LPR Canada Common Shares will cease to be convertible upon consummation of an IPO (which, as described below, will cause all outstanding LPR Canada Class B Non-Voting Common Shares to automatically convert to LPR Canada Common Shares).
- Redemption – The LPR Canada Common Shares are not subject to optional or automatic redemption as of right.
- Voting – Holders of LPR Canada Common Shares are entitled to receive notice of and attend at any meeting of LPR Canada Shareholders (except meetings at which only holders of a different class of shares are entitled to vote), and are entitled to vote at any such meeting (or in respect of any written resolution in lieu thereof) on the basis of one (1) vote for each LPR Canada Class A Common Share held, unless otherwise required by applicable law. From and after a Class C Event, holders of LPR Canada Common Shares will vote together with the holders of LPR Canada Preferred Shares, as single class, on all matters submitted to a vote or consent of shareholders.
- Dividends – Subject to the prior rights and privileges (if any) attaching to any other class of shares of LPR Canada (including the LPR Canada Preferred Shares), holders of LPR Canada Common Shares will have the right to receive dividends at such times and in such amounts as the LPR Canada Board may in its discretion from time to time declare, provided that any such dividend shall be shared on a *pari passu* basis between the holders of the LPR Canada Preferred Shares, the LPR Canada Common Shares, the LPR Canada Class B Non-Voting Common Shares and the LPR Canada Class C Multiple Voting Share, *pro rata* according to the number of shares held (calculated, in the case of the LPR Canada Preferred Shares, on an "as converted" basis as if all had been converted into Underlying Shares immediately prior to the dividend record date).
- Distributions on liquidation – In the event of a Liquidation Event, provided that the total Preferred Share Liquidation Preference has been satisfied in respect of all LPR Canada Preferred Shares, and subject to the prior rights and privileges (if any) attaching to any other class of LPR Canada shares, each holder of LPR Canada Common Shares have the right to receive, in cash or other assets, for each Class A Common Share held, from out of (but only the extent of) the remaining property of LPR Canada legally available for distribution to shareholders, its *pro rata* share of such remaining property based on the number of outstanding common shares, and rank *pari passu* with the holders of all other classes of common shares with respect to any such distribution.
- Shareholder protections and other provisions – In addition to the share terms described herein, holders of LPR Canada Common Shares are subject to the shareholder protections and other provisions described under "*Shareholder Protections and Other Provisions*" in this Appendix G.

LPR Canada Class B Non-Voting Common Shares

- *Substantial economic equivalency* – The LPR Canada Class B Non-Voting Common Shares are substantially economically equivalent to the LPR Canada Common Shares.
- *Convertibility* – The LPR Canada Class B Non-Voting Common Shares are not convertible into shares of any other class. After a Class C Event, however, and until consummation of an IPO, the LPR Canada Common Shares and the LPR Canada Class B Non-Voting Common Shares will become inter-convertible on a one-for-one basis, and upon consummation of an IPO all outstanding LPR Canada Class B Non-Voting Common Shares will automatically convert to LPR Canada Common Shares on a one-for-one basis.
- *Redemption* – The LPR Canada Class B Non-Voting Common Shares are not subject to optional or automatic redemption as of right.
- *Voting* – The LPR Canada Class B Non-Voting Shares are non-voting shares except in those limited circumstances required by law, and holders thereof are not entitled to receive notice of or to attend at meetings of LPR Canada Shareholders unless otherwise required by law.
- *Dividends* – Subject to the prior rights and privileges (if any) attaching to any other class of shares of LPR Canada (including the LPR Canada Preferred Shares), holders of LPR Canada Class B Non-Voting Common Shares have the right to receive dividends at such times and in such amounts as the LPR Canada Board may in its discretion from time to time declare, provided that any such dividend shall be shared on a *pari passu* basis between the holders of the LPR Canada Preferred Shares, the LPR Canada Common Shares, the LPR Canada Class B Non-Voting Common Shares and the LPR Canada Class C Multiple Voting Share, *pro rata* according to the number of shares held (calculated, in the case of the LPR Canada Preferred Shares, on an "as converted" basis as if all had been converted into Underlying Shares immediately prior to the dividend record date).
- *Distributions on liquidation* – In the event of a Liquidation Event, provided that the total Preferred Share Liquidation Preference has been satisfied in respect of all LPR Canada Preferred Shares, and subject to the prior rights and privileges (if any) attaching to any other class of LPR Canada shares, each holder of LPR Canada Class B Non-Voting Common Shares will have the right to receive, in cash or other assets, for each Class B Non-Voting Common Share held, from out of (but only the extent of) the remaining property of LPR Canada legally available for distribution to shareholders, its *pro rata* share of such remaining property based on the number of outstanding common shares, and shall rank *pari passu* with the holders of all other classes of common shares with respect to any such distribution.
- *Shareholder protections and other provisions* – In addition to the share terms described herein, holders of LPR Canada Class B Non-Voting Common Shares are subject to the shareholder protections and other provisions described under "*Shareholder Protections and Other Provisions*" in this Appendix G.

LPR Canada Class C Multiple Voting Share

- *Convertibility* – The LPR Canada Class C Multiple Voting Share is not convertible into shares of another class.
- *Redemption* – The LPR Canada Class C Multiple Voting Common Share is redeemable for nominal consideration at the option of the holder.
- *Voting* – The holder of the LPR Canada Class C Multiple Voting Share is entitled to receive notice of and attend at any meeting of LPR Canada Shareholders (except meetings at which only holders of a different class of shares are entitled to vote), and is entitled to vote at any such meeting (or in respect of any written resolution in lieu thereof) on the basis of such 75,000,000 votes.

- Dividends – Subject to the prior rights and privileges (if any) attaching to any other class of shares of LPR Canada (including the LPR Canada Preferred Shares), the holder of the LPR Canada Class C Multiple Voting Share has the right to receive dividends at such times and in such amounts as the LPR Canada Board may in its discretion from time to time declare, provided that any such dividend shall be shared on a *pari passu* basis between the holders of the LPR Canada Preferred Shares, the LPR Canada Common Shares, the LPR Canada Class B Non-Voting Common Shares and the LPR Canada Class C Multiple Voting Share, *pro rata* according to the number of shares held (calculated, in the case of the LPR Canada Preferred Shares, on an "as converted" basis as if all had been converted into Underlying Shares immediately prior to the dividend record date).
- Distributions on liquidation – In the event of a Liquidation Event, provided that the total Preferred Share Liquidation Preference has been satisfied in respect of all LPR Canada Preferred Shares, and subject to the prior rights and privileges (if any) attaching to any other class of LPR Canada shares, the holder of the LPR Canada Class C Multiple Voting Share has the right to receive, in cash or other assets, for each Class C Multiple Voting Common Share held, from out of (but only the extent of) the remaining property of LPR Canada legally available for distribution to shareholders, its *pro rata* share of such remaining property based on the number of outstanding common shares, and shall rank *pari passu* with the holders of all other classes of common shares with respect to any such distribution.
- Shareholder protections and other provisions – In addition to the share terms described herein, the holder of LPR Canada Class C Multiple Voting Share will be subject to the provisions described under "Shareholder Protections and Other Provisions" in this Appendix G.

Shareholder Protections and Other Provisions

In addition to the share terms described above, the following shareholder protections and other provisions are currently included in the articles of LPR Canada and the certificate of incorporation of LPRI.

Tag-Along Rights

In the event holder(s) of 50% or more of the outstanding Lone Pine Shares of either LPR Canada or LPRI (each, a "**Lone Pine Entity**") (determined on an as-converted basis) wish to sell 90% or more of their Lone Pine Shares, or one or more shareholders seeks to sell Lone Pine Shares representing more than 35% of the outstanding Lone Pine Shares (determined on an as-converted basis) to a single purchaser (or group of purchasers acting jointly or in concert), then each other shareholder of the Lone Pine Entity shall have the right to have a *pro rata* portion of its Lone Pine Shares included in the sale on the same terms (which shall be determined on an as-converted basis).

Drag-Along Rights

In the event holders of at least 66⅔% of the outstanding Lone Pine Shares (determined on an as-converted basis) wish to sell all of their Lone Pine Shares to a single purchaser (or group of purchasers acting jointly or in concert), they will have the right to force the other shareholders of the Lone Pine Entity to sell all of their Lone Pine Shares on the same terms (which shall be determined on an as-converted basis), thereby enabling a sale of the entire Lone Pine Entity.

Pre-emptive Rights

If, prior to an IPO, the Lone Pine Entity wishes to issue equity securities (or any securities convertible into or exchangeable for equity securities of the Lone Pine Entity, including convertible debt securities) other than (i) pursuant to an IPO, (ii) equity-based compensation or incentive awards in favour of directors, officers, employees or consultants of the Lone Pine Entity or any of its subsidiaries, or (iii) in respect of share splits, share dividends or similar capital reorganizations, it shall offer such securities to each shareholder *pro rata* in proportion to the number of the Lone Pine Shares held by such shareholder at the time of the offer prior to selling such securities to non-shareholders; provided that such offer may, in the Lone Pine Entity's discretion, be rescinded if holders of more than 66⅔% of the outstanding Lone Pine Shares (determined on an as-converted basis) decline such offer.

Registration Rights

Pursuant to the terms of a registration rights agreement dated July 9, 2015, following the date that is 18 months after the completion of the IPO, holders of LPR Canada Shares representing greater than 10% of the then-outstanding LPR Canada Shares, may require LPR Canada to file a prospectus (in the event the LPR Canada Shares are then listed on a Canadian stock exchange) or registration statement (in the event the LPR Canada Shares are then listed on a U.S. stock exchange) qualifying or registering (as applicable) their LPR Canada Shares for distribution, shareholders have the right to have their LPR Canada Shares qualified or registered along with those contemplated by LPR Canada if LPR Canada files a prospectus or registration statement for LPR Canada Shares to be sold by LPR Canada. Any exercise of such rights is subject to customary cutbacks at the option of any underwriters of such future offerings and other limitations. LPR Canada is entitled to postpone for a reasonable period of time, which may not exceed 90 days, the filing of a prospectus or registration statement that such shareholders request that it file pursuant to the registration rights agreement under certain circumstances, including if the LPR Canada Board determines that the filing of the prospectus or registration statement will be detrimental to LPR Canada. LPR Canada will be required to pay all fees and expenses incurred in connection with the qualifications or registrations, as applicable, other than selling commissions. The registration rights agreement will provide for standard indemnification provisions for an agreement of this type.

LPR Canada Incentive Awards

There are 1,822,855 LPR Canada Incentive Awards issued and outstanding as at the date hereof, of which: (a) 271,967 were issued to members of the Lone Pine Board (except for Mr. Granger who was granted LPR Canada Incentive Awards in his capacity as President and Chief Executive Officer) and are subject to a two-year vesting period whereby one-half vested on January 31, 2015 and one-half vested on January 31, 2016, and each such LPR Canada Incentive Award that is settled under the terms of the Lone Pine Incentive Plan entitles the holder thereof to 0.75 of a LPR Canada Preferred Share, 0.75 of an LPRI Class B Stock, 0.25 of a LPR Canada Common Share and 0.25 of an LPRI Class A Stock; and (b) 1,550,888 were issued to Lone Pine's current and former employees, including executive officers, and are subject to a three-year vesting period whereby one-third of the RSUs vested on January 31, 2015, one-third vested on January 31, 2016 and one-third will vest on January 31, 2017, and each such LPR Canada Incentive Award that is settled under the terms of the Lone Pine Incentive Plan entitles the holder thereof to 0.80 of a LPR Canada Preferred Share, 0.80 of a LPRI Class B Stock, 0.20 of a LPR Canada Common Share and 0.20 of a LPRI Class A Stock. In no event can a 2014 Lone Pine Incentive Award be settled in cash. Notwithstanding the vesting of Lone Pine Incentive Awards, each Lone Pine Incentive Award may only be settled on the occurrence of Liquidity Event.

CONSOLIDATED CAPITALIZATION

Since the date of Lone Pine financial statements for its most recently completed financial period, being the Lone Pine Interim Financial Statements, there has been no material change in the share and loan capital of Lone Pine on a consolidated basis. The Lone Pine Financial Statements are attached as Schedule "C" and Schedule "D", respectively, to this Appendix G.

DIVIDEND POLICY

Lone Pine has not recently declared or paid dividends on its common shares, including during the past three (3) fiscal years. The timing and amount of any future dividends will be determined by the Lone Pine Board and will depend on Lone Pine' earnings, cash requirements and the financial condition and other factors deemed relevant by the Lone Pine Board. See "*Description of Share Capital*" in this Appendix G for a description of certain restrictions that could prevent Lone Pine from paying dividends or distributions.

PRIOR SALES

No Lone Pine Shares have been issued, and no securities convertible or exchangeable into Lone Pine Shares have been granted or issued, during the 12 month period preceding the date hereof.

ESCROWED SECURITIES

To the knowledge of Lone Pine, other than as described in the Circular or this Appendix G, there are no securities of Lone Pine held in escrow or that are subject to a contractual restriction on transfer.

PRINCIPAL LONE PINE SHAREHOLDERS

LPRI

To the knowledge of the directors and executive officers of Lone Pine, as at the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of LPRI, except as follows:

Name of Holder	Number and Class of Shares Owned, Controlled or Directed	Number of Votes Attached to Shares Held	Percentage of Total Voting Power
Liberty Harbor PF LPR LLC ⁽¹⁾	46,783,543 LPRI Class B Stocks ⁽²⁾	59,368,701 ⁽⁴⁾	49.41%
	12,151,020 LPRI Class A Stocks ⁽²⁾	12,151,020 ⁽⁵⁾	10.11%
Goldman Sachs & Co.	15,476,905 LPRI Class B Stocks ⁽³⁾	19,640,320 ⁽⁴⁾	16.34%
	4,019,793 LPRI Class A Stocks ⁽³⁾	4,019,793 ⁽⁵⁾	3.34%

Notes:

- (1) Wholly-owned subsidiaries of the Goldman Sachs Group, Inc. are the general partner and the investment manager of Liberty Harbor PF LPR LLC. The Goldman Sachs Group, Inc. disclaims beneficial ownership of the shares owned by Liberty Harbor PF LPR LLC, except to the extent of its pecuniary interest therein, if any.
- (2) The 46,783,543 LPRI Class B Stocks and 12,151,020 LPRI Class A Stocks held by Liberty Harbor PF LPR LLC represent, respectively, approximately 62.4% of the total number of LPRI Class B Stocks outstanding and approximately 48.6% of the total number of LPRI Class A Stocks outstanding.
- (3) The 15,476,905 LPRI Class B Stocks and 4,019,793 LPRI Class A Stocks held by Goldman Sachs & Co. represent, respectively, approximately 20.6% of the total number of LPRI Class B Stocks outstanding and approximately 16.1% of the total number of LPRI Class A Stocks outstanding.
- (4) The voting rights attached to the LPRI Class B Stocks escalate over time based on a formula under the amended and restated certificate of incorporation of LPRI dated January 31, 2014. On all matters on which LPRI shareholders generally are entitled to vote, each holder of LPRI Class B Stocks is entitled, for each such share held, to such number of votes as is equal to the "accreted value", which means, as of the record date for determining shareholders entitled to vote on the matter, one (1) plus an amount equal to the product determined by multiplying (i) 10% of the accreted value as of the most recent anniversary of January 31, 2016, by (ii) a fraction, the numerator of which shall be the number of days elapsed since such anniversary up to and including such record date and the denominator of which shall be 365 (or 366 in a leap year). Based on the record date of July 27, 2016, 178 days elapsed between January 31, 2016 and the record date and, accordingly, the formula yields a voting power per LPRI Class B Stock, for the items of business proposed to be considered at the LPRI Shareholder Meeting, of 1.269 votes.
- (5) Each LPRI Class A Stock carries the right to one (1) vote.

LPR Canada

To the knowledge of the directors and executive officers of Lone Pine, as at the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached any class of voting securities of LPR Canada, except as follows:

Name of Holder	Number and Class of Shares Held	Number of Votes Attached to Shares Held	Percentage of Total Voting Power
Lone Pine Resources Inc.	One (1) LPR Canada Multiple Voting Share (2)	75,000,000 (2)	75.01%
Liberty Harbor PF LPR LLC (1)	12,151,020 LPR Canada Common Shares (3)	12,151,020 (4)	12.15%

Notes:

- (1) Wholly-owned subsidiaries of the Goldman Sachs Group, Inc. are the general partner and the investment manager of Liberty Harbor PF LPR LLC. The Goldman Sachs Group, Inc. disclaims beneficial ownership of the shares owned by Liberty Harbor PF LPR LLC, except to the extent of its pecuniary interest therein, if any.
- (2) The one (1) outstanding LPR Canada Multiple Voting Share is held by LPRI and carries the right to 75,000,000 votes. The LPR Canada Multiple Voting Share is not voting on any of the business to be addressed at the LPR Canada Meeting.
- (3) The 12,151,020 LPR Canada Common Shares held by Liberty Harbor PF LPR LLC represent approximately 48.6% of the total number of LPR Canada Common Shares outstanding.
- (4) Each LPR Canada Common Share carries the right to one (1) vote.

DIRECTORS AND EXECUTIVE OFFICERS

The following tables set out the name, jurisdiction of residence and position for each of the current directors and executive officers of Lone Pine as of the date of the Circular. The directors and executive officers of Lone Pine, past and present, as a group, beneficially own, or control or direct, directly or indirectly, zero Lone Pine Shares and 950,209 Lone Pine Incentive Awards (of which 724,129 are vested). The other employees of Lone Pine, past and present, as a group, beneficially own, or control or direct, directly or indirectly, zero Lone Pine Shares and 872,645 Lone Pine Incentive Awards (of which 813,250 are vested).

Directors

Name	Director Since	Position
Patrick R. McDonald (1) <i>Colorado, USA</i>	March 9, 2011	Chief Executive Officer of Carbon Natural Gas Company (oil and gas exploration and production) since 2011 and Chief Executive Officer and President of its predecessor, Nyttis Exploration, since 2004; prior to its business combination with Sabine Oil & Gas LLC in December 2014, Chief Executive Officer of Forest Oil Corporation (oil and gas exploration and production) since September 2012 and its Interim Chief Executive Officer since June 2012.
David M. Fitzpatrick (1)(2) <i>Alberta, Canada</i>	June 1, 2011	President and Chief Executive Officer of Veresen Midstream since July 2015; prior thereto, Interim Chief Executive Officer of Lone Pine from February 2013 to April 2013; prior thereto, Chairman of the Board of Eagle Energy Inc. (oil and gas exploration and production) since March 2008;

Name	Director Since	Position
		Director of Twin Butte Energy Ltd. (oil and gas exploration and production) since July 2008.
Terence (Tad) B. Flynn ⁽²⁾⁽³⁾⁽⁴⁾ <i>New York, USA</i>	January 31, 2014	Director of Full Circle Capital Corp. (NASDAQ: FULL) since August 2014; Managing Director, Financial Advisory Services, and head of Asset Management Services of Houlihan Lokey (investment bank) since April 2009; prior thereto, head of Alternative Capital Markets group at UBS (investment bank) from 2001 to December 2008.
Tim S. Granger ⁽¹⁾ <i>Alberta, Canada</i>	April 22, 2013	President and Chief Executive Officer of Lone Pine since April 22, 2013; prior thereto, Chief Executive Officer and Managing Director of Molopo Energy Limited (oil and gas exploration and production) from January 2012 to January 2013; prior thereto, President and Chief Executive Officer of Compton Petroleum Corporation (oil and gas exploration and production) from January 2009 to December 2011; prior thereto, Managing Director of TAQA North (oil and gas exploration and production) until November 2008 and Chief Operating Officer of PrimeWest Energy Trust (oil and gas exploration and production) from 2004 until its acquisition by TAQA North in 2008.
Will E. D. Matthews ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ <i>Alberta, Canada</i>	January 31, 2014	Principal with Macritchie Storage LLC (a real estate investment firm) since January 2013; prior thereto, Principal with Macritchie Metals Pte Ltd. (financial advisory and investment fund) from November 2009 through December 2012; prior thereto, Managing Director with GS Investment Strategies (Singapore) from January 2007 to November 2009.
Ajay Sabherwal ⁽²⁾⁽³⁾⁽⁴⁾ <i>North Carolina, USA</i>	January 31, 2014	Chief Financial Officer of FTI Consulting, Inc. since August 15, 2016; Executive Vice President and Chief Financial Officer of FairPoint Communications, Inc. (telecommunications) since July 2010; prior thereto, Chief Financial Officer of Mendel Biotechnology, Inc. (biotechnology) from March 2009 to July 2010; prior thereto, Chief Financial Officer of Aventine Renewable Energy, Inc. (biofuels) from 2005 to March 2009.
Robert B. Wonnacott ⁽³⁾⁽⁴⁾ <i>Alberta, Canada</i>	September 30, 2011	Partner and Director of Value Point Capital (private equity investment group) since 2010; Principal of NVB Financial Corp. since 2015 (financial advisory); prior thereto, Chief Executive Officer of Pendo Petroleum Inc. (oil and gas exploration and production) from June 2012 to July 2013; prior thereto, Chief Financial Officer of Grizzly Oil Sands ULC (bitumen development) from January 2011 to June 2011; prior thereto, various senior positions with National Bank Financial Inc. (investment bank) from 2001 to 2009, including Managing Director and Vice Chairman of Corporate and Investment Banking.

Notes:

- (1) Member of the Executive Committees of the Lone Pine Boards, each consisting of Messrs. McDonald (Chair), Granger, Fitzpatrick and Matthews.
- (2) Member of the Compensation Committees of the Lone Pine Boards, each consisting of Messrs. Fitzpatrick (Chair), Flynn, Matthews and Sabherwal.
- (3) Member of the Audit and Reserves Committees of the Lone Pine Boards, each consisting of Messrs. Sabherwal (Chair), Flynn, Matthews and Wonnacott.
- (4) Member of the Nominating and Corporate Governance Committees of the Lone Pine Boards, each consisting of Messrs. Matthews (Chair), Flynn, Sabherwal and Wonnacott.

Executive Officers

Name	Officer Since	Position
Tim S. Granger <i>Alberta, Canada</i>	April, 2013	President and Chief Executive Officer of Lone Pine since April 22, 2013; prior thereto, Chief Executive Officer and Managing Director of Molopo Energy Limited (oil and gas exploration and production) from January 2012 to January 2013; prior thereto, President and Chief Executive Officer of Compton Petroleum Corporation (oil and gas exploration and production) from January 2009 to December 2011; prior thereto, Managing Director of TAQA North (oil and gas exploration and production) until November 2008 and Chief Operating Officer of PrimeWest Energy Trust (oil and gas exploration and production) from 2004 until its acquisition by TAQA North in 2008.
Mimi Lai <i>Alberta, Canada</i>	January, 2015	Vice President, Finance & Controller since January 1, 2015 and Corporate Secretary since April 1, 2015; prior thereto, Controller of Lone Pine since May 2014; prior thereto Manager, Financial Reporting at Harvest Operations Corp. from January 2011 to May 2014; prior thereto, from January 2001 to January 2011, Ms. Lai held several increasingly senior positions with Ernst & Young LLP, culminating as the Sr. Manager, Financial Accounting Advisory Services.
Douglas W. Axani <i>Alberta, Canada</i>	March 2011	Vice President, Exploration of Lone Pine since March 2011; prior thereto Exploration Manager of LPR Canada (formerly Canadian Forest Oil Ltd.) since February 2009; prior thereto, Manager of Exploration of Terralliance Technologies Canada Inc. (oil and gas exploration and development company) from April 2008 to October 2008; prior thereto, from February 2005 to January 2008, Mr. Axani held several increasingly senior positions with Kereco Energy Ltd. (oil and gas exploration and development company) starting as a senior exploration geologist and culminating as the Manager of Exploration for the Northern Business District.
Robert (Bob) Guy <i>Alberta Canada</i>	January, 2016	Vice President, Operations of Lone Pine since January 22, 2016; prior thereto Consultant VP, Operations of Lone Pine since June 2015; prior thereto, Senior Client/Project Manager for an engineering consulting firm from November 2014 to June 2015; prior thereto, Vice President, Production Operations at Spyglass Resources Corp. (formerly AvenEx Energy Corp.) from August 2006 to August 2014; prior thereto, Manager, Operations at Ketch Resources Trust (now Advantage Energy Income Fund) from January to June 2006.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Lone Pine, no director or executive officer of Lone Pine is, at the date of the Circular, or was within 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Lone Pine, other than as disclosed below, no director or executive officer of Lone Pine, or a shareholder holding a sufficient number of securities of Lone Pine to affect materially the control of Lone Pine:

- (i) is, at the date of the Circular, or has been within the 10 years before the date of the Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Messrs. McDonald, Fitzpatrick, Granger and Wonnacott were directors of at least one Lone Pine entity at the time Creditor Protection Proceedings were commenced, and continued as such through implementation of the Plan and the creditor compromise and arrangement forming a part thereof. Mr. McDonald is also a director of Sabine Oil and Gas Corporation which, in July 2015, filed for bankruptcy protection under Chapter 11. Mr. Sabherwal is currently the Executive Vice President and Chief Financial Officer of FairPoint Communications, Inc. ("**FairPoint**"), which filed for bankruptcy protection on October 26, 2009 and emerged from those proceedings on January 24, 2011. Mr. Sabherwal was also previously an executive officer with Aventine Renewable Energy, Inc. ("**Aventine**"). Mr. Sabherwal departed Aventine in January 2009, prior to the company filing for bankruptcy protection in February 2009. Mr. Sabherwal was also an executive officer with Choice One Communications ("**Choice One**") from 1999 to 2005. Choice One filed for bankruptcy protection in October 2004 and emerged from those proceedings in November 2004.

To the knowledge of Lone Pine, no director or executive officer of Lone Pine, or a shareholder holding a sufficient number of securities of Lone Pine to affect materially the control of Lone Pine, has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

Conflicts of Interest

Except as described in the Circular and this Appendix G, there are no existing or potential material conflicts of interest between Lone Pine or a subsidiary of Lone Pine and any of its or their directors or officers.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Throughout this Compensation Discussion and Analysis, the following individuals are referred to as the "named executive officers" of Lone Pine for the 2015 financial year and are included in the Summary Compensation Table and other compensation tables that follow this Compensation Discussion and Analysis section:

- Tim S. Granger, President and Chief Executive Officer;

- Mimi Lai, Vice President, Finance, Controller and Corporate Secretary;
- Douglas W. Axani, Vice President, Exploration;
- Robert (Bob) Guy, Vice President, Operations; and
- Shona F. Mackenzie, Former Vice President, Engineering & Exploitation.

Ms. Mackenzie's employment with Lone Pine ended on May 26, 2015, at which time she received a \$747,500 termination payment. See "*Executive Compensation – Summary Compensation Table*" and "*Executive Compensation – Change of Control Severance Benefits*".

Objectives of the Compensation Program

The objectives of Lone Pine's compensation program are to keep compensation consistent with strategic business and financial objectives and to be competitive within the oil and gas industry. Lone Pine wants to attract, motivate and retain executive personnel as Lone Pine deems necessary to maximize return to its shareholders. Ultimately, Lone Pine's compensation program is designed to encourage behaviour and performance among its respective key employees, including its named executive officers, that Lone Pine believes to be in the best interest of its shareholders.

Lone Pine's compensation program is structured so as to provide each executive officer and key employee with a competitive income, to encourage outstanding individual performance and to create meaningful incentives for this group of employees to remain in Lone Pine's employ and not be unreasonably susceptible to recruiting efforts by its competitors. The design of Lone Pine's compensation program and the weighting of its specific components reflect the competitive nature of the oil and gas industry and current market conditions. Further, the Compensation Committee intends that outstanding individual performance by executive officers and key employees be rewarded. See "*Disclosure of Corporate Governance Practices – Compensation Committee – Role of Executives and the Compensation Committee in Setting Compensation*" in this Appendix G for additional information on the Compensation Committee provisions and procedures for the consideration and determination of executive compensation.

Elements of Compensation

The compensation program of Lone Pine currently consists of three (3) primary components:

- an annual base salary;
- an annual incentive bonus; and
- periodic grants of long-term equity-based compensation.

Lone Pine's named executive officers have the opportunity to participate in health and welfare benefit plans that are provided to all employees. During 2015, all of Lone Pine's full-time employees participated in a Group Savings Plan ("**GSP**"). Lone Pine wants to assist its employees in achieving their retirement goals, and the GSP provides participants a basic income at retirement that will supplement personal savings and income from Canadian governmental plans. During 2015, Lone Pine contributed a total of \$84,038 to the GSP on behalf of its named executive officers.

Lone Pine maintains formal employment agreements with each of its named executive officers which contain severance agreements that provide for benefits in the event of certain defined involuntary terminations, except for Mr. Guy whom Lone Pine maintained a consulting agreement for his services during 2015. See "*Executive Compensation – Termination and Change of Control*".

Purpose of Each Compensation Element

The purpose of base salaries is to provide a fixed level of cash compensation for executive officers that is competitive in the industry and will enable Lone Pine to attract, motivate and retain capable executives. Lone Pine chooses to provide annual cash incentive bonuses to ensure focus on the achievement of short-term key objectives because Lone Pine believes that the satisfaction of the goals of its annual incentive plan furthers the interests of its shareholders. The purpose of Lone Pine's long-term equity-based incentives is to reward individual performance, align the executive officers' compensation with their contribution to the success of Lone Pine in creating stockholder value, tie their long-term economic interest directly to those of Lone Pine's shareholders and retain the executive officers.

Lone Pine's retirement GSP is designed to encourage all employees, including the participating named executive officers, to save for the future.

Finally, Lone Pine's equity compensation award agreements contain a "single trigger" for accelerated vesting of equity awards, which means vesting accelerates upon a change of control irrespective of whether the named executive officer is terminated. The employment agreements between Lone Pine and its named executive officers provide for post-termination payments and benefits following a qualifying termination in connection with a change of control event, or what is commonly referred to as a "double trigger". Lone Pine believes that severance and change of control protections create important retention tools, as providing for accelerated vesting of certain equity awards upon a change of control enables employees to realize value from these awards in the event that Lone Pine undergoes a change of control event, while post-termination payments and benefits allow employees to walk away with value in the event of certain terminations of employment that were beyond their control. Lone Pine believes that change of control and post-termination protections allow management to focus its attention and energy on the business transaction at hand without any distractions regarding the effects of a change of control. Executive officers at other companies in its industry and the general market against which Lone Pine competes for executive talent commonly have equity compensation plans that provide for accelerated vesting upon a change of control event of that company and post-termination payments, and Lone Pine has determined that it is necessary to provide this benefit to its named executive officers in order to remain competitive in attracting and retaining skilled professionals in its industry.

Setting Compensation for the 2015 Financial Year

The Compensation Committee reviewed a compensation survey, industry compensation data and other relevant information, and based upon its review, the Compensation Committee decided upon and approved all executive compensation.

Base Salary

Lone Pine reviewed publicly available compensation data for the companies that the Compensation Committee determined are in Lone Pine's peer group for the 2015 year. Without using a benchmark or a specific formula, Lone Pine's Compensation Committee determined the appropriate levels of base salary that each of its named executive officers should receive for the 2015 year.

Annual Incentive Bonus

For the 2015 financial year, each of Lone Pine's named executive officers participated in Lone Pine's Annual Incentive Plan 2015 (the "**2015 Plan**"). Lone Pine adopted the 2015 Plan in March 2015. Lone Pine's objectives for the 2015 Plan were to provide an annual incentive plan framework that was performance-driven and focused on objectives that would be critical to its success, to offer competitive cash compensation opportunities to all of its employees, and to incent and reward outstanding achievement. Lone Pine intends for this plan to provide incentive awards largely determined on the basis of its consolidated results on financial and operating performance measures, as well as departmental objectives and individual performance goals that vary between participants. Each of the named executive officers of Lone Pine for 2015 were eligible to receive a target bonus under the 2015 Plan based upon a percentage of their base salary.

The Compensation Committee generally administered the 2015 Plan. Lone Pine's Vice President, Finance, Controller and Corporate Secretary assisted in the administration of the 2015 Plan by verifying the performance calculations for all financial and operating measures, while Mr. Axani, as its Vice President, Exploration and Land, and Mr. Robert (Bob) Guy, as its Vice President, Operations, were responsible for overseeing the estimation of its oil and gas reserves by its independent third-party reserves engineer and verifying its Bankable Value PV10 (as defined below) calculation. Actual performance goals, standards, award determinations and any modifications to the design of the 2015 Plan were approved by the Compensation Committee.

For 2015, the Compensation Committee determined that the performance measures applicable to the bonus awards were as follows:

- *Working Interest Production (25%).* Working Interest Production excludes the impact of royalty and other burdens, thus eliminating the impact of changes in commodity price that influence Canadian royalty calculations. This metric excludes the impact of acquisitions and/or divestitures with associated production.
- *Working Interest Cash Operating Costs (15%).* Working Interest Cash Operating Costs is the sum of direct operating expenses and expensed workovers and transportation expenses for Lone Pine divided by total working interest production.
- *Cash General and Administrative (15%).* Cash General and Administrative on a gross basis, without adjustments for capitalized general and administrative expense and overhead recoveries charged to operating expenses.
- *Merger and Acquisition Process (15%).* This portion of the bonus award measured Lone Pine's effort in screening, evaluating and where applicable reviewing merger and acquisition targets. Ultimately a successful transaction in 2015 would be desirable though for this metric not required for a positive measure.
- *Discretionary Elements (30%).* This portion of the bonus award was discretionary in order to recognize significant achievements that may not be addressed elsewhere in the 2015 Plan. The Compensation Committee, based on recommendations from Mr. Granger, assigned a completion percentage between 0% and 200% for the discretionary achievements noted for each participant, if any.

The Compensation Committee then established the threshold (0% of payout), target (100% of payout), above target (maximum of 200% of payout). Actual performance that falls somewhere between any two (2) levels is rewarded in proportion to where it falls relative to the fits performance level benchmarks.

At its regular meeting in January 2016, and in subsequent communications with Mr. Granger, the Compensation Committee reviewed its performance under the 2015 Plan. The Compensation Committee also reviewed with Mr. Granger other accomplishments during 2015 that were not specifically addressed by the performance goals established for the plan.

Looking at Lone Pine's performance as a whole, the calculated aggregate payout under the 2015 Plan was equal to 100% of the total target payout for all employees, including executive officers. Based on Lone Pine's overall performance, as well as the performance of each business unit and corporate department and the individual executive officers, the Compensation Committee approved cash bonus awards under the 2015 Plan in the aggregate amount of \$610,875 for all of the named executive officers, as a group.

Long-Term Incentive Awards

The Lone Pine Incentive Plan is designed to enable Lone Pine and its affiliates to provide a means to attract able directors, employees and consultants and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of Lone Pine and its affiliates rest, and whose present and potential contributions to Lone Pine and its affiliates are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for its success and that of its affiliates. A further purpose of the Incentive Award Plan is to provide such individuals with additional incentives and reward opportunities designed to enhance its

profitable growth and that of its affiliates. Accordingly, the Incentive Award Plan provides for the following types of awards: stock options (both incentive and non-statutory), restricted stock units, deferred share units, performance options and performance share units.

GSP

Lone Pine maintains the GSP, a contributory retirement plan. The GSP is designed to encourage employees to save a portion of their current compensation for post-retirement living. Subject to certain limitations imposed by law, Lone Pine contributes 5% of its employees' base pay to the GSP. In addition, employees may contribute 1% to 4% of their regular base pay to the GSP through payroll deductions, and Lone Pine will then match that contribution up to a maximum of 4%. The GSP participants may choose to invest their account balances in certain investment options within the GSP. During 2015, Lone Pine contributed a total of \$84,038 to the GSP on behalf of Lone Pine's named executive officers.

Other Benefits

During 2015, the named executive officers of Lone Pine participated in its medical and dental plans, group term life and accidental death and dismemberment insurance plans and short-term and long-term disability plans on the same terms and conditions as its other salaried employees.

The Compensation Committee believes that these benefits are reasonable and consistent with, or less generous than, the compensation practices of its peers. In 2015, no costs for tax preparation or estate and financial planning amounts were reimbursed to any of the named executive officers.

With respect to severance and change of control benefits, in addition to the rationale provided above under "*Executive Compensation – Compensation Discussion and Analysis – Purpose of Each Compensation Element*", the Compensation Committee believes that the double-trigger change of control severance benefits generally provided under the employment agreements provide a sufficient level of protection for the named executive officer, as well as a retention incentive benefiting Lone Pine and its shareholders, without creating an unreasonable obstacle to potential *bona fide* purchasers. Each employment agreement provides benefits only in connection with an involuntary termination of employment that occurs within two (2) years after a Change of Control. See "*Executive Compensation – Termination and Change of Control*"

Interaction of Compensation Elements

The Compensation Committee considers each element of its compensation program and, when making decisions regarding specific elements, takes into account how that element fits into its overall compensation objectives. The Compensation Committee also considers how that element is affected by the other elements in the program.

Compensation Practices and Risk

The Compensation Committee has conducted a risk assessment of Lone Pine's compensation policies and practices. All aspects of Lone Pine's compensation programs, including base salary, annual incentive compensation, long-term incentive compensation and benefits, including severance benefits payable upon involuntary termination of employment, have been reviewed in terms of the long-term best interests of shareholders. The Compensation Committee believes that Lone Pine's executive pay practices comprise adequate financial security and incentives for executive officers to achieve optimal short-term and long-term objectives. The Compensation Committee has concluded that Lone Pine's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on Lone Pine.

Summary Compensation Table

The following table summarizes the compensation of the named executive officers of Lone Pine for 2015:

Name and principal position	Year Ended December 31	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)			Total compensation (\$)
					Annual incentive plans ⁽¹⁾	Long-term incentive plans	All other compensation (\$)	
Tim S. Granger <i>President & CEO</i>	2015	420,000	-	-	294,000	-	-	714,000
	2014	400,000	866,109 ⁽⁶⁾	-	170,800	-	-	1,436,909
	2013	400,000	1,379,836 ⁽⁷⁾	-	420,000	-	-	2,199,836
Mimi Lai <i>Vice President, Finance, Controller and Corporate Secretary</i>	2015	240,750	-	-	120,375	-	-	361,125
	2014 ⁽²⁾	59,366	35,078 ⁽⁶⁾	-	10,980	-	-	105,424
	2013	-	-	-	-	-	-	-
Douglas W. Axani <i>Vice President, Exploration</i>	2015	273,000	-	-	136,500	-	-	409,500
	2014	260,000	467,699 ⁽⁶⁾	-	79,300	-	-	806,999
	2013	260,000	681,153 ⁽⁷⁾	-	255,000	-	-	1,196,153
Robert (Bob) Guy <i>Vice President, Operations</i>	2015	120,000	-	-	60,000	-	-	180,000
	2014 ⁽³⁾	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
Shona F. Mackenzie <i>Former Vice President, Engineering & Exploitation</i>	2015 ⁽⁴⁾	-	-	-	-	-	747,500	747,500
	2014 ⁽⁵⁾	131,555	467,699 ⁽⁶⁾	-	33,042	-	-	632,296
	2013	260,000	681,153 ⁽⁷⁾	-	260,000	-	-	1,201,153

Notes:

- (1) The 2014 and 2015 amounts related to annual incentive bonuses. For 2013, the amounts pertained to retention bonuses earned and payable at December 31, 2013.
- (2) Ms. Lai was appointed Vice President, Finance and Controller on January 1, 2015. She was acting in a similar capacity during the period between September 1, 2014 and December 31, 2014. As such, Ms. Lai's compensation information has been pro-rated for the four-month period.
- (3) During July 1, 2015 and December 31, 2015, Mr. Guy provided consulting services to Lone Pine in a similar capacity of a named executive officer.
- (4) Ms. Mackenzie's employment with Lone Pine ended on May 26, 2015. Included in "All Other Compensation" is \$747,500 of termination payment.
- (5) During 2014, Ms. Mackenzie was on unpaid leave for a portion of the year.
- (6) On January 20, 2014, the Board granted Lone Pine Incentive Awards to Lone Pine's executives and employees. The fair value of each Lone Pine Incentive Awards was determined using the estimated fair value of the underlying preferred and common shares at grant date. As holders of Lone Pine Incentive Awards have no rights as a shareholder, zero expected dividends were incorporated into the fair value measurement of the awards. The fair value the Lone Pine Incentive Awards was the same as the fair value determined in accordance with IFRS 2 *Share-based Payment*, which was \$2.07/unit.
- (7) During 2013, Mr. Granger, Mr. Axani and Ms. Mackenzie were granted phantom stock units and performance units. The fair value of these units were determined as of the respective grant dates, in accordance with IFRS 2 *Share-based Payment*. These units were cancelled upon the implementation of the Plan under the CCAA, and are no longer outstanding.

The fair value of the Lone Pine Incentive Awards at grant date was determined using the estimated fair value of the underlying LPR Shares. Since Lone Pine is a private company, the fair values of its shares are not readily available. Therefore, the fair value of LPR Shares was determined using the estimated enterprise value of Lone Pine. The estimation process involves the determination of the fair value of Lone Pine's individual assets and liabilities, using observable market data or referencing to recent comparable market transactions whenever possible. For certain assets and liabilities, methodologies such as net present value of future cash flows and option valuation models were used. For oil and gas assets with associated reserves, the net present value of proved plus probable reserves were used to estimate the fair value. Market discount rates applicable to the various assets and liabilities were used in fair valuation. The estimated enterprise value was then corroborated against market trading multiples and other available information. The estimation involves numerous assumptions and is subject to significant professional judgment. The estimation is complex and uncertain by nature. Actual fair value might differ from the estimates.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards outstanding for each named executive officer as of December 31, 2015.

Outstanding Share Awards and Option Awards

Name	Option-based Awards				Share-based Awards		
	Number of Common Shares underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value ⁽¹⁾ of share awards that have not vested (\$)	Market or payout value ⁽¹⁾ of vested share-based awards not paid out or distributed
Tim S. Granger	-	-	-	-	278,940	577,406	288,703
Mimi Lai	-	-	-	-	22,594	46,770	23,385
Douglas W. Axani	-	-	-	-	150,627	311,799	155,900
Robert (Bob) Guy	-	-	-	-	-	-	-
Shona F. Mackenzie	-	-	-	-	-	-	467,389

Notes:

- (1) Lone Pine is a private company, and as such, the market value for the share-based awards is not readily available. The per unit value used here is the same as the fair value of the underlying LPR Share on the grant date, which is \$2.07/share. The fair value of the Lone Pine Incentive Awards at grant date was determined using the estimated fair value of the underlying LPR Shares. Since Lone Pine is a private company, the fair values of its shares are not readily available. Therefore, the fair value of LPR Shares was determined using the estimated enterprise value of Lone Pine. The estimation process involves the determination of the fair value of Lone Pine's individual assets and liabilities, using observable market data or referencing to recent comparable market transactions whenever possible. For certain assets and liabilities, methodologies such as net present value of future cash flows and option valuation models were used. For oil and gas assets with associated reserves, referencing to the net present value of proved plus probable reserves were used to estimate the fair value and using market discount rates applicable to the various assets and liabilities were used in fair valuation. The estimated enterprise value was then corroborated against market trading multiples and other available information. The estimation involves numerous assumptions and is subject to significant professional judgment. The estimation is complex and uncertain by nature. Actual fair value might differ from the estimates.

The following table sets forth, for each of the named executive officers, the value of all incentive plan awards that vested during the year ended December 31, 2015.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested ⁽¹⁾⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Tim S. Granger	-	288,703	294,000
Mimi Lai	-	23,385	120,375
Douglas W. Axani	-	155,900	136,500
Robert (Bob) Guy	-	-	60,000
Shona F. Mackenzie	-	467,389	-

Notes:

- (1) Lone Pine is a private company, and as such, the market value for the share-based awards is not readily available. The per unit value used here is the same as the fair value of the underlying LPR Share on the grant date, which is \$2.07/share. The fair value of the Lone Pine Incentive Awards at grant date was determined using the estimated fair value of the underlying LPR Shares. Since Lone Pine is a private company, the fair values of its shares are not readily available. Therefore, the fair value of LPR Shares was determined using the estimated enterprise value of Lone Pine. The estimation process involves the determination of the fair value of Lone Pine's individual assets and liabilities, using observable market data or referencing to recent comparable market transactions whenever possible. For certain assets and liabilities, methodologies such as net present value of future cash flows and option valuation models were used. For oil and gas assets with associated reserves, referencing to the net present value of proved plus probable reserves were used to estimate the fair value and using market discount rates applicable to the various assets and liabilities were used in fair valuation. The estimated enterprise value was then corroborated against market trading multiples and other available information. The estimation involves numerous assumptions and is subject to significant professional judgment. The estimation is complex and uncertain by nature. Actual fair value might differ from the estimates.
- (2) Vested Lone Pine Incentive Awards will only be settled and redeemed upon a corporate change that (i) directly or indirectly ascribes a value to the shares and (ii) provides liquidity to the holders of shares. A corporate change is defined in the EIP, which generally includes events that result in a change of control, sale of all or substantially all of Lone Pine's assets or liquidation of Lone Pine. As at December 31, 2015, none of the Lone Pine Incentive Awards were exercisable.

Pension Benefits

Lone Pine does not currently maintain a pension plan for its employees.

Termination and Change of Control

The following summaries and table describe and quantify the potential payments and benefits that Lone Pine would provide to its named executive officers in connection with termination of employment or a Lone Pine Change of Control or both.

Change of Control Severance Benefits

LPR Canada is party to the following agreements with its named executive officers for 2015 (collectively, the "**Executive Employment Agreements**"): (a) the Executive Employment Agreement dated April 18, 2013 with Tim S. Granger as President and Chief Executive Officer; (b) the Executive Employment Agreement dated January 1, 2015 with Mimi Lai as Vice President, Finance and Controller; (c) the Executive Employment Agreement dated April 23, 2014 with Douglas W. Axani as Vice President, Exploration; and (d) the Executive Employment Agreement dated April 23, 2014 with Shona F. Mackenzie as Former Vice President, Engineering & Exploitation.

Each Executive Employment Agreement provides for double-trigger change of control severance benefits pursuant to which the applicable executive will only become entitled to change of control severance benefits if such executive is involuntarily terminated—generally meaning any termination of employment or consulting relationship, as applicable, other than for cause or due to death, permanent disability or voluntary resignation (other than following constructive dismissal)—within two (2) years of the occurrence of a Lone Pine Change of Control. The respective change of control severance benefits to which each named executive officer is entitled are as follows:

- *Tim S. Granger – President and Chief Executive Officer.* LPR Canada will: (a) pay a lump sum cash payment equal to 2.5 times annual compensation, plus an additional sum equal to 15% of that amount in lieu of all benefits on the date that is 60 days after the date of the involuntary termination; and (b) cause any and all outstanding options to purchase LPRI Class A Stocks held by Mr. Granger to become immediately exercisable in full and cause Mr. Granger's accrued benefits under any and all nonqualified deferred compensation plans sponsored by LPR Canada to become immediately nonforfeitable.
- *Mimi Lai – Vice President, Finance and Controller; Douglas W. Axani – Vice President, Exploration; and Shona F. Mackenzie – Former Vice President, Engineering & Exploitation.* LPR Canada will: (a) pay the amount of all earned but unpaid annual base salary up to the termination date; (b) pay or reimburse all outstanding vacation pay and expense reimbursements up to the termination date; (c) pay an amount equal to 1.75 times annual compensation, plus an additional sum equal to 15% of that amount in lieu of all other benefits; (d) cause each such executive and his or her dependents (including his or her spouse) who are covered under LPR Canada's medical and dental benefit plans to continue to be covered for a period of 30 days after the termination date, subject to certain conditions; and (e) cause any and all outstanding long-term incentive awards held by such executive to vest immediately and become exercisable or redeemable in accordance with the terms of the applicable plan.

Ms. Mackenzie's employment with Lone Pine ended on May 26, 2015, at which time she received a \$747,500 termination payment.

For the purposes of determining the amount of the foregoing change of control severance benefits, in each case "annual compensation" is equal to the greatest of the applicable executive's annual base salary in effect: (a) at the date of the involuntary termination; (b) 60 days prior to the date of the involuntary termination; or (c) immediately prior to the occurrence of a Lone Pine Change of Control.

Change of Control Payment Summary Table

The following shows the estimated incremental payments, payables and benefits that would be payable to each of the named executive officers of Lone Pine in the event of a Lone Pine Change of Control or termination without cause of such named executive officers on December 31, 2015.

Name	Estimated Change of Control Payment	Estimated Termination Without Cause Payment
Tim S. Granger	1,207,500	1,207,500 ⁽¹⁾
Mimi Lai	484,509	484,509
Douglas W. Axani	784,875	784,875 ⁽¹⁾
Shona F. Mackenzie ⁽²⁾	-	-

Notes:

- (1) The estimated payment that would be payable to Mr. Granger and Mr. Axani in the event of termination without cause as of December 31, 2015 was the same as change of control payment because it was deemed that a change of control event had occurred on January 31, 2014 when Lone Pine completed the Plan under the CCAA, whereby for 24 months after a change of control event, their termination payment is set at 2.5 times the annual compensation, plus an additional sum equal to 15% of that amount in lieu of all benefits.
- (2) Severance to Shona F. Mackenzie in connection with a Lone Pine Change of Control is nil as Ms. Mackenzie ceased to be employed by Lone Pine on May 26, 2015. Ms. Mackenzie received \$747,500 in severance in connection with her termination.

Director Compensation

Lone Pine maintains a compensation program for its non-employee directors that provides compensation to the directors for their services to Lone Pine, including an annual \$60,000 base director fee, an additional annual \$15,000 fee to the Chairman of the Audit and Reserves Committee, an additional annual \$10,000 fee to the Chairman of any other committee and an annual \$5,000 fee to other committee members for their service in such roles.

Each non-employee director is reimbursed for out-of-pocket expenses in connection with attending meetings of the Lone Pine Boards or any applicable committees, and each director is fully compensated by Lone Pine for actions associated with being a director (to the extent permitted under applicable law).

Lone Pine employees who also serve as directors do not receive additional compensation for their service on the Lone Pine Boards. The compensation that was provided to Mr. Granger for the 2015 financial year has been fully disclosed in the Summary Compensation Table above, and he did not receive any compensation from Lone Pine with respect to his service on the Lone Pine Boards for 2015.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Patrick R. McDonald	70,000	-	-	-	-	70,000
Ajay Sabherwal	85,000	-	-	-	-	85,000
Terence (Tad) B. Flynn	75,000	-	-	-	-	75,000
David M. Fitzpatrick	75,000	-	-	-	-	75,000
Will E. D. Matthews	85,000	-	-	-	-	85,000
Robert B. Wonnacott	70,000	-	-	-	-	70,000

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each director, other than Mr. Granger, outstanding as of December 31, 2015.

Outstanding Share Awards and Options Awards

Name	Option-based Awards			Share-based Awards			
	Number of Securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value ⁽¹⁾ of share-based awards that have not vested (\$)	Market or payout value ⁽¹⁾ of vested share-based awards not paid out or distributed
Patrick R. McDonald	-	-	-	-	31,381	66,841	66,841
Ajay Sabherwal	-	-	-	-	20,921	44,561	44,561
Terence (Tad) B. Flynn	-	-	-	-	20,921	44,561	44,561
David M. Fitzpatrick	-	-	-	-	20,921	44,561	44,561
Will E. D Matthews	-	-	-	-	20,921	44,561	44,561
Robert B. Wonnacott	-	-	-	-	20,921	44,561	44,561

Notes:

- (1) Lone Pine is a private company, as such, the market value for the share-based awards is not readily available. The per unit value used here is the same as the per unit fair value on grant date, which is \$2.13/unit. The fair value is slightly different from the executives' Lone Pine Incentive Awards because the number of shares issuable upon settlement are not the same.

The following table provides information regarding the value vested or earned on incentive plan awards for each director, other than Mr. Granger, during the year ended December 31, 2015.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option awards - Value vested during year (\$)	Share awards – Value ⁽¹⁾ vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Patrick R. McDonald	-	66,841	-
Ajay Sabherwal	-	44,561	-
Terence (Tad) B. Flynn	-	44,561	-
David M. Fitzpatrick	-	44,561	-
Will E. D Matthews	-	44,561	-
Robert B. Wonnacott	-	44,561	-

Notes:

- (1) Lone Pine is a private company, and as such, the market value for the share-based awards is not readily available. The per unit value used here is the same as the per unit fair value on grant date, which is \$2.13/unit. The fair value is slightly different from the executives' Lone Pine Incentive Awards because the number of shares issuable upon settlement are not the same.

LONE PINE EQUITY PLAN

The Lone Pine Incentive Plan was adopted and approved by the Lone Pine Boards on April 23, 2014.

Purpose

The purpose of the Lone Pine Incentive Plan is to:

1. encourage selected directors, officers, consultants and employees, of Lone Pine (collectively, the "**Participants**") to receive and hold a proprietary interest in the growth and performance of Lone Pine;
2. generate an increased incentive for the Participants to contribute to Lone Pine's future success and prosperity, thereby enhancing the value of Lone Pine for the benefit of Lone Pine's security holders; and
3. to enhance the ability of Lone Pine and its subsidiaries to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of Lone Pine depends.

The Lone Pine Incentive Plan seeks to achieve these purposes by providing for the granting of equity-based awards in the form of options, restricted share units, deferred share units, restricted shares and dividend equivalent rights.

Administration

The Lone Pine Incentive Plan is administered by the Lone Pine Boards, the Compensation Administrator or another committee of the Lone Pine Boards (the "**Administrator**").

Types of Awards, Eligibility and Terms of Awards

Awards in the form of options, restricted share units, deferred share units, restricted shares and dividend equivalent rights (collectively, the "**Awards**") may be granted to the employees, officers, consultants and directors of Lone Pine under the Lone Pine Incentive Plan.

Under the Lone Pine Incentive Plan, LPR Canada granted restricted share units (referred to herein as "**LPR Canada Incentive Awards**") to its directors, officers, consultants and employees in 2014.

Other than the grant of LPR Canada Incentive Awards described above, no Awards have been granted pursuant to the Lone Pine Incentive Plan. Discussion of the Awards below will be limited to LPR Canada Incentive Awards as they are the only Awards issued and outstanding under the Lone Pine Incentive Plan.

In connection with closing the Arrangement, NewCo will grant an aggregate of 887,055 NewCo Incentive Awards to current Lone Pine directors, officers and employees in connection with closing of the Arrangement in respect of services provided by such individuals during the 2016 financial year. See "*Description of Securities – Convertible Securities*" and "*Options and Other Rights to Purchase Securities*" in Appendix I to the Circular and "*Description of the NewCo Incentive Plans*" in Appendix K to the Circular.

LPR Canada Incentive Awards

A restricted share unit refers to a unit credited by means of a bookkeeping entry on the books of LPR Canada to a Participant, representing the right to receive a cash payment therefor or, where provided in the applicable award agreement, its equivalent in fully-paid underlying Lone Pine Share (or a combination thereof), equal to the fair market value of an underlying share calculated at the date of such payment, at the time, in the manner and subject to the provisions of the Lone Pine Incentive Plan and the applicable award agreement.

Each LPR Canada Incentive Award is subject to such conditions and other restrictions (including with respect to vesting and payout) as the Administrator may deem necessary or appropriate and are set out in the applicable award

agreement; provided it complies with either the requirements of paragraph (k) of the exception to the definition of "salary deferral arrangement" in Section 248(1) of the Tax Act or the requirements of Section 7 of the Tax Act.

At the time of grant of a LPR Canada Incentive Award (other than an LPR Canada Incentive Award that can only be settled in fully-paid shares), the Administrator shall specify the calendar year of service of the Participant in respect of which the LPR Canada Incentive Award is granted. All LPR Canada Incentive Awards shall be in addition to, and not in substitution for or in lieu of, ordinary salary and wages received by such Participant in respect of his services to LPR Canada or an affiliate.

Unless otherwise determined by the Administrator and specifically set out in the award agreement, LPR Canada Incentive Awards that are not performance share units shall vest as to one-third on each of the first and second anniversaries of the date of grant, and the remaining one-third shall vest on the earlier of: (a) the third anniversary of the date of grant; and (b) December 15 of the third calendar year following the RSU Service Year (as defined in the Lone Pine Incentive Plan).

With respect to any LPR Canada Incentive Awards that can be settled in cash and that become vested LPR Canada Incentive Awards, on a date determined by the Administrator that is within 15 days of the date on which the restricted share units became vested LPR Canada Incentive Awards and is in no event later than December 31 of the third calendar year following the RSU Service Year, the vested LPR Canada Incentive Awards shall be settled by paying to the Participant, as applicable, in cash, in fully-paid underlying shares or a combination thereof, as provided herein and in the applicable award agreement, the fair market value of the vested LPR Canada Incentive Awards, after deduction of any applicable taxes and other source deductions required to be withheld. With respect to any LPR Canada Incentive Awards that can only be settled in fully-paid Lone Pine Shares, the terms and conditions of the payout of such LPR Canada Incentive Awards shall be specified in the award agreement.

The Administrator may, at the time of any grant of LPR Canada Incentive Awards, designate all or any portion thereof to be performance share units and determine the performance criteria upon which vesting of such performance share units shall vest; provided that complies with either the requirements of paragraph (k) of the exception to the definition of "salary deferral arrangement" in Section 248(1) of the Tax Act or the requirements of Section 7 of the Tax Act.

Shares Issuable upon the Making, Exercise or Payout of Awards

1. *Total Reserve* – The aggregate number of Lone Pine Shares that may be reserved for granting Awards at any time under the Lone Pine Incentive Plan must not exceed 10% of the total number of common shares of the Corporation as are, from time to time, outstanding or issuable pursuant to the conversion of then-outstanding Lone Pine Preferred Shares.
2. *Adjustment for Accretion Factor* – In the case of LPR Canada Incentive Awards for which the underlying shares are Lone Pine Preferred Shares, the number of Lone Pine Preferred Shares actually issued upon any payout of vested LPR Canada Incentive Awards, shall in every case be automatically adjusted, by increasing the number of Lone Pine Preferred Shares so issued by such number as is necessary to ensure that (i) the number of underlying shares into which the Lone Pine Preferred Shares actually issued are convertible, as at the date of exercise or payout, is the same as (ii) the number of underlying shares into which the unadjusted number of Lone Pine Preferred Shares would be convertible as at the date of exercise or payout if they had been issued on the effective date of the grant of the vested LPR Canada Incentive Award.
3. *Corresponding LPRI Shares* – Awards granted pursuant to the Lone Pine Incentive Plan are deemed to have been granted jointly by LPRI and LPR Canada, and: (i) for every one (1) Lone Pine Preferred Share issued on the exercise of a vested LPR Canada Incentive Award, LPRI shall concurrently issue one (1) LPRI Class B Stock; and (ii) for every one (1) Lone Pine Common Share issued on the payout of a vested LPR Canada Incentive Award, LPRI shall concurrently issue one (1) LPRI Class A Stock, all for nil consideration.

Early Termination of Awards

In the event of the termination of a Participant occurring other than for death, disability, retirement (within the meaning of the applicable employment policies of Lone Pine), voluntary termination for Good Reason (as defined in the Lone Pine Incentive Plan) or termination without cause, all Awards that have not become vested Awards shall immediately terminate and become null and void. Vested LPR Canada Incentive Awards that have been credited to and outstanding in the Participant's RSU Account (as defined in the Lone Pine Incentive Plan) shall be settled in accordance with the terms of the Lone Pine Incentive Plan and award agreement.

Amendment

The Lone Pine Boards may amend, suspend or terminate the Lone Pine Incentive Plan without the consent of any Participant, beneficiary, shareholder or other person (including any holders of outstanding Awards); provided, however, that, subject to LPR Canada's rights to adjust Awards under the Lone Pine Incentive Plan, any amendment, suspension or termination that would impair the rights of any Participant with respect to any Award previously granted and outstanding will not, to the extent of such impairment, be effective without the consent of the Participant.

Change of Control

In the event that LPR Canada or any affiliate assumes outstanding equity-based compensation arrangements in connection with the acquisition of another business or entity, the Administrator shall make such adjustments, not inconsistent with the provisions of the Lone Pine Incentive Plan, to the terms and conditions of Awards (not adverse to the rights of the holder thereof) as the Administrator, in its sole discretion, deems necessary or appropriate in order to achieve an equitable relationship between the assumed arrangements and Awards granted under the Lone Pine Incentive Plan as so adjusted.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of the Circular, no executive officer, director, employee or former executive officer, director or employee of Lone Pine or of any of its subsidiaries is: (a) indebted to Lone Pine or any of its subsidiaries for any purpose; or (b) is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding granted by Lone Pine or any of its subsidiaries.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The Lone Pine Boards have adopted several governance documents to guide the operation and direction thereof and its respective committees, which include the Board of Directors Charter, the Code of Business Conduct and Ethics for Employees and Officers, the Code of Business Conduct and Ethics for Members of the Board of Directors and the charters for each of the Audit and Reserves Committee, Compensation Committee and Nominating and Corporate Governance Committee. Shareholders may obtain printed copies of each of these documents, free of charge, by sending a written request to Lone Pine Resources Canada Ltd., Suite 1100, 640 - 5th Avenue SW, Calgary, Alberta T2P 3G4, Attn: Corporate Secretary.

Board of Directors' Charter

Lone Pine adopted the Board of Directors' Charter (the "**Governance Guidelines**") which, among other matters, include the following:

Director Qualification Standards

- The Nominating and Corporate Governance Committee is responsible for evaluating candidates for nomination to Lone Pine's Board, including those recommended by shareholders, and will conduct appropriate inquiries into the backgrounds and qualifications of possible candidates. The Lone Pine Boards consider candidates diverse in gender, ethnic background and professional experience.

- All candidates must possess the following personal characteristics: integrity and accountability, informed judgment, financial literacy, mature confidence and high performance standards. In addition, the Lone Pine Boards look for recognized achievement and reputation, an ability to contribute to specific aspects of Lone Pine's activities and the willingness and ability to make the commitment of time and effort required, including attendance at all board meetings and committee meetings of which he or she is a member.
- The Lone Pine Boards' size is fixed from time to time pursuant to the constating documents of LPRI and LPR Canada, with the authorized number of directors between five (5) and 12.
- The Lone Pine Boards currently consist of seven (7) directors each.

Director Responsibilities

- The overall responsibility of Lone Pine's directors is overseeing the development of, and approving, its business goals and objectives and the strategy for their achievement, including providing appropriate business plans to effect Lone Pine's strategy and monitoring Lone Pine's progress towards the execution of Lone Pine's strategy and the attainment of Lone Pine's goals and objectives. In addition, the Lone Pine Boards have the responsibility to understand the principal risks of the business in which Lone Pine is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders and to confirm that there are systems in place that effectively monitor and manage those risks with a view to Lone Pine's long-term viability.
- Directors are expected to attend Lone Pine Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly.
- Directors are expected to attend the annual meeting of Lone Pine Shareholders.

Director Access to Management and Independent Advisors

- Directors have complete access to Lone Pine's senior management and independent advisors.
- The Lone Pine Boards have the right at any time to retain independent outside financial, legal or other advisors, without obtaining approval of any officer in advance.

Chief Executive Officer Evaluation and Management Succession

- Each year, the Nominating and Corporate Governance Committee leads the Lone Pine Boards in the annual performance review of its management, including the Chief Executive Officer.
- The Nominating and Corporate Governance Committee meets annually on succession planning.

Annual Performance Evaluation, Director Orientation and Continuing Education

- The Nominating and Corporate Governance Committee leads the annual performance review of the Lone Pine Boards and their committees.
- All new directors must participate in a director orientation session.
- Continuing directors are provided opportunities for continuing education to become more knowledgeable about specific areas of importance to Lone Pine's operations and governance.

Code of Business Conduct and Ethics for Employees and Officers

- The Lone Pine Boards have adopted a Code of Business Conduct and Ethics for Employees and Officers, including the Chief Executive Officer and senior financial officers. Any waiver or amendment of the Code may be made only by the Lone Pine Boards and must be promptly disclosed to Lone Pine's shareholders. Among other matters, this Code requires each of these officers to:
 - act with honesty and integrity and in accordance with the highest legal and ethical standards;
 - comply with all applicable legal requirements of Canada;
 - exercise good judgment so as to act in a manner that will reflect favorably upon Lone Pine's company and the individual;
 - comply with generally accepted accounting principles and internal controls at all times; and
 - report any violations of the Code to Lone Pine's Compliance Officer.

Code of Business Conduct and Ethics for Members of the Lone Pine Board of Directors

The Lone Pine Boards have adopted a Code of Business Conduct and Ethics for the Lone Pine Boards, which sets out the standards of behavior expected of each of Lone Pine's directors. Any waiver or amendment of the Code may be made only by the Lone Pine Boards and must be promptly disclosed to Lone Pine's Shareholders. Among other matters, the Code requires each director to:

- avoid conflicts of interest and disclose any material transactions or relationships that reasonably could be expected to give rise to a conflict of interest;
- protect Lone Pine's assets and ensure their efficient use;
- comply, and require compliance by employees, officers and other directors, with all laws, rules and regulations applicable to Lone Pine's company, including insider trading laws; and
- report any violations of the Code to the Chairman of the Nominating and Corporate Governance Committee.

Information about Lone Pine's Board of Directors and Committees

General

The Governance Guidelines require that at least four (4) quarterly meetings are held per year. In 2015, the Lone Pine Boards met seven (7) times.

In 2015, the Lone Pine Boards, the Audit and Reserves Committee, the Compensation Committee and the Nominating and Corporate Governance Committee held seven (7), four (4), five (5) and three (3) meetings, respectively. The number and percentage of attendance of each of Lone Pine's directors at such meetings is set out in the table below:

	Patrick R. MacDonald	David M. Fitzpatrick	Terence (Tad) B. Flynn	Tim S. Granger	Will E. D. Matthews	Ajay Sabherwal	Robert B. Wonnacott
Lone Pine Boards	7 (100%)	6 (86%)	7 (100%)	7 (100%)	7 (100%)	7 (100%)	6 (86%)
Audit and Reserves Committee	-	-	4 (100%)	-	4 (100%)	4 (100%)	4 (100%)

	Patrick R. MacDonald	David M. Fitzpatrick	Terence (Tad) B. Flynn	Tim S. Granger	Will E. D. Matthews	Ajay Sabherwal	Robert B. Wonnacott
Compensation Committee	-	4 (80%)	5 (100%)	-	5 (100%)	5 (100%)	-
Nominating and Corporate Governance Committee	-	-	3 (100%)	-	3 (100%)	3 (100%)	3 (100%)

Under the Lone Pine Boards' Governance Guidelines, directors are expected to attend each annual meeting of shareholders. Patrick R. McDonald and Will E.D. Matthews attended the 2016 Annual Meetings of the Lone Pine Shareholders.

The Lone Pine Boards and each of their committees annually conduct a self-evaluation to assess, and identify opportunities to improve, their respective performance. The Nominating and Corporate Governance Committee leads the Lone Pine Boards in their annual self-evaluations.

Board Leadership Structure

The Lone Pine Boards have determined that a majority of its directors (six (6) of the seven (7) directors) are considered to be independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, which prescribes that such director is independent if he or she has no material relationship with the company. A material relationship is a relationship which could in the view of the board of directors be reasonably expected to interfere with the exercise of a member's independent judgment. The Lone Pine Boards have determined that all of its current directors, with the exception of Mr. Granger, are independent. Mr. Granger is the current President and Chief Executive Officer of Lone Pine and is not independent.

The Lone Pine Boards have determined that having an independent director serve as non-executive Chairman is in the best interest of shareholders. Lone Pine's Chief Executive Officer is responsible for setting strategic direction of Lone Pine and providing the Lone Pine Boards' day-to-day leadership, while the Chairman of Lone Pine Boards facilitates the functioning of the Lone Pine Boards independently of management. Lone Pine believes that this structure ensures a greater role for the independent directors in the oversight of Lone Pine and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Lone Pine Boards.

Board Diversity

The Lone Pine Boards' objectives are to select individuals with the skills and characteristics that, taken together, will assure a strong board with experience and expertise in business and corporate governance. The Lone Pine Boards consider candidates diverse in gender, ethnic background and professional experience.

Independence of the Members of the Lone Pine Boards

The Lone Pine Boards evaluated all relevant transactions and relationships between each director, or any of such director's family members, and Lone Pine senior management and independent registered accounting firm. Based on this evaluation, Lone Pine affirmatively determined that, with the exception of Mr. Granger, each member of the Lone Pine Boards is an independent director within the meaning of National Instrument 52-110 – *Audit Committees*.

Similarly, the Lone Pine Boards considered the fact that Mr. Wonnacott is one of six (6) equal partners that owns 66.66% of Buffalo Inspection Services, a company that has provided testing services to Lone Pine. However, Mr. Wonnacott has no active role in the services that the company provides, and the amount paid for those services was approximately \$nil in 2015 and approximately \$0.8 million in the aggregate since 2006. As a result, the Lone Pine Boards determined that Mr. Wonnacott's status as an indirect owner of the service company does not affect his independence and does not interfere with the exercise of his independent judgment.

The Lone Pine Boards have in the past, and may, in the future, make donations to various charitable organizations. From time to time, some of Lone Pine's directors, officers and employees have been, and in the future may be, affiliated with such charities. During its independence review, the Lone Pine Boards determined that any such affiliations did not impact the independence of Lone Pine's directors.

Executive Sessions of the Lone Pine Boards

The independent directors meet in executive session at least four (4) times per year, and special meetings are held as needed for the directors to properly discharge their responsibilities.

Risk Oversight

The Lone Pine Boards are actively involved in oversight of risks that could affect Lone Pine. This oversight is conducted primarily through committees of Lone Pine's Board, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees, but the full boards of directors has retained responsibility for general oversight of risks. In particular, the Audit and Reserves Committee is charged with oversight relating to Lone Pine's system of internal controls, retaining and, if appropriate, terminating the independent registered public accounting firm, as well as approving the selection of Lone Pine's independent petroleum engineers and meeting with management and Lone Pine's independent petroleum engineers to review the estimates of Lone Pine's oil and gas reserves. The Lone Pine Boards satisfy their oversight responsibilities through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within Lone Pine. In addition, the Lone Pine Boards review Lone Pine's business strategy, the management of Lone Pine's balance sheet and the implementation of Lone Pine's annual business plan and budget. Lone Pine's annual business plan and budget includes Lone Pine's capital expenditures plan for the year. Lone Pine's annual business plan and budget are also the source for most of the targets used in its annual incentive compensation plan, which the Compensation Committee oversees.

Committees of the Lone Pine Boards

The Lone Pine Boards established four (4) standing committees to assist in discharging their responsibilities: the Audit and Reserves Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. The following chart reflects the current membership of each committee:

Committee	Members
Audit and Reserves Committee	Messrs. Sabherwal (Chair), Flynn, Matthews and Wonnacott.
Compensation Committee	Messrs. Fitzpatrick (Chair), Flynn, Matthews and Sabherwal
Nominating and Corporate Governance Committees	Messrs. Matthews (Chair), Flynn, Sabherwal and Wonnacott
Executive Committee	Messrs. McDonald (Chair), Granger, Fitzpatrick and Matthews

Audit and Reserves Committee

The Audit and Reserves Committee is responsible for oversight of risks relating to accounting matters, financial reporting and legal and regulatory compliance. In particular, the Audit and Reserves Committee has the following responsibilities pursuant to its charter, a copy of which is attached as Schedule "E" to this Appendix G:

- oversee the integrity of financial statements (including oversight of accounting and financial reporting processes and the audits of financial statements);
- retain independent registered public accounting firm;
- oversee the independence, qualifications and performance of any independent registered public accounting firm for the purpose of preparing or issuing the audit reports or performing other audit, review or other attest services;
- oversee the effectiveness and performance of the internal audit function;
- oversee Lone Pine's system of internal controls;
- provide an open avenue of communication among the independent registered public accounting firm, financial and senior management, the internal auditing department and the Lone Pine Boards;
- approve the selection of the independent qualified reserves evaluator; and
- meet with management and the independent qualified reserves evaluator to review the estimates of Lone Pine's oil and gas reserves.

In connection with these purposes and to satisfy its oversight responsibilities, the Audit and Reserves Committee annually selects, engages and evaluates the performance and on-going qualifications of, and determines the compensation for, Lone Pine's independent registered public accounting firm, reviews Lone Pine's annual and quarterly financial statements and confirms the independence of the independent registered public accounting firm. The Audit and Reserves Committee also meets with management and the independent registered public accounting firm regarding the adequacy of Lone Pine's financial controls and Lone Pine's compliance with legal, tax and regulatory matters and significant policies.

While the Audit and Reserves Committee has the responsibilities and powers set out in its charter, it is not the duty of the Audit and Reserves Committee to plan or conduct audits, to determine that the financial statements are complete and accurate or to determine that such statements are in accordance with IFRS and other applicable rules and regulations. Lone Pine's management is responsible for the preparation of financial statements in accordance with IFRS and internal controls. Lone Pine's independent registered public accounting firm is responsible for the audit work on Lone Pine's financial statements. It is also not the duty of the Audit and Reserves Committee to conduct investigations or to assure compliance with laws and regulations or with Lone Pine's policies and procedures. Lone Pine's management is responsible for compliance with laws and regulations and compliance with Lone Pine's policies and procedures.

The Audit and Reserves Committee held four (4) meetings during 2015.

The Lone Pine Boards have determined that all members of the Audit and Reserves Committee are independent as that term is defined within the meaning of National Instrument 52-110 – *Audit Committees*.

The Lone Pine Boards have determined that each member of the Audit and Reserves Committee is financially literate, and in so doing, considered the following qualifications:

- Mr. Sabherwal, the chair of the Audit and Reserves Committee, holds an MBA from Manchester Business School and has served as the chief financial officer of multiple public issuers;

- Mr. Flynn holds a bachelor of economics from Harvard College and serves as the Managing Director, Financial Advisory Services and head of Asset Management Services of Houlihan Lokey (a global investment bank);
- Mr. Matthews serves as a Principal of Macritchie Storage LLC (a real estate investment firm) and has served as a Principal of Macritchie Metals Pte Ltd. (a financial advisory and investment fund); and
- Mr. Wonnacott holds an MBA from the University of Western Ontario, Ivey Business School and serves as the Partner and Director of Value Point Capital (a private equity investment group).

For more information relating to the background of the members of the Audit and Reserves Committee, see "*Director and Executive Officers*". All Audit and Reserves Committee members have extensive experience with financial statements and internal controls from their current or previous positions.

Compensation Committee

The Compensation Committee is responsible for risks relating to employment policies and Lone Pine's compensation and benefits systems. Pursuant to its charter, the purposes of the Compensation Committee are to:

- establish and review the overall compensation philosophy of Lone Pine;
- review the corporate goals and objectives set by the Lone Pine Boards, determine how to apply those goals and objectives to the compensation of Lone Pine's Chief Executive Officer and other executive officers;
- evaluate the performance of Lone Pine's officers in light of established criteria and determine and approve the annual salary, bonus, stock options and other benefits, direct and indirect, of Lone Pine's Chief Executive Officer and other executive officers based on this evaluation; and
- conduct or authorize investigations into any matter within the scope of the responsibilities delegated to the Compensation Committee as it deems appropriate, including the authority to request any of Lone Pine's officers, employees or advisors to meet with the Compensation Committee or any advisors engaged by the Compensation Committee.

In connection with these purposes, the Compensation Committee works with Lone Pine's executive officers, including its Chief Executive Officer, to implement and promote Lone Pine's executive compensation strategy.

Role of Executives and the Compensation Committee in Setting Compensation

Lone Pine's compensation program is administered by the Compensation Committee. The Compensation Committee is governed by the charter of the Compensation Committee of the Lone Pine Boards, which was adopted as of April 23, 2014. The charter specifies, among other things, that the Compensation Committee will take a leadership role in the design and administration of the executive compensation program and in performing at least an annual valuation of the performance of Lone Pine's Chief Executive Officer and other members of the senior management team. The Compensation Committee is also charged with reviewing Lone Pine's overall compensation philosophy, and to determine how corporate goals and objectives can be applied to Lone Pine's compensation program.

The Compensation Committee has the sole authority to retain a compensation consultant or to retain outside counsel or advisors as the Compensation Committee deems appropriate. The role of the compensation consultant is to advise the Compensation Committee in its oversight role, advise management in the executive compensation design process and provide independent compensation data and analysis to facilitate the annual review of the programs. The compensation consultant attends Compensation Committee meetings as requested by the Compensation Committee.

The Compensation Committee may delegate authority to its Chairman or any of its members, as it deems appropriate. The Compensation Committee also consults with Lone Pine's Chief Executive Officer from time to time regarding the compensation of the remaining members of the senior management team. None of the remaining executive officers

has a formal role in setting compensation or making decisions with respect to compensation for executive officers, although the Compensation Committee may request recommendations or information regarding compensation from any of Lone Pine's executive officers as it deems appropriate.

To the extent permitted by applicable law, the Compensation Committee may delegate some or all of its authority to subcommittees as it deems appropriate.

The Compensation Committee held five (5) meetings during 2015.

The Lone Pine Boards have determined that all members of the Compensation Committee are independent as that term is defined in National Instrument 52-110 – *Audit Committees*.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for oversight of Lone Pine's corporate governance principles and the recommendation of candidates to be nominated for election to the Lone Pine Boards. Pursuant to its charter, the purposes of the Nominating and Corporate Governance Committee are to:

- identify qualified candidates and make recommendations to the Lone Pine Boards for selection of the candidates for all directorships to be filled by the Lone Pine Boards or by the Lone Pine Shareholders at an annual or special meeting;
- oversee the evaluation of the Lone Pine Boards and the executive officers of Lone Pine;
- establish, monitor and recommend the purpose, structure, operations and charters of the committees of the Lone Pine Boards and annually recommend to members of the Lone Pine Boards to serve on the committees;
- review, on an annual basis, non-employee director compensation and recommend any changes to the Lone Pine Boards;
- periodically assess the need for adoption of share ownership guidelines and recommend such adoption, if any, to the Lone Pine Boards for approval;
- review the Code of Business Conduct and Ethics for Employees and Officers and recommend any proposed changes to the Lone Pine Boards for approval;
- review policies of the Lone Pine Boards regarding the structure of the offices of Chairman of the Lone Pine Boards and Chief Executive Officer; and
- perform such other functions as the Lone Pine Boards may assign to the Nominating and Corporate Governance Committee from time to time.

In connection with these purposes, the Nominating and Corporate Governance Committee actively seeks individuals qualified to become members of the Lone Pine Boards, seeks to implement the independence standards required by law and the Governance Guidelines and identifies the qualities and characteristics necessary for an effective Chief Executive Officer.

In considering candidates for the Lone Pine Boards, the Nominating and Corporate Governance Committee will consider (1) the competencies and skills the Lone Pine Boards as a whole should possess, (2) the criteria for candidates, after considering the competencies and skills of the existing directors and (3) the competencies and skills of each potential new nominee. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating and Corporate Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Lone Pine Boards may vary in light of its composition and the Nominating and Corporate Governance Committee's perceptions about future issues and needs. However, while the Nominating and Corporate Governance Committee does not maintain a formal list of qualifications, in making its

evaluation and recommendation of candidates, the Nominating and Corporate Governance Committee may consider, among other factors, diversity, age, skill, experience in the context of the needs of the Lone Pine Boards, independence qualifications and whether potential nominees have relevant business and financial experience, industry or other specialized expertise and high moral character.

The Nominating and Corporate Governance Committee may consider candidates for Lone Pine Boards from any reasonable source, including from a search firm engaged by the Nominating and Corporate Governance Committee or shareholder recommendations, provided that the procedures set out below are followed. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates based on whether the candidate is recommended by a shareholder or not. However, in evaluating a candidate's relevant business experience, the Nominating and Corporate Governance Committee may consider previous experience as a member of the Lone Pine Boards. Any invitation to join the Lone Pine Boards must be extended by the Lone Pine Boards as a whole, by the Chairman of the Nominating and Corporate Governance Committee and by the Chairman of the Lone Pine Boards.

The Nominating and Corporate Governance Committee held three (3) meetings during 2015.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Messrs. Fitzpatrick (Chair), Flynn, Matthews and Sabherwal. Other than Mr. Fitzpatrick, who was Lone Pine's Interim Chief Executive Officer during 2013, none of the directors who served on the Compensation Committee during 2015 had ever served as one of Lone Pine's officers or employees prior to their service on the Compensation Committee. During 2015, none of Lone Pine's executive officers served as a director or member of the compensation committee (or other committee performing similar functions) of any other entity of which an executive officer served on the Lone Pine Boards or Compensation Committee.

Position Descriptions

The Lone Pine Boards have not developed written position descriptions for the chair, the chair of each committee thereof or the chief executive officer of Lone Pine.

Directorships

The following table sets forth the names of each other reporting issuer for which each of the current directors of Lone Pine serve as a director or officer as at the date of this Circular.

Name of Director	Other Reporting Issuer
David M. Fitzpatrick	Eagle Energy Inc.(TSX); Twin Butte Energy Ltd. (TSX)
Terence (Tad) B. Flynn	Full Circle Capital Corp. (NASDAQ)

RISK FACTORS

Lone Pine is exposed to a number of risks inherent in exploring for, developing and producing crude oil, natural gas and NGLs, some that impact the oil and gas industry as a whole and others that are unique to Lone Pine's operations. This section describes the important risks and other matters that could cause actual results of Lone Pine to differ materially from those reflected in forward-looking statements. The impact of any risk or a combination of risks may adversely affect, among other things, Lone Pine's business, reputation, financial condition, results of operations and cash flows. The risks described below may not be the only risks that Lone Pine faces, as Lone Pine's business and operations may also be subject to risks that Lone Pine does not yet know of, or that Lone Pine currently believes are immaterial. When assessing the materiality of the following risk factors, Lone Pine takes into account a number of qualitative and quantitative factors, including, among others, financial, operational, environmental, regulatory,

reputation and safety aspects of the identified risk factor. Events or circumstances described below could materially and adversely affect Lone Pine's business, financial condition, results of operations or cash flows. The risks described below are interconnected, and more than one of these risks could materialized simultaneously or in short sequence if certain events or circumstances described below actually occur. If any of the following risks develop into actual events, Lone Pine's business, financial condition, cash flows or results of operations could be materially and adversely affected. References herein to "Lone Pine" include its successors. The following risk factors should be read in conjunction with the other information contained herein, including in the Circular under the heading "*Part I – Risk Factors*"

Volatility of Crude Oil, Natural Gas and NGL Prices

Lone Pine's financial performance and condition are highly sensitive to the prevailing prices of crude oil, natural gas and NGL. Fluctuations in these prices could have a material effect on Lone Pine's operations and financial condition, the value of its oil and natural gas reserves and its level of expenditure for oil and gas exploration and development. Prices for liquids and natural gas fluctuate in response to changes in the supply of and demand for liquids and natural gas, market uncertainty and a variety of additional factors that are largely beyond Lone Pine's control. Lone Pine currently uses derivative instruments to hedge Lone Pine's expected base production so as to manage the impact of fluctuations in crude oil and natural gas prices. See "*Risk Factors – Losses Resulting from Hedging Activities*" in this Appendix G. Fluctuations in crude oil and gas prices could have a material effect on the volatility of Lone Pine's earnings. Oil prices are largely determined by international supply and demand. Factors which affect crude oil prices include, among others, the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability throughout the world, the foreign supply of crude oil, the price of foreign imports, the ability to secure adequate transportation for products which could be affected by pipeline constraints, the availability of alternative fuel sources, technological advances affecting energy production and consumption, and weather conditions. Historically, NGLs prices have generally been correlated with oil prices, and are determined based on supply and demand in international and domestic NGLs markets. Natural gas prices are impacted by North American inventory levels which have increased year-over-year due to production growth in North America.

The substantial and extended decline in the prices of crude oil, natural gas and NGLs have resulted in delay or cancellation of drilling, development or construction programs, and curtailment in production and/or unutilized long-term transportation and drilling commitments, all of which could have a material adverse impact on Lone Pine. Natural gas and oil producers in Canada currently receive discounted prices for their production relative to certain international prices due to constraints on their ability to transport and sell such production to international markets. A failure to resolve such constraints may result in continued discounted or reduced commodity prices realized by natural gas and oil producers, include Lone Pine. Poor economics for developing assets have resulted in an industry-wide reduction of drilling activity which may lead to loss of leases and skilled workers. Moreover, changes in commodity prices may result in Lone Pine making downward adjustments to Lone Pine's estimated reserves. If this occurs, or if Lone Pine's estimates of production or economic factors change, accounting rules may require Lone Pine to impair, as a non-cash charge to earnings, the carrying value of Lone Pine's oil and gas properties. Lone Pine is required to perform impairment tests on oil and gas properties whenever events or changes in circumstances indicate that the carrying value of properties may not be recoverable. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of Lone Pine's oil and gas properties, the carrying value may not be recoverable and, therefore, an impairment charge will be required to reduce the carrying value of the properties to their estimated fair value. Lone Pine may incur impairment charges in the future, which could materially affect Lone Pine's results of operations, and its balance sheet, in the period incurred.

The continued low commodity price environment affects Lone Pine's ability to access capital in a number of ways, which include, among others, the following:

- Lone Pine's ability to access new debt or credit markets on acceptable terms may be limited, and this condition may last for an unknown period of time;
- Lone Pine's bank credit facility limits the amounts it can borrow to a borrowing base amount, determined by the lenders in their sole discretion based on their valuation of Lone Pine's estimated reserves and their internal criteria;

- Lone Pine's bank credit facility limits Lone Pine's ratio of total debt to trailing 12-month Adjusted EBITDA to no more than 3.0 to 1.0;
- Lone Pine may be unable to obtain adequate funding under its bank credit facility because its lenders may simply be unwilling to meet their funding obligations; and
- the operating and financial restrictions and covenants in Lone Pine's bank credit facility limit (and any future financing agreements likely will limit) its ability to finance future operations or capital needs or to engage, expand or pursue Lone Pine's business activities.

Due to these factors, Lone Pine cannot be certain that funding will be available, if needed and to the extent required, on acceptable terms, or at all. If funding is not available when needed, or if funding is available only on unfavorable terms, Lone Pine may be unable to meet its obligations as they come due or be required to post collateral to support its obligations, or Lone Pine may be unable to meet its drilling commitments, implement its development plans, enhance its existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on Lone Pine's production, revenues, results of operations or financial condition. Moreover, if Lone Pine is unable to obtain funding to make acquisitions of additional properties containing proved oil or natural gas reserves, its total level of estimated oil and natural gas reserves may decline, and Lone Pine may be unable to maintain its level of production and cash flow.

Uncertainty of Reserve Estimates

The process of estimating oil and gas reserves is complex and involves a significant number of assumptions in evaluating available geological, geophysical, engineering and economic data. In addition, the process requires future projections of reservoir performance and economic conditions; therefore, reserves estimates are inherently uncertain. Since all reserves estimates are, to some degree, uncertain, reserves classification attempts to qualify the degree of uncertainty involved.

Since the evaluation of reserves involves the evaluator's interpretation of available data and projections of price and other economic factors, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, the classification of such reserves based on estimated uncertainty, and the estimates of future net revenue or future net cash flows prepared by different evaluators or by the same evaluators at different times may vary substantially. Lone Pine's actual production, revenues, royalties, taxes, and development and operating expenditures with respect to its reserves will likely vary from such estimates and such variances could be material.

The estimates contained herein and in the Sproule Report are based in part on the timing and success of activities Lone Pine intends to undertake in future years. The reserves and estimated future net revenues contained herein and in the Sproule Report will be reduced in future years to the extent that such activities do not achieve the production performance set forth herein and in the Sproule Report.

Estimates of reserves that may be developed in the future are often based upon volumetric calculations and upon analogy to actual production history from similar reservoirs and wells, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the previously estimated reserves.

Operational Risks

Lone Pine's business is subject to all of the operating risks normally associated with the exploration for, development of and production of natural gas, oil and NGLs. These risks include blowouts, explosions, fire, gaseous leaks, migration of harmful substances and liquid spills, acts of vandalism and terrorism, any of which could cause personal injury, result in damage to, or destruction of, natural gas and oil wells or formations or production facilities and other property, equipment and the environment, as well as interrupt operations.

In addition, all of Lone Pine's operations will be subject to all of the risks normally incident to the transportation, processing, storing and marketing of natural gas, oil, NGLs and other related products, drilling and completion of natural gas and oil wells, and the operation and development of natural gas and oil properties, including encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, equipment failures and other accidents, sour gas releases, uncontrollable flows of natural gas, oil or well fluids, adverse weather conditions, pollution and other environmental risks.

If any of these industry-operating risks occur, Lone Pine could have substantial losses. Substantial losses may be caused by injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Consistent with industry practice, Lone Pine maintains insurance against some, but not all, of the risks described above. Generally, pollution-related environmental risks are not fully insurable. There can be no assurances that insurance maintained by Lone Pine will be adequate to fully cover Lone Pine's losses or liabilities. Also, Lone Pine cannot predict the continued availability of insurance at premium levels that justify its purchase. The occurrence of a significant event against which Lone Pine is not fully insured could have a material adverse effect on Lone Pine's financial position.

Risks Related to Mergers and Acquisitions

Lone Pine believes that the Arrangement and other possible future mergers or acquisitions may strengthen its position and create the opportunity to realize certain benefits, including, among other things, operational synergies and potential cost savings. Achieving the benefits of mergers or acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as being able to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations. Mergers and acquisitions could also result in difficulties in being able to hire, train or retain qualified personnel to manage and operate such properties.

Acquiring oil and natural gas properties requires Lone Pine to assess reservoir and infrastructure characteristics, including estimated recoverable reserves, type curve performance and future production, commodity prices, revenues, development and operating costs and potential environmental and other liabilities. Such assessments are inexact and inherently uncertain and, as such, the acquired properties may not produce as expected, may not have the anticipated reserves and may be subject to increased costs and liabilities.

Although the acquired properties are reviewed prior to completion of an acquisition, such reviews are not capable of identifying all existing or potentially adverse conditions. This risk may be magnified where the acquired properties are in geographic areas where Lone Pine has not historically operated or in new or emerging formations. New or emerging formations and areas often have limited or no production history and Lone Pine may be less able to predict future drilling and production results over the life-cycles of the wells in such areas.

Further, Lone Pine also may not be able to obtain or realize upon contractual indemnities from the seller for liabilities created prior to an acquisition and it may be required to assume the risk of the physical condition of the properties that may not perform in accordance with its expectations.

Capital Allocation and Project Decisions

Lone Pine's long-term financial performance is sensitive to the capital allocation decisions taken and the underlying performance of the projects undertaken. Capital allocation and project decisions are undertaken after assessing reserve and production projections, capital and operating cost estimates and applicable fiscal regimes that govern the respective government take from any project. All of these factors are evaluated against common commodity pricing assumptions and the relative risks of projects. These factors are used to establish a relative ranking of projects and capital allocation, which is then calibrated to ensure the debt and liquidity of Lone Pine is not compromised. However, material changes to project outcomes and deviation from forecasted assumptions, such as production volumes and rates, realized commodity price, cost or tax and/or royalties, could have a material impact on Lone Pine's cash flow and financial performance as well as assessed impacts of impairments on Lone Pine's assets. Adverse economic and/or fiscal conditions could impact the prioritization of projects and capital allocation to these projects, which in turn could lead to adverse effects such as asset under investment, asset performance impairments or land access expiries.

Project Delivery

Lone Pine's ability to operate, generate sufficient cash flows, and complete projects depends upon numerous factors beyond Lone Pine's control. In addition to commodity prices and continued market demand for its products, these non-controllable factors include, among others, general business and market conditions, economic recessions and financial market turmoil, the overall state of the capital markets, including investor appetite for investments in the oil and gas industry generally and Lone Pine's securities in particular, the ability to secure and maintain cost effective financing for its commitments, legislative, environmental and regulatory matters, reliance on industry partners and service providers, unexpected cost increases, royalties, taxes, and volatility in oil, natural gas or NGLs prices. The global demand for project resources can impact the access to appropriately competent contractors and construction yards as well as to raw products, such as steel. Typical execution risks include, among others, the availability of seismic data, the availability of pipeline and processing capacity, transportation interruptions and constraints, technology failures, accidents, reservoir quality, the availability and proximity of pipeline capacity, the availability of drilling and other equipment, the ability to access water for hydraulic fracturing operations, the ability to access lands, weather, unexpected cost increases, accidents, the availability of skilled labour, including engineering and project planning personnel, the need for government approvals and permits, and regulatory matters. Subsurface challenges can also result in additional risk of cost overruns and scheduling delays if conditions are not typical of historical experiences. Lone Pine utilizes materials and services which are subject to general industry-wide conditions. Cost escalation for materials and services may be unrelated to commodity price changes and may continue to have a significant impact on project planning and economics. In addition, some of these risks may be magnified due to the concentrated nature of funding certain assets within Lone Pine's portfolio of oil and natural gas properties that are operated within limited geographic areas. As a result, a number of Lone Pine's assets could experience any of the same risks and conditions at the same time, resulting in a relatively greater impact on Lone Pine's financial condition and results of operations compared to other companies that may have a more geographically diversified portfolio of properties.

Declines in oil, natural gas or NGLs prices or a continued low price environment for natural gas, oil or NGLs create fiscal challenges for the oil and gas industry. These conditions have impacted companies in the oil and gas industry and Lone Pine's spending and operating plans and may continue to do so in the future. There may be unexpected business impacts from market uncertainty, including volatile changes in currency exchange rates, inflation, interest rates, defaults of suppliers and general levels of investing and consuming activity.

Lone Pine manages a variety of projects, including exploration and development projects. Project delays may impact expected revenues and project cost overruns could make projects uneconomic.

All of Lone Pine's operations are subject to regulation and intervention by governments that can affect or prohibit the drilling, completion and tie-in of wells, production, the construction or expansion of facilities and the operation and abandonment of fields. Contract rights can be cancelled or expropriated. Changes to government regulation could impact Lone Pine's existing and planned projects.

Egress and Gas & Liquid Buyers

Lone Pine delivers its products through gathering, processing and pipeline systems (some of which Lone Pine does not own). The amount of oil and natural gas that Lone Pine can sell is subject to the accessibility, availability, proximity and capacity of these systems. This access to market affects regional price differentials, which could result in the inability to realize the full economic potential of Lone Pine's production. Although transportation systems are expanding, the lack of firm transportation capacity continues to affect the industry and has the potential to limit the ability to produce and to market Lone Pine's production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil. North America has an integrated network of natural gas pipelines; however regional restrictions can arise resulting in curtailments. Any significant change in market factors, infrastructure regulation or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities, could negatively impact Lone Pine's business and, in turn, its financial condition, results of operations and funds from operations. A portion of Lone Pine's production is processed through third-party owned facilities which Lone Pine does not control. From time-to-time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected

events. A discontinuance or decrease of operations could adversely affect Lone Pine's ability to process its production and to deliver the same for sale.

Credit and Liquidity

Market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, may cause significant volatility of the credit markets, which may then restrict timely access and limit Lone Pine's ability to secure and maintain cost-effective financing on acceptable terms and conditions. In addition, if any lender under Lone Pine's syndicated bank credit facility does not fund its commitment, Lone Pine's liquidity may be reduced by an amount up to the aggregate amount of such lender's commitment. See "*Risk Factors – Counterparty Risk*" in this Appendix G. Further, Lone Pine's ability to access funds under its bank credit facility is based on a borrowing base, which is subject to periodic redeterminations based on Lone Pine's estimated reserves and prices that will be determined by Lone Pine's lenders in their sole discretion using the pricing models determined by the lenders at such time.

Lone Pine's ability to access the private and public equity and debt markets and complete future asset monetization transactions is also dependent upon oil, natural gas and NGL prices, in addition to a number of other factors, some of which are outside Lone Pine's control. These factors include, among others:

- the value and performance of Lone Pine's debt and equity securities;
- domestic and global economic conditions; and
- conditions in the domestic and global financial markets.

Recent credit concerns and related turmoil in the energy sector have had an impact on Lone Pine's business and its access to capital, and Lone Pine may face additional challenges if economic and financial market conditions worsen. The weakened economic conditions also may adversely affect the collectability of Lone Pine's trade receivables. For example, Lone Pine's accounts receivable are primarily from purchasers of Lone Pine's oil, natural gas and NGL production and other exploration and production companies that own working interests in the properties that Lone Pine operates. This industry concentration could adversely impact Lone Pine's overall credit risk because Lone Pine's customers and working interest owners may be similarly affected by changes in economic and financial market conditions, commodity prices and other conditions. Further, a credit crisis and turmoil in the financial markets in the future could cause Lone Pine's commodity derivative instruments to be ineffective in the event a counterparty is unable to perform its obligations or seeks bankruptcy protection.

Due to these factors, Lone Pine cannot be certain that funding, if needed, will be available to the extent required, or on acceptable terms, or at all. If Lone Pine is unable to access funding when needed on acceptable terms, Lone Pine may not be able to implement its business plans, meet its capital commitments, take advantage of business opportunities, respond to competitive pressures or refinance its debt obligations as they come due, any of which could have a material adverse effect on Lone Pine's business, financial condition, cash flows and results of operations.

Operating Restrictions under Lone Pine's Credit Facility

The credit agreement governing Lone Pine's bank credit facility contains, and any future indebtedness that Lone Pine incurs may contain, a number of restrictive covenants that will impose significant operating and financial restrictions on Lone Pine, including restrictions on its ability to, among other things:

- sell assets, including equity interests in its subsidiaries;
- pay dividends on, redeem or repurchase Lone Pine shares;
- make investments other than the ownership and related operation of oil and gas properties and assets in Canada;

- incur or guarantee additional indebtedness or issue preferred shares;
- create or incur certain liens;
- make certain acquisitions and investments;
- enter into agreements that restrict distributions or other payments from restricted subsidiaries to Lone Pine;
- consolidate, merge or transfer all or substantially all of Lone Pine's assets;
- engage in transactions with affiliates;
- create unrestricted subsidiaries;
- enter into certain sale and leaseback transactions that are in excess of \$5,000,000; and
- engage in certain business activities.

In addition, the credit agreement governing Lone Pine's bank credit facility provides that it will not permit its ratio of total debt outstanding to Adjusted EBITDA for a trailing 12-month period to be greater than 3.00 to 1.00. At December 31, 2015, this ratio was 0.2 to 1.0.

As a result of these covenants and restrictions, Lone Pine will be limited in the manner in which it conducts its business, and Lone Pine may therefore be unable to engage in favorable business activities or finance future operations or capital needs. Lone Pine's ability to comply with these covenants and restrictions in the future is uncertain and will be affected by the levels of cash flows from its operations and events or circumstances beyond its control. If market or other economic conditions deteriorate, Lone Pine's ability to comply with these covenants may be impaired.

The credit agreement governing Lone Pine's bank credit facility also limits the amounts it can borrow to a borrowing base amount, determined by the lenders in their sole discretion taking into account the estimated value of Lone Pine's oil and gas properties. Outstanding borrowings in excess of the borrowing base must be repaid with interest. If Lone Pine does not have sufficient funds on hand for such repayment, Lone Pine may be required to seek a waiver or amendment from its lenders, refinance its bank credit facility, sell assets or issue debt or Lone Pine shares. Lone Pine may not be able to obtain such financing or complete such transactions on terms acceptable to it, or at all. Failure to make the required repayment could result in an event of default under the credit agreement governing Lone Pine's bank credit facility.

A failure to comply with the requirements of the credit agreement governing Lone Pine's bank credit facility or any future indebtedness could result in an event of default under the credit agreement governing Lone Pine's bank credit facility or its future indebtedness, which, if not cured or waived, could have a material adverse effect on Lone Pine's business, financial condition, cash flows and results of operations. If an event of default under the credit agreement governing Lone Pine's bank credit facility occurs and remains uncured, the lenders thereunder:

- would not be required to lend any additional amounts to Lone Pine;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest thereon and fees, to be immediately due and payable;
- may require Lone Pine to apply all of its available cash to repay these borrowings; or
- may prevent Lone Pine from making debt service payments under its other agreements.

Lone Pine's level of indebtedness could affect its operations by:

- requiring it to dedicate a portion of cash flows from operations to service its indebtedness, thereby reducing the availability of cash flow for other purposes;
- reducing its competitiveness compared to similar companies that have less debt;
- limiting its ability to obtain additional future financing for working capital, capital investments and acquisitions;
- limiting its flexibility in planning for, or reacting to, changes in its business and industry; and
- increasing its vulnerability to general adverse economic and industry conditions.

Lone Pine's ability to meet its debt obligations and service those debt obligations depends on future performance. General economic conditions, natural gas, oil or NGLs prices, and financial, business and other factors affect Lone Pine's operations and future performance. Many of these factors are beyond Lone Pine's control. If Lone Pine is unable to satisfy its obligations with cash on hand, Lone Pine could attempt to refinance debt or repay debt with proceeds from a public offering of securities or selling certain assets. No assurance can be given that Lone Pine will be able to generate sufficient cash flow to pay the interest obligations on its debt, or that funds from future borrowings, equity financings or proceeds from the sale of assets will be available to pay or refinance its debt, or on terms that will be favourable to Lone Pine. Further, future acquisitions may decrease Lone Pine's liquidity by using a significant portion of its available cash or borrowing capacity to finance such acquisitions, and such acquisitions could result in a significant increase in Lone Pine's interest expense or financial leverage if it incurs additional debt to finance such acquisitions.

Ability to Find, Develop or Acquire Additional Reserves

Lone Pine's future oil, natural gas and NGLs reserves and production, and therefore its cash flows, are highly dependent upon its success in exploiting its current reserves base and acquiring, discovering or developing additional oil and gas reserves that are economically recoverable. Without additions to reserves through exploration, acquisition or development activities, Lone Pine's production will decline over time as reserves are depleted.

The business of exploring for, developing or acquiring reserves is capital intensive. To the extent Lone Pine's cash flows from operations are insufficient to fund capital expenditures and external sources of capital become limited or unavailable, Lone Pine's ability to make the necessary capital investments to maintain and expand its oil, natural gas and NGLs reserves will be impaired. In addition, there can be no certainty that Lone Pine will be able to find and develop or acquire additional reserves to replace its production at acceptable costs.

Hydrocarbons are a limited resource, and Lone Pine is subject to increasing competition from other companies, including national oil companies. Exploration and development drilling may not result in commercially productive reserves and, if production begins, reservoir performance may be less than projected. Successful acquisitions require an assessment of a number of factors, many of which are uncertain. These factors include recoverable reserves, development potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. If a high impact prospect identified by Lone Pine fails to materialize in a given year, Lone Pine's multi-year exploration and/or development portfolio may be compromised. See "*Risk Factors – Volatility of Crude Oil, Natural Gas and NGL Prices*" in this Appendix G. The recent decline in commodity prices, if sustained, may result in promising exploration and development projects being deemed uneconomic. Continued failure to achieve anticipated reserve and resource addition targets may result in Lone Pine's withdrawal from an area, which in turn may result in a write-down of any associated reserves and/or resources for that area.

Major Incident, Major Spill / Loss of Well Control

Oil and gas drilling and producing operations are subject to many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome, including, among others, the risk of fire, explosions, mechanical failure, pipe or well cement failure, well casing collapse, pressure or irregularities in formations, chemical and other spills, unauthorized access to hydrocarbons, illegal tapping of pipelines, accidental flows of oil, natural gas or well fluids, sour gas releases, contamination, vessel collision, structural failure, loss of buoyancy, storms or other adverse weather conditions and other occurrences. If any of these should occur, Lone Pine could incur legal defence costs and remedial costs and could suffer substantial losses due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, unplanned production outage, cleanup responsibilities, regulatory investigation and penalties, increased public interest in Lone Pine's operational performance and suspension of operations. Lone Pine's application of horizontal and multi-stage hydraulic fracture stimulation techniques involve greater risk of mechanical problems than vertical and shallow drilling operations.

Health Hazards and Personal Safety Incidents

The employee and contractor personnel involved in exploration and production activities and operations of Lone Pine are subject to many inherent health and safety risks and hazards, which could result in occupational illness or health issues, personal injury, and loss of life, facility quarantine and/or facility and personnel evacuation.

Regulatory Approvals / Compliance and Changes to Laws and Regulations

Lone Pine's exploration and production operations are subject to extensive regulation at many levels of government, including municipal, state, provincial and federal governments, and operations are subject to interruption or termination by governmental and regulatory authorities based on environmental or other considerations. Moreover, Lone Pine has incurred and will continue to incur costs in Lone Pine's efforts to comply with the requirements of environmental, safety and other regulations. Further, the regulatory environment in the oil and gas industry could change in ways that Lone Pine cannot predict and that might substantially increase Lone Pine's costs of compliance and, in turn, materially and adversely affect Lone Pine's business, results of operations and financial condition.

Failure to comply with the applicable laws or regulations may result in significant increases in costs, fines or penalties and even shutdowns or losses of operating licenses or criminal sanctions. If regulatory approvals or permits required for operations are delayed or not obtained, Lone Pine could experience delays or abandonment of projects, decreases in production and increases in costs. This could result in an inability of Lone Pine to fully execute its strategy and adverse impacts on its financial condition. See "*Risk Factors – Socio-Political Risks*" in this Appendix G.

Changes to existing laws and regulations or new laws could have an adverse effect on Lone Pine's business by increasing costs, impacting development schedules, reducing revenue and cash flow from natural gas and oil sales, reducing liquidity or otherwise altering the way Lone Pine conducts business. There have been various proposals to enact new, or amend existing, laws and regulations relating to greenhouse gas emissions, hydraulic fracturing (including associated additives, water use, induced seismicity, and disposal) and shale gas development generally. See "*Risk Factors – Environmental Risks*" in this Appendix G.

Lone Pine continues to monitor and assess any new policies, legislation or regulations in the areas where Lone Pine operates to determine the impact on Lone Pine's operations. Governmental organizations unilaterally control the timing, scope and effect of any currently proposed or future laws or regulations, and such enactments are subject to a myriad of factors, including political, monetary and social pressures. Lone Pine acknowledges that the direct and indirect costs of such laws and regulations (if enacted) could materially and adversely affect Lone Pine's business, results of operations and financial condition.

Fiscal Stability

Governments may amend or create new legislation that could impact Lone Pine's operations and that could result in increased capital, operating and compliance costs. Moreover, Lone Pine's operations are subject to various levels of

taxation in the jurisdictions in which Lone Pine operates. Federal, provincial and territorial income tax rates or incentive programs relating to the oil and gas industry in the jurisdictions where Lone Pine operates may in the future be changed or interpreted in a manner that could materially affect the economic value of the respective assets. For example, the Government of Alberta has recently announced the results of a royalty review. While many details of the implementation of this new regime have yet to be determined, royalties on existing wells remain unchanged for 10 years, and the new royalties will apply only to wells drilled in 2017 and onwards. Furthermore, the Government has pledged that the new system will be, in aggregate, "rate of return neutral" relative to the existing system, although individual assets may see higher or lower royalties. The impact of the new royalty regime to Lone Pine has not yet been fully evaluated.

Stakeholder Opposition

Lone Pine's planned activities may be adversely affected if there is strong community opposition to its operations. For example, there is heightened public concern regarding hydraulic fracturing in parts of North America, which could materially affect Lone Pine's shale operations. In some circumstances, this risk of community opposition may be higher in areas where Lone Pine operates alongside indigenous communities who may have additional concerns regarding land ownership, usage or claim compensation.

Non-Operatorship and Partners Relations

Some of Lone Pine's projects are conducted through, joint ventures, partnerships or other arrangements, where Lone Pine has a limited ability to influence or control operations (or their associated costs) or future development, safety and environmental standards and amount of capital expenditures. Companies which operate these properties may not necessarily share Lone Pine's health, safety and environmental standards or strategic or operational goals or approach to partner relationships, which may result in accidents, regulatory noncompliance, project delays or unexpected future costs, all of which may affect the viability of these projects and Lone Pine's standing in the external market. Lone Pine's dependence on the operator and other working interest owners for these properties and assets, and its limited ability to influence operations and associated costs, could materially adversely affect Lone Pine's financial performance. The success and timing of Lone Pine's activities on assets operated by others therefore will depend upon a number of factors that are outside of Lone Pine's control, including timing and amount of capital expenditures, timing and amount of operating and maintenance expenditures, the operator's expertise and financial resources, approval of other participants, selection of technology and risk management practices.

If these co-participants do not approve or are unable to fund their contractual share of certain capital or operating expenditures, suspend or terminate such arrangements or otherwise fulfill their obligations, this may result in project delays or additional future costs to Lone Pine, all of which may affect the viability of such projects.

These co-participants may also have strategic plans, objectives and interests that do not coincide with and may conflict with those of Lone Pine. While certain operational decisions may be made solely at the discretion of Lone Pine in its capacity as operator of certain projects, major capital and strategic decisions affecting such projects may require agreement among the co-participants. While Lone Pine and its co-participants generally seek consensus with respect to major decisions concerning the direction and operation of the project assets, no assurance can be provided that the future demands or expectations of any party, including Lone Pine, relating to such assets will be met satisfactorily or in a timely manner. Failure to satisfactorily meet such demands or expectations may affect Lone Pine's or its co-participants' participation in the operation of such assets or the timing for undertaking various activities, which could negatively affect Lone Pine's operations and financial results. Further, Lone Pine is involved from time to time in disputes with its co-participants and, as such, it may be unable to dispose of assets or interests in certain arrangements if such disputes cannot be resolved in a satisfactory or timely manner.

Losses Resulting from Hedging Activities

The nature of Lone Pine's operations results in exposure to fluctuations in commodity prices. To reduce Lone Pine's exposure to fluctuations in oil, natural gas and NGL prices, Lone Pine enters into derivative instruments (or hedging agreements) for a portion of its oil, natural gas and NGL production. Lone Pine expects that its commodity hedging agreements will be limited in duration, usually for periods of three (3) years or less; however, in conjunction with acquisitions, Lone Pine may enter into or acquire hedges for longer periods. The terms of Lone Pine's various hedging

agreements may limit the benefit to Lone Pine of commodity price increases. Lone Pine may also suffer financial loss if Lone Pine is unable to produce natural gas, oil or NGLs, or if counterparties to Lone Pine's hedging agreements fail to fulfill their obligations under the hedging agreements.

Lone Pine's hedging transactions will impact its earnings in various ways, known and unknown. Due to the volatility of commodity prices, Lone Pine may be required to recognize mark-to-market gains and losses on derivative instruments, as the estimated fair value of its commodity derivative instruments is subject to significant fluctuations from period to period. The amount of any actual gains or losses recognized will likely differ from Lone Pine's period-to-period estimates and will be a function of the actual price of the commodities on the settlement date of the particular derivative instrument. Lone Pine expects that commodity prices will continue to fluctuate in the future, and, as a result, its periodic financial results will be subject to fluctuations related to its derivative instruments.

Attraction, Retention and Development of Personnel

Successful execution of Lone Pine's plans is dependent on Lone Pine's ability to attract and retain talented personnel who have the skills necessary to deliver on Lone Pine's strategy and maintain safe operations. This includes not only key talent at a senior level, but also individuals with the professional and technical skill sets critical for Lone Pine's business, particularly geologists, geophysicists, engineers, accountants and other specialists. Any deterioration of Lone Pine's corporate culture or loss of key talent could adversely affect Lone Pine's operations and long-term success.

Information Systems

Lone Pine has become increasingly dependent upon the availability, capacity, reliability and security of Lone Pine's information technology ("IT") infrastructure and Lone Pine's ability to expand and continually update this infrastructure, to conduct daily operations. Lone Pine depends on various IT systems to estimate reserve quantities, process and record financial and operating data, analyze seismic and drilling information, and communicate with employees and third-party partners. Lone Pine's IT systems are increasingly integrated in terms of geography, number of systems, and key resources supporting the delivery of IT systems. The performance of Lone Pine's key suppliers is critical to ensure appropriate delivery of key services. Any failure to manage, expand and update Lone Pine's IT infrastructure, any failure in the extension or operation of this infrastructure, or any failure by Lone Pine's key resources or service providers in the performance of their services could materially and adversely harm Lone Pine's business.

The ability of the IT function to support Lone Pine's business in the event of a disaster such as fire, flood or loss/denial of any of Lone Pine's data centres or major office locations and Lone Pine's ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that, if such an event actually occurs, the business continuity plan may not be adequate to immediately address all repercussions of the disaster. In the event of a disaster affecting a data centre or key office location, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner.

Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to Lone Pine's business activities or its competitive position. Further, disruption of critical IT services, or breaches of information security, could have a negative effect on Lone Pine's operational performance and earnings, as well as on Lone Pine's reputation.

Lone Pine applies technical and process controls in line with industry-accepted standards to protect its information assets and systems; however these controls may not adequately prevent cyber-security breaches. There is no assurance that Lone Pine will not suffer losses associated with cyber-security breaches in the future, and Lone Pine may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities.

Claims, Litigation, Administrative Proceedings and Regulatory Actions

Lone Pine may be subject to claims, litigation, administrative proceedings and regulatory actions. The outcome of these matters may be difficult to assess or quantify, and there cannot be any assurance that such matters will be

resolved in Lone Pine's favour. If Lone Pine is unable to resolve such matters favourably, Lone Pine or its directors, officers or employees may become involved in legal proceedings that could result in an onerous or unfavourable decision, including fines, sanctions, monetary damages or the inability to engage in certain operations or transactions. The defense of such matters may also be costly and time consuming, and could divert the attention of management and key personnel from Lone Pine's operations. Lone Pine may also be subject to adverse publicity associated with such matters, regardless of whether such allegations are valid or whether Lone Pine is ultimately found liable. As a result, such matters could have a material adverse effect on Lone Pine's reputation, financial position, results of operations or liquidity.

Securing and Maintaining Title to Properties

Lone Pine's properties are held in the form of licenses and leases and working interests in licenses and leases. If Lone Pine or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of a license or lease or the working interest relating to a license or lease may have a material adverse effect on Lone Pine's results of operations and business. In addition title to the properties can become subject to dispute and defeat Lone Pine's claim to title over certain of its properties. Furthermore, there may be legislative changes which affect title to the oil and natural gas properties Lone Pine controls that, if successful or made into law, could impair its activities on them and result in a reduction of the revenue received. Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. Lone Pine is not aware that any material claims have been made in respect of its properties and assets; however, if a claim arose and was successful this could have an adverse effect on LPR Canada and its operations.

Socio-Political Risks

Lone Pine's operations may be adversely affected by political or economic developments or social instability in the jurisdictions in which it operates, which are not within the control of Lone Pine, including, among other things, a change in crude oil, natural gas or NGL pricing policy and/or related regulatory delays, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, difficulties in enforcing contractual terms, a change in taxation policies, economic sanctions, the imposition of specific drilling obligations, the imposition of rules relating to development and abandonment of fields, access to or development of infrastructure, jurisdictional boundary disputes, and currency controls.

Future Changes in Laws

Income tax laws, royalty regimes (including as contemplated in the recently announced Alberta royalty framework), environmental laws or other laws and regulations may in the future be changed or interpreted in a manner that adversely affects Lone Pine or its securityholders. Tax authorities having jurisdiction over Lone Pine or its shareholders could change their administrative practices, or may disagree with the manner in which Lone Pine calculates its tax liabilities or structures its arrangements, to the detriment of Lone Pine or its securityholders. Changes to existing laws and regulations or the adoption of new laws and regulations could also increase Lone Pine's cost of compliance and adversely affect Lone Pine's business, financial position, cash flows or results of operations.

Exchange Rate Fluctuations

Worldwide prices for natural gas and oil are set in U.S. dollars, and Lone Pine's expenses are denominated in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could impact Lone Pine's revenue and expenses and have an adverse effect on Lone Pine's financial performance and condition.

Counterparty Risk

Lone Pine is exposed to the risks associated with counterparty performance including credit risk and performance risk. Lone Pine may experience material financial losses in the event of customer payment default for commodity sales and financial derivative transactions. Lone Pine's liquidity may also be impacted if any lender under Lone Pine's existing credit facilities is unable to fund its commitment. Performance risk can impact Lone Pine's operations by the non-

delivery of contracted products or services by counterparties, which could impact project timelines or operational efficiency. Fluctuations in prevailing prices of crude oil, natural gas and NGLs could have a material adverse effect on the operations and financial condition of counterparties. Lone Pine also has credit risk arising from cash and cash equivalents held with banks and financial institutions.

Interest Rates

Lone Pine is exposed to interest rate risk principally by virtue of its borrowings. Borrowing at floating rates exposes Lone Pine to movements in interest rates. Borrowing at fixed rates exposes Lone Pine to reset risk associated with debt maturity. Variations in interest rates and schedule principal repayments could result in changes in the amount required to service debt, which may negatively impact Lone Pine's cash flows and financial condition.

Competitive Risk

The global oil and gas industry is highly competitive. Lone Pine faces significant competition and many of Lone Pine's competitors have resources in excess of Lone Pine's available resources. Lone Pine actively competes for the acquisition and divestment of properties, the exploration for and development of new sources of supply, the contractual services for oil and gas drilling and production equipment and services, the transportation and marketing of current production, and industry personnel, including, but not limited to, geologists, geophysicists, engineers and other specialists that enable the business. Many of Lone Pine's competitors have the ability to pay more for seismic and lease rights in crude oil and natural gas properties and exploratory prospects. They can define, evaluate, bid for and purchase a greater number of properties and prospects than Lone Pine's financial or human resources permit. If Lone Pine is not successful in the competition for oil and gas reserves or in the marketing of production, Lone Pine's financial condition and results of operations may be adversely affected. Many of Lone Pine's competitors have resources substantially greater than Lone Pine's and, as a consequence, Lone Pine may be at a competitive disadvantage.

Income Taxes

Income tax laws, other laws or government incentive programs relating to the oil and gas industry may in the future be changed or interpreted in a manner that adversely affects Lone Pine and its shareholders. Tax authorities having jurisdiction over Lone Pine or its shareholders may disagree with how the Lone Pine calculates its income for tax purposes or could change administrative practices to its detriment or the detriment of its shareholders. Lone Pine is also subject to income tax audit and reassessment risks, the outcome of which may result in reduction in Lone Pine's tax pools, loss carryforwards, or even cash tax liabilities. In 2015, the Canada Revenue Agency conducted an audit and issued a proposal letter regarding the income tax consequences arising from the settlement of a debt pursuant to the CCAA Plan, as well the quantum and characterization of certain historic tax pools. The outcome of the audit is uncertain and may reduce Lone Pine's aggregate tax pools or result in offsetting adjustments to tax pools and tax loss carry-forwards, though it is unlikely to result in any cash tax liabilities. For more information, see Note 12 "Income Tax" of the Lone Pine Interim Financial Statements and the Lone Pine Interim MD&A attached to this Appendix G as Schedule "C". Reduction in Lone Pine's future income tax deductibility and any cash tax payable will lower Lone Pine's future cash flows and may negatively impact its financial condition.

Environmental Risks

General

All phases of Lone Pine's oil, natural gas and NGLs business are subject to environmental regulation pursuant to a variety of laws and regulations in the jurisdictions in which Lone Pine does business (collectively, "**environmental regulation**").

Environmental regulation imposes, among other things, restrictions, liabilities and obligations in connection with the use, generation, handling, storage, transportation, treatment and disposal of chemicals, hazardous substances and waste associated with the finding, production, transmission and storage of Lone Pine's products, including the hydraulic fracturing of wells, the decommissioning of facilities and in connection with spills, releases and emissions

of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and natural gas operations.

Environmental regulation also requires that wells, facility sites and other properties associated with Lone Pine's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations including exploration and development projects and changes to certain existing projects may require the submission and approval of environmental impact assessments or permit applications. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties.

Although Lone Pine currently believes that the costs of complying with environmental legislation and dealing with environmental civil liabilities will not have a material adverse effect on Lone Pine's financial condition or results of operations, there can be no assurance that such costs will not have such an effect in the future.

Lone Pine's business is subject to the trend toward increased rigour in regulatory compliance and civil or criminal liability for environmental matters in Canada. Compliance with environmental legislation can require significant expenditures, and failure to comply with environmental legislation may result in the assessment of administrative, civil and criminal penalties, the cancellation or suspension of regulatory permits, the imposition of investigatory or remedial obligations or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, Lone Pine could be held strictly liable for the remediation of previously released materials or property contamination resulting from its operations, regardless of whether those operations were in compliance with all applicable laws at the time they were performed. Regulatory delays, legal proceedings and reputational impacts from an environmental incident could result in a material adverse effect on Lone Pine's business. Increased stakeholder concerns and regulatory actions regarding shale gas development could lead to third party or governmental claims, and could adversely affect Lone Pine's business and financial condition.

A number of federal, provincial and territorial governments have announced intentions to regulate greenhouse gases and certain air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on their announcements. The Canadian federal government has announced it will work with the provinces and territories to establish a pan-Canadian climate change framework that is consistent with the outcome reached at the 21st Conference of the Parties in Paris. The Alberta government outlined its Climate Leadership Plan which includes four (4) key areas, one of which is targeting a 45 percent reduction in methane gas emissions from oil and gas operations by 2025.

Additionally, the Canadian federal government and certain Canadian provincial governments continue to review certain aspects of the scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. At present, most of these governments are primarily engaged in the collection, review and assessment of technical information regarding the hydraulic fracturing process and have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory construct. However, certain environmental and other groups have suggested that additional federal, provincial, territorial and municipal laws and regulations may be needed to more closely regulate the hydraulic fracturing process, and have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water sources.

Further, certain governments in jurisdictions where Lone Pine does not currently operate have considered or implemented moratoriums on hydraulic fracturing until further studies can be completed and some governments have adopted, and others have considered adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase Lone Pine's cost of compliance and doing business as well as reduce the amount of natural gas and oil that Lone Pine is ultimately able to produce from its reserves.

Lone Pine is unable to predict the total impact of the potential regulations upon its business. Therefore, it is possible that Lone Pine could face increases in operating costs or curtailment of production in order to comply with legislation governing emissions and hydraulic fracturing.

Hydraulic Fracturing

Lone Pine utilizes horizontal drilling, multi-stage hydraulic fracturing, specially formulated drilling fluids and other technologies in its drilling and completion activities. Hydraulic fracturing is a method of increasing well production by injecting fluid under high pressure down a well, which causes the surrounding rock to crack or fracture. The fluid typically consists of water, sand, chemicals and other additives and flows into the cracks where the sand remains to keep the cracks open and enable natural gas or liquids to be recovered. Fracturing fluids flow back to the surface through the wellbore and are stored for reuse or future disposal in accordance with regional regulations, which may include injection into underground wells. The design of the well bores protects groundwater aquifers from the fracturing process.

Hydraulic fracturing has been in use for some time in the oil and gas industry; however, the proliferation of fracturing in recent years to access hydrocarbons in unconventional reservoirs, such as shale formations, has given rise to public concerns about the environmental impacts of this technology. Public concern over the environmental impacts of the hydraulic fracturing process has focused on a number of issues, including water aquifer contamination; other qualitative and quantitative effects on water resources as large quantities of water are used and injected fluids either remain underground or flow back to the surface to be collected, treated and disposed; and the potential for fracturing activities to induce seismic events. Regulatory authorities in certain jurisdictions have announced initiatives in response to such concerns. Federal, provincial, territorial and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs, additional operating restrictions or delays, and adversely affect Lone Pine's production. Public perception of environmental risks associated with hydraulic fracturing can further increase pressure to adopt new laws, regulation or permitting requirements, or lead to regulatory delays, legal proceedings and/or reputational impacts. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs and third party or governmental claims. They could also increase Lone Pine's costs of compliance and doing business as well as delay the development of hydrocarbon (natural gas and oil) resources from shale formations, which may not be commercial without the use of hydraulic fracturing.

If legal restrictions are adopted in jurisdictions in which Lone Pine is currently conducting or in the future plans to conduct operations, Lone Pine may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. In addition, if hydraulic fracturing becomes more regulated, Lone Pine's fracturing activities could become subject to additional permitting requirements and result in permitting delays as well as potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that Lone Pine is ultimately able to produce from its reserves. It is anticipated that federal, provincial and territorial regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. While Lone Pine is unable to predict the impact of any potential regulations upon its business, the implementation of new regulations with respect to water usage or hydraulic fracturing generally could increase Lone Pine's costs of compliance, operating costs, the risk of litigation and environmental liability, or negatively impact Lone Pine's prospects, any of which may have a material adverse effect on Lone Pine's business, financial condition and results of operations.

In Québec, the hydraulic fracturing regulations are described under "*General Description of the Business - Statement of Reserves Data and Other Oil and Gas Information- Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves - Québec Utica Shale Properties*" in this Appendix G.

In British Columbia, public disclosure of hydraulic fracturing fluid ingredients within 30 days of well completion became mandatory as of January 1, 2012, and the provincial government established an online registry providing public access to information on fractured well locations and hydraulic fracturing fluid ingredients. In December 2012, the ERCB (now the AER) also updated their provincial data filing requirements used in hydraulic fracturing operations to increase public disclosure of hydraulic fracturing fluid ingredients, requiring licensees to submit fracturing fluid composition and fracturing water source data on a well-to-well basis within 30 days from the conclusion of an operation.

Seismicity

Seismicity events have been recorded as occurring at the same time that Lone Pine has been conducting hydraulic fracturing and related operations. Although the size of these events is considered light, they raise stakeholder and regulatory concerns. In addition, if monitoring seismicity becomes more regulated, Lone Pine's fracturing activities could become subject to additional permitting requirements and result in delays as well as potential increases in costs. Restrictions on hydraulic fracturing due to a perceived correlation to seismicity could also reduce the amount of oil and natural gas that Lone Pine is ultimately able to produce from its reserves in the affected areas.

Greenhouse Gas Emissions

Lone Pine is subject to various GHG emissions-related legislation. Lone Pine operates in jurisdictions with existing GHG legislation as well as in regions which currently do not have GHG emissions legislation and jurisdictions where GHG emissions legislation is emerging or is subject to change. Lone Pine monitors GHG legislative developments in all areas in which Lone Pine operates. Potential new or additional GHG legislation and associated compliance costs, in particular in association with the adoption of the Paris Agreement under the United Nations Framework Convention on Climate Change, may have a material impact on Lone Pine.

In particular, key unresolved issues in relation to Canadian federal and provincial GHG regulatory requirements include the form of regulation, an appropriate common facility emissions level, availability and duration of compliance mechanisms and resolution of federal/provincial harmonization agreements. In November 2015, the Government of Alberta announced a Climate Leadership Plan, including measures to reduce methane emissions, implement an emissions limit for oil sands, introduce a broad-based carbon price (with phase-in for the upstream industry), and modify the existing regulatory system for large emitting facilities. Lone Pine continues to pursue GHG emission reduction initiatives including solution gas conservation, compressor optimization to improve fuel gas efficiency, CO₂ capture and sequestration in oil sands tailings, CO₂ capture and storage in association with EOR and participation in COSIA.

Current GHG emissions legislation does not result in material compliance costs, but compliance costs may increase in the future and may impact Lone Pine's operations and financial results. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to predict the impact of such matters on Lone Pine's operations and financial condition.

Environmental and Decommissioning Liabilities

Despite Lone Pine's implementation of health, safety and environmental standards, there is a risk that accidents or regulatory non-compliance can occur, the outcomes of which, including remedial work or regulatory intervention, cannot be foreseen or planned for. Lone Pine expects to incur site restoration costs over a prolonged period as existing fields are depleted. The process of estimating decommissioning liabilities is complex and involves significant uncertainties concerning the timing of the decommissioning activity; legislative changes; technological advancement; regulatory, environmental and political changes; and the appropriate discount rate used in estimating the liability. Any change to these assumptions could result in a change to the decommissioning liabilities to which Lone Pine is subject. In addition, with respect to some operations, Lone Pine is not the operator and may not determine the cost estimates or timing of decommissioning such that cost overruns are possible, Lone Pine is often jointly and severally liable for the decommissioning costs associated with Lone Pine's various operations and could, therefore, be required to pay more than its net share.

Alberta, Saskatchewan and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes of the ratio of Lone Pine's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in significant increases to the security that must be posted.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, Lone Pine may be involved in litigation in the ordinary course of business. Lone Pine is not a party to, and, to its knowledge, there are no threats of any claims or actions against Lone Pine, the ultimate disposition of which would have a material adverse effect on its consolidated results of operations or liquidity.

Except as otherwise disclosed in this Appendix G, Lone Pine has not been subject to any material penalties or sanctions imposed by a court or regulatory body within the three (3) years immediately preceding the date of the Circular. Management of Lone Pine is not aware of any such penalties or sanctions imposed against Lone Pine.

In March 2001, a predecessor of LPR Canada acquired interests in certain heavy oil assets in the Eyehill Creek area of Alberta from certain predecessors of Encana Corporation. In 2003, IFP Technologies (Canada) Inc. ("**IFP**") commenced an action in the Court of Queen's Bench of Alberta against Encana Corporation and certain of its predecessors and affiliates and against certain predecessors of LPR Canada, claiming, among other things, damages in the amount of \$45.6 million or, in the alternative, for an accounting of 20% of the revenues that the predecessors of LPR Canada have received from the acquired properties. The trial took place between January 31 and March 14, 2011 and oral argument on June 29 and 30, 2011. At the outset of the trial, IFP amended its claim to increase the damages being sought to \$56.7 million, plus interest and costs.

The reasons for judgment from the trial were released on August 5, 2014, and the Court of Queen's Bench of Alberta dismissed IFP's claim in its entirety. IFP appealed the decision to the Alberta Court of Appeal, challenging the lower court's findings on liability and its provisional assessment of damages. The appeal was heard over two days in October and November 2015 and the judgment of the Alberta Court of Appeal has not yet been released. The case was vigorously argued and it is difficult to predict how the Alberta Court of Appeal will decide.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed within this Appendix G and the Circular, to the knowledge of the directors and officers of Lone Pine, none of the directors or executive officers of Lone Pine, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of voting securities of Lone Pine, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three (3) years before the date of the Circular that has materially affected or is reasonably expected to materially affect Lone Pine.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the shares of LPR Canada Shares is Computershare Trust Company of Canada at its principal office located in Calgary, Alberta. The registrar and transfer agent for the shares of LPRI Shares is Computershare Trust Company, N.A., with offices at 8742 Lucent Boulevard, Suite 225, Highlands Ranch, CO. The auditor of Lone Pine is Ernst & Young LLP with offices at Calgary City Centre, 2200, 215 2nd Street S.W., Calgary, AB T2P 1M4.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, that Lone Pine has entered into since January 1, 2016 or before January 1, 2016 but still in effect:

- *Lease Acquisition Capital Commitment Agreement.* On June 30, 2015, LPR Canada entered into a lease acquisition agreement (the "**Lease Acquisition Agreement**") for certain mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta. The mineral leases generally have a primary term of three-years, with a three-year extension option. LPR Canada paid \$9.3 million of cash consideration for the lease agreements. Future production from the acquired leases will be subject to a 17.5% flat-rate royalty. Pursuant to the Lease Acquisition Agreement, LPR Canada has committed to annual capital expenditures of \$10 million for the period ending July 1, 2016, \$15 million for the period ending July 1, 2017 and \$20 million for the period ending July 1, 2018. If the amount of capital

expenditures incurred for any commitment period exceeds the minimal amount, such excess will be applied to satisfy capital commitment in the subsequent commitment period. On or before July 1, 2017, if LPR Canada fails to drill or to elect to drill one well in a specific formation on certain lands ("**Specific Formation**"), LPR Canada will be required to surrender the leases pertaining to the Specific Formation immediately. In the event that LPR Canada made the election but does not drill by July 1, 2018, \$250,000 will be payable to the vendor. As of December 31, 2015, Lone Pine had incurred \$7.7 million relating the lease acquisition capital commitment; and

- *Farm-in Arrangement Capital Commitment.* Effective December 8, 2015, Lone Pine entered into a farm-in and option agreement (the "**Farm-In Arrangement**") to farm-in certain lands in the Wheatland area ("**Farm-In Lands**"). Prior to December 31, 2016, a minimum of \$20 million of drilling and completion capital expenditures must be incurred on the Farm-In Lands (the "**Gross Capital Commitment**"). Dependent upon the farmor's participation level, Lone Pine's share of the Gross Capital Commitment may be between 50% and 100%. The Gross Capital Commitment may be met by drilling a test well (an "**Earning Well**") in a targeted formation ("**Initial Earned Land**") or an additional well (an "**Option Well**") in the same geological formation in the offsetting half section ("**Offsetting Land**") of the Initial Earned Land. All Option Wells must be drilled prior to December 31, 2017. In exchange for drilling an Earning Well, Lone Pine will earn up to a maximum of 95% of the working interest in the Initial Earned Land. Lone Pine may earn up to 100% of the working interest in the Offsetting Land. The farmor may participate up to a 50% of working interest in each Earning Well and share capital expenditures accordingly. The farmor's participation in each Option Well will vary based on its working interest in the corresponding Earning Well. As at December 31, 2015, Lone Pine had incurred \$2.3 million relating to the Farm-In Arrangement capital commitment.

SCHEDULE A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

Form 51-101F2

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of Lone Pine Resources Canada Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook"), maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company’s management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
Sproule	December 31, 2015	Canada				
Total			Nil	162,472	Nil	162,472

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report, entitled “Evaluation of the P&NG Reserves of Lone Pine Resources Canada Ltd. (As of December 31, 2015)”.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
April 28, 2016

Original Signed by Douglas O. McNichol, P.Eng.

Douglas O. McNichol, P.Eng.
Senior Petroleum Engineer and Partner

Original Signed by Brian Trieber, P.L.(Geol.)

Brian Trieber, P.L.(Geol.)
Senior Geological Technologist and
Partner

Original Signed by Ian K. Kirkland, P.Geol.

Ian K. Kirkland, P.Geol.
Senior Petroleum Geologist and Partner

Original Signed by Alec Kovaltchouk, P.Geo.

Alec Kovaltchouk, P.Geo.
Vice President, Geoscience and Partner

Original Signed by Nora T. Stewart, P.Eng.

Nora T. Stewart, P.Eng.
Vice President, Reserves Certification and
Director

SCHEDULE B

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Lone Pine Resources Canada Ltd. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved and probable reserves and related future net reserves as at December 31, 2015, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and audited and reviewed] the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Audit and Reserves Committee of the board of directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Audit and Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Audit and Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Tim Granger"

Tim Granger, President and Chief Executive Officer

(signed) "Robert (Bob) Guy"

Robert (Bob) Guy, Vice President, Operations

(signed) "Patrick R. McDonald"

Patrick R. McDonald, Chair of the Board of Directors and Director

(signed) "Ajay Sabherwal"

Ajay Sabherwal, Chair of the Audit and Reserves Committee and Director

Dated: August 5, 2016

SCHEDULE C

THE LONE PINE INTERIM FINANCIAL STATEMENTS AND THE LONE PINE INTERIM MD&A



Lone Pine Resources Inc.
Lone Pine Resources Canada Ltd.

Condensed Interim Combined and Consolidated Financial
Statements (Unaudited)

As at and for the Three Months Ended March 31, 2016

Dated: May 25, 2016

CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

<i>As at</i> <i>(\$000s)</i>	Note	March 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents	17	4,175	13,021
Accounts receivable		5,092	6,582
Inventory		334	471
Prepaid expenses and other assets		1,044	1,139
Derivative instruments – current	17	10,371	9,531
Total current assets		21,016	30,744
Exploration and evaluation	4	53,360	48,314
Property and equipment	5	116,725	115,272
Derivative instruments	17	3,930	3,918
Other assets		511	657
Total assets		195,542	198,905
LIABILITIES			
Accounts payable and accrued liabilities		11,304	8,945
Current portion of decommissioning liability	9	3,500	3,500
Total current liabilities		14,804	12,445
Preferred shares	8	159,522	166,171
Preferred shares – conversion liability		26,450	26,450
Decommissioning liabilities	9	64,639	67,002
Other liabilities		897	899
Total Liabilities		266,312	272,967
SHAREHOLDER'S' DEFICIT			
Share capital	10	73,912	73,912
Contributed surplus		1,024,718	1,024,623
Accumulated deficit		(1,169,687)	(1,172,884)
Accumulated other comprehensive income		287	287
Total Deficit		(70,770)	(74,062)
Total liabilities and shareholders' deficit		195,542	198,905

See accompanying notes to the condensed interim combined and consolidated financial statements.

CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) (UNAUDITED)

Three Months Ended

(\$000s)

	Note	March 31, 2016	March 31, 2015
REVENUE			
Oil and natural gas revenue		7,203	9,770
Royalties		(649)	(546)
Oil and natural gas revenue, net of royalties		6,554	9,224
Unrealized gain (loss) on derivative instruments	17	852	(3,581)
Realized gain on derivative instruments	17	3,585	4,380
		10,991	10,023
EXPENSES			
Operating	13	6,430	4,845
General and administrative	14	2,704	3,627
Depletion and depreciation	5	4,658	6,081
Exploration and evaluation	4	26	102
Impairment (recovery) loss	6	(125)	1,236
(Gain) loss on foreign exchange	8	(10,648)	11,882
Finance costs	15	4,473	3,830
Reorganization	16	276	10
Total expenses – net		7,794	31,613
Net earnings (loss) and comprehensive earnings (loss)		3,197	(21,590)

See accompanying notes to the condensed interim combined and consolidated financial statements.

CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (UNAUDITED)

(\$000s)	Note	Share Capital Amount	Capital Surplus	Accumulated Deficit	Accumulated other Comprehensive Income	Total Deficit
Balance at December 31, 2015		73,912	1,024,623	(1,172,884)	287	(74,062)
Share-based compensation	11	—	95	—	—	95
Net earnings		—	—	3,197	—	3,197
Balance at March 31, 2016		73,912	1,024,718	(1,169,687)	287	(70,770)

(\$000s)	Note	Share Capital Amount	Capital Surplus	Accumulated Deficit	Accumulated other Comprehen sive Income	Total Deficit
Balance at December 31, 2014		73,912	1,023,364	(1,112,990)	287	(15,427)
Share-based compensation	11	—	408	—	—	408
Net loss		—	—	(21,590)	—	(21,509)
Balance at March 31, 2015		73,912	1,023,772	(1,134,580)	287	36,609

See accompanying notes to the condensed interim combined and consolidated financial statements.

CONDENSED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended
(\$000s)

	Note	March 31, 2016	March 31, 2015
OPERATING ACTIVITIES			
Net earnings (loss)		3,197	(21,590)
Adjustments for non-cash items:			
Unrealized foreign exchange (gain) loss	8	(10,575)	11,880
Unrealized (gain) loss on derivative instruments	17	(852)	3,581
Depletion and depreciation	5	4,658	6,081
Accretion and financing charges	9, 15	4,295	3,579
Impairment loss	6	(125)	1,236
Share-based compensation	11	92	408
Amortization of deferred cost		98	150
Exploration and evaluation expense	4	26	102
Settlements of decommissioning liabilities	9	(2,987)	(626)
Other, net		(25)	176
Change in non-cash working capital	12	2,724	(767)
Net cash from operating activities		526	4,210
INVESTING ACTIVITIES			
Exploration and evaluation expenditures	4	(7,188)	(97)
Property and equipment expenditures	5	(3,541)	(1,203)
Change in non-cash working capital	12	1,357	450
Net cash used in investing activities		(9,372)	(850)
Change in cash and cash equivalents		(8,846)	3,360
Cash and cash equivalents beginning of period		13,021	15,258
Cash and cash equivalents end of period		4,175	18,618

See accompanying notes to condensed interim combined and consolidated financial statements.

NOTES TO THE CONDENSED INTERIM COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015

1. COMBINED REPORTING ENTITIES

Lone Pine Resources Inc. (“Lone Pine Resources”) was incorporated under the laws of the state of Delaware, United States. Lone Pine Resources Canada Ltd. (“LPR Canada”) was incorporated under the laws of the province of Alberta, Canada. In these condensed interim combined and consolidated financial statements (the “Interim Financial Statements”), Lone Pine Resources and LPR Canada are collectively referred as the “Company” or “Lone Pine”.

Lone Pine is an independent oil and natural gas exploration, development and production company based in Calgary, Alberta, Canada with operations exclusively in Canada. The principal office of Lone Pine is located at 640 – 5th Avenue S.W., Calgary, Alberta.

Lone Pine’s reserves, producing properties and exploration prospects are located in the provinces of Alberta, British Columbia and Quebec, and in the Northwest Territories. The Company conducts certain of its operating activities jointly with others through unincorporated joint arrangements and these Interim Financial Statements reflect only the Company’s share of assets, liabilities, revenues and expenses under these arrangements. The Company conducts all of its principal business in one reportable segment.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*.

The condensed interim combined and consolidated financial statements (“Interim Financial Statements”) should be read in conjunction with the audited annual combined and consolidated financial statements of Lone Pine as at and for the year ended December 31, 2015 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Audit and Reserves Committee of the Board of Directors of Lone Pine on May 25, 2016.

(b) Basis of Measurement

The Interim Financial Statements have been prepared on the historical cost basis except that derivative financial instruments are measured at fair value.

(c) Functional and Presentation Currency

The Interim Financial Statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgements, estimates and assumptions that affect the application of accounting

policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are outlined in the Annual Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

The Company is currently evaluating the impact of new standards and updates on its financial statements as outlined in the Annual Financial Statements.

4. EXPLORATION AND EVALUATION ASSETS

(\$000s)

Cost Balance – December 31, 2015	77,384
Additions	7,525
Transfers to oil and gas property and equipment (Note 5)	(2,453)
Exploration and evaluation expense	(26)
Cost Balance – March 31, 2016	82,430
Provision for impairment – December 31, 2015 and March 31, 2016	(29,070)
Net book value – December 31, 2015	48,314
Net book value – March 31, 2016	53,360

5. PROPERTY AND EQUIPMENT

(\$000s)

	Production and Development	Office Equipment	Total
Cost:			
Balance – December 31, 2015	350,735	3,833	354,568
Additions – property and equipment	3,456	90	3,546
Transfers from exploration and evaluation assets (Note 4)	2,453	—	2,453
Balance – March 31, 2016	356,644	3,923	360,567
Accumulated impairment, depletion and depreciation:			
Balance – December 31, 2015	(237,149)	(2,147)	(239,296)
Depletion and depreciation	(4,412)	(134)	(4,546)
Balance – March 31, 2016	(241,561)	(2,281)	(243,842)
Net book value – December 31, 2015	113,586	1,686	115,272
Net book value – March 31, 2016	115,083	1,642	116,725

6. IMPAIRMENT

The impairment recovery of \$0.1 million recorded in the three months ended March 31, 2016 is the result of an increase in the net realizable value of inventory.

As at March 31, 2016, the Company assessed exploration and evaluation assets and property and equipment for indicators of impairment. Based on the assessment, no indicators of impairment were noted.

In the first quarter of 2015 a \$1.2 million impairment loss was recognized for changes in estimated decommissioning liabilities of certain properties with a carrying value of nil.

7. LONG-TERM DEBT

As at both March 31, 2016 and December 31, 2015, Lone Pine had no outstanding long-term debt. Under the Company's credit facility, \$5.2 million of letters of credit have been issued as at March 31, 2016 (December 31, 2015 - \$4.5 million).

On July 31, 2015, the Company renewed and amended its credit facility with a syndicate of banks (the "Amended Credit Facility"). Under the Amended Credit Facility, Lone Pine has a \$40 million syndicated revolving term facility and a \$10 million operating facility, which mature one year after the term-out date. Annually prior to the applicable term-out date, subject to the lenders' approval, Lone Pine may extend the term-out date by 364 days. The next term-out date was set at May 31, 2016; as such the maturity date of Amended Credit Facility is May 31, 2017. The Amended Credit Facility is collateralized by a demand debenture from LPR Canada and each of its restricted subsidiaries in the amount of \$500 million granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property, together with a fixed charge and mortgage over its existing borrowing base assets. A fixed charge and mortgage over after-acquired borrowing base assets will only be granted under certain circumstances.

As at March 31, 2016, the Company was in compliance with all covenants under the Amended Credit Facility.

Subsequent to March 31, 2016, the term-out date and borrowing base redetermination were extended from May 31, 2016 to June 17, 2016. The maturity date of the Amended Credit Facility remains unchanged at May 31, 2017.

8. LPR CANADA PREFERRED SHARES

At March 31, 2016, the preferred shares liability was \$159.5 million (December 31, 2015 – \$166.2 million). During the three months ended March 31, 2016, \$10.7 million of unrealized gains on foreign exchange (March 31, 2015 – \$11.9 million unrealized loss) was recognized related to the translation of the US dollar denominated preferred shares at prevailing rates.

9. DECOMMISSIONING LIABILITIES

(\$000s)

Total Balance – December 31, 2015	70,502
Liabilities incurred	335
Payments	(2,987)
Accretion	289
Total Balance – March 31, 2016	68,139

Comprised of:

Current portion – March 31, 2016	3,500
Long-term portion – March 31, 2016	64,639

Current portion – December 31, 2015	3,500
Long-term portion – December 31, 2015	67,002

The Company has estimated the undiscounted total future liabilities to be approximately \$109.4 million (December 31, 2015 – \$111.8 million). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 25 years.

Decommissioning liabilities at March 31, 2016 were determined using risk-free rates of 0.7% – 2.2% (December 31, 2015 – 0.7% - 2.2%) and an inflation rate of 1.7% (December 31, 2015 – 1.7%).

10. SHARE CAPITAL SHARE CAPITAL

(a) Units Outstanding

<i>(000s of units)</i>	Number of Shares
Lone Pine Resources Common Shares	
Class A Common Shares	24,986
Class B Multiple Voting Shares	75,000
Balance at December 31, 2015 and March 31, 2016	99,986

<i>(000s of units)</i>	Number of Shares
LPR Canada Common Shares	
Class A Voting Common Shares	24,986
Class C multiple voting common shares	—
Balance at December 31, 2015 and March 31, 2016	24,986

(b) Consolidated and Combined Common Share Capital

(\$000s)

Balance at December 31, 2015 and March 31, 2016	73,912
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11. SHARE-BASED COMPENSATION

During the three months ended March 31, 2016, Lone Pine did not issue any share-based incentive awards. Outstanding restricted shares units (RSUs) were issued in 2014. Vested RSUs will only be settled and redeemed upon a corporate change that (i) directly or indirectly ascribes a value to the shares and (ii) provides liquidity to the holders of shares. A corporate change is defined in the equity incentive plan, which generally includes events that result in a

change of control, sale of all or substantially all of the Company's assets or liquidation of the Company. As at March 31, 2016 and December 31, 2015, none of the RSUs outstanding were exercisable.

The number of RSUs outstanding is as follows:

	Directors	Officer and Employees	Total
Outstanding – December 31, 2015	271,967	1,578,128	1,850,095
Cancellations – terminations	—	(13,291)	(13,291)
Outstanding – March 31, 2016	271,967	1,564,837	1,836,804
Weighted average fair value per RSU at grant date:	\$2.13	\$2.07	\$2.08

For the three months ended March 31, 2016, share-based compensation of \$0.1 million was included in general and administrative expense net of a nominal amount of capitalized share based compensation (March 31, 2015 – \$0.4 million). A nominal amount of share-based compensation was included in operating expense for the three months ended March 31, 2016 and March 31, 2015.

12. SUPPLEMENTAL INFORMATION

Cash Flow Presentation

Changes in non-cash working capital and interest paid are summarized:

Three Months Ended (\$000s)	March 31, 2016	March 31, 2015
Source (use) of cash:		
Accounts receivable	1,490	244
Prepaid expenses and other current assets	232	(48)
Accounts payable and accrued liabilities	2,359	(513)
	4,081	(317)
Related to operating activities	2,724	(767)
Related to investing activities	1,357	450
	4,081	(317)
Other:		
Interest paid during the period	134	166

13. OPERATING EXPENSE

Three Months Ended (\$000s)	March 31, 2016	March 31, 2015
Lease operating expense	4,874	3,829
Transportation and processing	1,120	374
Production and property taxes	436	642
	6,430	4,845

14. GENERAL AND ADMINISTRATIVE EXPENSE

Three Months Ended (\$000s)	March 31, 2016	March 31, 2015
Salaries and benefits	1,489	1,435
Share-based compensation	94	403
Office rents and leases	344	400
Professional fees	615	1,083
Other – office and administration	539	374
	3,081	3,695
Amounts capitalized to property and equipment and exploration and evaluation assets	(377)	(68)
	2,704	3,627

15. FINANCE COST

Three Months Ended (\$000s)	March 31, 2016	March 31, 2015
Interest expense	178	251
Accretion – preferred shares	4,006	3,262
Accretion – decommissioning liabilities (Note 9)	289	317
	4,473	3,830

16. REORGANIZATION EXPENSE

Three Months Ended (\$000s)	March 31, 2016	March 31, 2015
Employee termination cost	266	—
Professional fees	10	10
	276	10

Reorganization expenses are non-recurring costs related to corporate restructuring activities.

17. FINANCIAL INSTRUMENTS, FAIR VALUES AND RISK MANAGEMENT

Financial instruments of Lone Pine consist of cash and cash equivalents, accounts receivable, accounts payable, borrowings under its credit facilities, derivative contracts, preferred shares and the conversion liability related to the preferred shares.

Cash and cash equivalents, derivative contracts and the conversion option within the preferred shares are classified as held for trading. The preferred shares conversion option is linked to and must be settled by delivery of LPR Canada common shares, which do not have quoted market prices in an active market and therefore cannot be reliably measured. Accounts receivable are classified as loans and receivables. The remaining instruments are considered other financial liabilities.

As of March 31, 2016, the cash and cash equivalents included \$nil (December 31, 2015 – \$9.0 million) one-month guaranteed investment certificates.

(a) Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short-term maturities. The fair value of the borrowings under Lone Pine's credit facilities approximates the carrying value (excluding deferred financing charges) as they bear floating market rates. The fair value of Preferred Shares as at March 31, 2016 is \$123.5 million (December 31, 2015 – \$127.3 million) compared to the carrying value of \$159.5 million (December 31, 2015 – \$166.2 million). The Company determined the fair value of the Preferred Shares by discounting future cash flows at market yields of corporate bonds of comparable credit characteristics and maturity and is therefore considered as level 3 under the fair value hierarchy (the fair value hierarchy is described in Note 3(f) of the Annual financial statements).

The Company's finance department is responsible for performing the valuation of financial instruments. The valuation process and results are reviewed and approved by management at least once every quarter, in line with the Company's quarterly reporting dates.

Cash and cash equivalents and derivative instruments are measured and recorded on Lone Pine's statement of financial position at fair value through profit and loss. Cash and cash equivalents and risk management contracts have been assessed on the fair value hierarchy. Cash is classified as Level 1, while cash equivalents and derivative contracts are classified as Level 2. During the three months ended March 31, 2016, there were no transfers among Levels 1, 2 and 3.

Derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations and third-party option valuation models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and forward rate curves of the underlying commodity. The fair values of the risk management contracts are net of a credit valuation adjustment attributable to derivative counterparty default risk or the Company's own default risk.

(b) Risk Management

(i) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company addresses its liquidity risk through its capital management of cash, committed credit capacity along with its planned capital expenditure program. As outlined in Note 7, the Company has \$50 million borrowing capacity under the Amended Credit Facility, of which \$5.2 million was utilized as at March 31, 2016 by the issuance of letters of credit. The Company has determined that its current financial obligations are adequately funded from the available borrowing capacity and from working capital derived from operations. Except for the redemption features of the preferred shares detailed in Note 8 of the Annual Financial Statements, all of the Company's financial liabilities are due within one year.

(ii) Commodity Price Risk

Lone Pine enters into derivative instruments to manage its exposure to commodity price risk caused by fluctuations in commodity prices, which have served to protect and provide certainty on a portion of the Company's cash flows. The following table summarizes commodity derivative transactions as at March 31, 2016:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	750 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 91.19	Swap
Light Oil Differential	1,000 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ MSW ⁽¹⁾	\$ -5.35	Swap
Natural Gas	2,500 GJ/d	April 1, 2016 – December 31, 2016	AECO 7A Monthly Index	\$ 2.50	Swap
Oil	250 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 65.00/ 75.00	Collar
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 87.78	Swap
Oil	382 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 93.50	Call Option
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	USD\$WTI	\$ 65.00	Call Option

Subsequent to March 31, 2016, the Company has entered into the following derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	350 bbls/d	June 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 58.00/ 67.50	Collar
Light Oil Differential	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ MSW ⁽¹⁾	\$ -5.90	Swap
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 58.00/ 67.50	Collar
Oil	800 bbls/d	January 1, 2018 – December 31, 2018	CDN\$ WTI	\$ 58.00/ 67.50	Collar

(1) Settled on the monthly average Mixed Sweet Blend ("MSW") Differential to WTI

The following lists the fair value of all derivative contracts by commodity type in place at the following balance sheet dates:

March 31, 2016	Crude Oil	Natural Gas	Total
<i>(\$000s)</i>			
Derivative instruments – current asset	9,765	606	10,371
Derivative instruments – long-term asset	3,930	—	3,930
Total assets	13,695	606	14,301

December 31, 2015	Crude Oil	Natural Gas	Total
<i>(\$000s)</i>			
Derivative instruments – current asset	9,531	—	9,531
Derivative instruments – long-term asset	3,918	—	3,918
Total assets	13,449	—	13,449

The following shows the breakdown of realized and unrealized gains and losses recognized by commodity type for the three months ended March 31, 2016 and 2015:

Three months ended March 31, 2016 (\$000s)	Crude Oil	Natural Gas	Total
Realized gain on derivative instruments	3,494	91	3,585
Unrealized gain on derivative instruments	246	606	852
Total gains	3,740	697	4,437

Three months ended March 31, 2015 (\$000s)	Crude Oil	Natural Gas	Total
Realized gain on derivative instruments	4,380	—	4,380
Unrealized loss on derivative instruments	(3,581)	—	(3,581)
Total gains	799	—	799

Financial assets and financial liabilities are only offset if Lone Pine has the current legal right to offset and intends to settle on a net basis. Lone Pine's derivative instruments are subject to master netting agreements that create a legally enforceable right to offset by counterparty. The following is a summary of Lone Pine's financial assets and financial liabilities that were subject to offsetting as at March 31, 2016 and December 31, 2015. The net asset amounts represent the maximum exposure to credit risk for derivative instruments at each reporting date.

March 31, 2016 (\$000s)	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments assets	16,083	(5,712)	10,371
Derivative instruments liabilities	(5,712)	5,712	—
Long-term:			
Derivative instruments assets – long-term	4,739	(809)	3,930
Derivative instruments liabilities – long-term	(809)	809	—

December 31, 2015 (\$000s)	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments assets	16,758	(7,227)	9,531
Derivative instruments liabilities	(7,227)	7,227	—
Long-term:			
Derivative instruments assets – long-term	5,121	(1,203)	3,918
Derivative instruments liabilities – long-term	(1,203)	1,203	—



Lone Pine Resources Inc.
Lone Pine Resources Canada Ltd.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2016

Dated: May 25, 2016

Advisories

The following management’s discussion and analysis (“MD&A”) of Lone Pine Resources Inc. (“Lone Pine Resources”) and Lone Pine Resources Canada Ltd. (“LPR Canada”; collectively “Lone Pine” or the “Company”) provides management’s analysis of the Company’s results of operations, financial position and outlook as at and for the three months ended March 31, 2016. This MD&A is dated May 25, 2016 and should be read in conjunction with the unaudited condensed interim consolidated and combined financial statements of Lone Pine as at and for the three months ended March 31, 2016 (the “Interim Financial Statements”), the audited annual combined and consolidated financial statements of Lone Pine as at and for the year ended December 31, 2015 (the “Annual Financial Statements”) and the 2015 annual MD&A dated April 5, 2016 (the “Annual MD&A”).

All financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

Unless otherwise noted, all financial information provided herein is reported in Canadian dollars. Production volumes are presented on a working-interest basis, before royalties.

This MD&A contains forward-looking statements and non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with Lone Pine’s disclosures under the headings “Forward-Looking Statements” and “Non-IFRS Measures” included at the end of this MD&A.

Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mboe	thousands of barrels of oil equivalent
mmboe	millions of barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
GJ	gigajoule
AECO	AECO “C” hub price index for Alberta natural gas
CGU	cash-generating-unit
DD&A	depreciation, depletion and amortization
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IFRS	International Financial Reporting Standards
P&D	production and development
RSU	restricted share unit
WTI	West Texas Intermediate

Financial and Operational Highlights

	Three Months Ended March 31	
<i>(\$000s except per unit amounts)</i>	2016	2015
Financial		
Oil and natural gas revenue	7,203	9,770
EBITDAX ¹	1,097	5,543
Net earnings (loss)	3,197	(21,590)
Total capital expenditures, net of proceeds on dispositions	10,732	1,300
Working Interest Production Volumes		
Crude oil (bbls/d)	1,884	1,961
Natural gas (Mcf/d)	7,698	5,267
Natural gas liquids (bbls/d)	124	80
Total (boe/d)	3,291	2,919
% Liquids	61%	70%
Average Realized Prices		
Crude oil (\$/bbl)	33.63	45.72
Natural gas (\$/Mcf)	1.86	3.41
Natural gas liquids (\$/bbl)	12.23	11.54
Total (\$/boe)	24.05	37.18
Operating Netback (\$/boe)²		
Realized price	24.05	37.18
Royalties	(2.17)	(2.08)
Operating costs	(21.47)	(18.44)
Operating netback	0.41	16.66

First quarter 2016 highlights:

- Production averaged 3,291 boe/day (61% liquids), a 13% increase compared to the first quarter of 2015 due to production additions from the 2015 and 2016 Wheatland drilling program, with 5 wells on production between December 2015 and the end of the first quarter 2016, resulting in an increase in first quarter production of approximately 1,000 boe/d. Production additions were offset by natural declines and the shut-in of certain uneconomic wells since May 2015.
- On January 22, 2016, Lone Pine experienced a breach in an above-ground section of wellhead pipeline in the Wheatland area. As a result, the Company has recognized \$1.0 million of site clean-up and remediation costs in Q1 2016 operating expenses. The Company has filed for insurance coverage for the incident.
- Operating netback after realized hedging gains was \$12.38/boe for the first quarter of 2016, a decrease of \$20.95/boe from the first quarter of 2015. The decrease was primarily due to a decrease of \$13.13/boe in realized prices, combined with a \$4.70 decrease in realized gains on derivative in instruments and a \$3.03/boe increase in operating costs.

^{1,2} EBITDAX and operating netback are non-IFRS measures and are defined in Other Advisory.

- EBITDAX was \$1.1 million, a \$4.4 million decrease as compared to the first quarter of 2015 primarily due to lower operating netback after realized hedging gains, partially offset by higher production and lower G&A expenses.
- Capital expenditures in the quarter were \$10.7 million including \$8.2 million on the Wheatland drilling program and \$2.1 million on the second phase of the Evi waterflood project. At Wheatland, three of the four gross wells that were drilled in the fourth quarter of 2015 were tied-in and brought onstream in the first quarter of 2016. Another three gross wells were drilled during the first quarter of 2016, one of which came on production in March 2016 and the other two in April 2016. The average IP30 of the seven wells were above our type curve.
- Net earnings were \$3.2 million, compared to a net loss of \$21.6 million in the first quarter of 2015. The \$24.8 million variance was largely due to the recognition of a \$10.6 million foreign exchange gain in the first quarter of 2016 versus an \$11.9 million foreign exchange loss in the first quarter of 2015. The foreign exchange gains and losses recognized substantially relate to US dollar denominated preferred shares.
- Exited the quarter with working capital of \$6.2 million (including \$4.2 million of cash) and no borrowings.

Outlook

Commodity prices continued to decline during the first quarter of 2016, which negatively impacted the industry's netbacks. Subsequent to the first quarter, prices have been showing a modest rebound due to supply disruptions globally despite OPEC failing to reach an agreement on freezing production. Lone Pine was not entirely immune to the challenging pricing environment; despite its strong hedging positions. We continue to work with our vendors and service providers to lower our operating and capital costs in order to adapt to the environment. With the lower cost structure, encouraging initial production results from our new drills, commodity price rebounds and steady cash flows from our hedging program, Lone Pine is well positioned for growth through its capital program. In addition, our strong balance sheet provides us with the financial flexibility to pursue both organic growth and M&A opportunities to provide accretive value to our shareholders.

Compared to Lone Pine's original guidance provided in the Annual MD&A, capital spending for 2016 remains the same at \$32.7 million. Annual production guidance is also kept at around 3,500 boe/d. EBITDAX for the year of 2016 is expected to be approximately \$13.8 million, a slight increase from the original guidance due to recent commodity price rebounds. Lone Pine plans to fund its capital program primarily with its cash flows from operations, existing cash on hand and borrowings from the credit facility.

Results of Operations

Production

	Three Months Ended March 31	
	2016	2015
Crude oil (bbls/d)	1,884	1,961
Natural gas (Mcf/d)	7,698	5,267
Natural gas liquids (bbls/d)	124	80
Total (boe/d)	3,291	2,919
Liquids Weighting	61%	70%

Lone Pine's production for the first quarter of 2016 increased by 13% to 3,291 boe/d from the first quarter of 2015. The increase was primarily the result of additions from the 2015 and 2016 Wheatland drilling program, which incorporates 4 wells drilled in 2015 and 3 wells drilled in 2016. As at March 31, 2016, 5 of the 7 wells were on production, resulting in an increase in 2016 first quarter production of approximately 1,000 boe/d. Increases in production from the Wheatland drilling program were offset by natural production declines and the shut-in of uneconomic wells since May 2015.

The decline in the liquids-weighting from 70% in the first quarter of 2015 to 61% in the first quarter of 2016 is primarily related to production in the Wheatland area, which has a lower liquids-weighting than the remaining assets.

Revenue

(\$000s, except per unit amounts)	Three Months Ended March 31	
	2016	2015
Revenue (\$000s)		
Crude oil	5,765	8,070
Natural gas	1,300	1,616
Natural gas liquids	138	84
Oil and natural gas revenue	7,203	9,770
Average Realized Prices		
Crude oil (\$/bbl)	33.63	45.72
Natural gas (\$/Mcf)	1.86	3.41
Natural gas liquids (\$/bbl)	12.23	11.54
Total (\$/boe)	24.05	37.18
Benchmark Prices		
Crude oil - WTI (\$/bbl)	45.96	60.27
Crude oil - Edmonton Par (\$/bbl)	40.24	51.06
Natural gas - AECO daily index-5A (\$/Mcf)	1.83	2.75
Exchange rate - US\$/CDN\$	0.73	0.81

Lone Pine's first quarter 2016 revenue decreased by 26% or \$2.6 million from the first quarter of 2015. The 29% decrease in crude oil revenue and 20% decrease in natural gas revenue were largely due to lower realized prices which dropped by 26% and 45%, respectively. The lower realized prices reflected declines in benchmark prices. The decrease in realized crude oil prices were compounded by a decrease in production, while the declines in realized natural gas prices were offset by increases in production of 2,431 Mcf/d in the first quarter of 2016. The decrease in the overall average realized prices of 35% was also due to a lower liquids-weighted production mix in 2016 than in 2015.

Royalties

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
Royalties	649	546
Per boe	2.17	2.08
Percentage of revenue	9.0%	5.6%

The majority of Lone Pine's royalties are paid to the Crown, which are based on various sliding scales that are dependent on incentives, production volumes and commodity prices. Production in the Wheatland area is subject to a 17.5% flat royalty rate, which is currently higher than the royalty rates of the remaining properties. On a percentage of revenue basis, royalties for the three months ended March 31, 2016 increased from the corresponding period in 2015 primarily as a result of royalties incurred on Wheatland production.

Commodity Price and Risk Management

Lone Pine enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. Lone Pine considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended March 31	
<i>(\$000s)</i>	2016	2015
Realized gains on derivatives	3,585	4,380
Unrealized gains (losses) on derivatives	852	(3,581)
Total gains on derivatives	4,437	799
<i>Per boe</i>		
Realized gains on derivatives	11.97	16.67
Unrealized gains (losses) on derivatives	2.84	(13.63)
Total gains on derivatives	14.82	3.04

As at March 31, 2016, the Company held the following outstanding derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	750 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 91.19	Swap
Light Oil Differential	1,000 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ MSW ³	\$ -5.35	Swap
Natural Gas	2,500 GJ/d	April 1, 2016 – December 31, 2016	AECO 7A Monthly Index	\$ 2.50	Swap
Oil	250 bbls/d	April 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 65.00/ 75.00	Collar
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 87.78	Swap
Oil	382 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 93.50	Call Option
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	USD\$ WTI	\$ 65.00	Call Option

³ Settled on the monthly average Mixed Sweet Blend ("MSW") Differential to WTI

Subsequent to March 31, 2016, the Company entered into the following derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	350 bbls/d	June 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 58.00/ 67.50	Collar
Light Oil Differential	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ MSW ³	\$ -5.90	Swap
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 58.00/ 67.50	Collar
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	CDN\$ WTI	\$ 58.00/ 67.50	Collar

All of the Company's derivatives contracts are entered into with counterparties that are lenders under the terms of Lone Pine's credit facility.

Operating Expenses

(\$000s, except per boe)	Three Months Ended March 31	
	2016	2015
Lease operating expense	4,874	3,829
Transportation and processing	1,120	374
Production and property taxes	436	642
Total	6,430	4,845
Per boe	21.47	18.44

Lease operating expense for the first quarter of 2016 increased by 27% from the same period in 2015 primarily due to site clean-up and remediation costs incurred in the Wheatland area. On January 22, 2016, Lone Pine experienced a breach in an above-ground section of wellhead piping. The estimated cost of site clean-up and remediation is \$1.0 million and was recognized within lease operating expense for the first quarter of 2016. The Company has filed for insurance coverage for the incident.

Transportation and processing expense for the first three months of 2016 increased by \$0.7 million as compared to the same period in 2015. The increase primarily relates to third party natural gas processing costs and natural gas transportation costs incurred on Wheatland production. Further contributing to the increase, transportation and processing expense in the first quarter of 2015 included certain positive cost recovery adjustments that were received in the quarter relating to prior production periods.

On a per boe basis, the increase was primarily due to costs related to the Wheatland wellhead pipe breach incident. Excluding the costs related to this incident, operating expenses would have decreased by 2% from the prior year on a per boe basis.

Operating Netback

(\$ per boe)	Three Months Ended March 31	
	2016	2015
Revenue	24.05	37.18
Royalties	(2.17)	(2.08)
Operating costs	(21.47)	(18.44)
Operating netback	0.41	16.66
Realized gains on derivative instruments	11.97	16.67
Operating netback, after realized gains on derivative instruments	12.38	33.33

Compared against the same period in 2015, operating netback after realized gains on derivative instruments decreased by \$20.95/boe in the first quarter of 2016. Decreases in realized revenue were compounded by increases in operating costs and royalties, and decreases in realized gains on derivative instruments.

General and Administrative (“G&A”) Expenses

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
G&A expenses	3,081	3,695
Less amounts capitalized	(377)	(68)
Total G&A expenses	2,704	3,627
Per boe	9.03	13.80

For the quarter ended March 31, 2016, gross G&A decreased by \$0.6 million or 17% compared to the same period in 2015. The decrease primarily relates to cost reduction initiatives. The change in capitalized G&A for the quarter ended March 31, 2016 as compared to the prior year corresponds to the increase in the level of capital activity.

Finance Costs

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
Interest expense	178	251
Accretion and financing charges	4,295	3,579
Total finance costs	4,473	3,830
Per boe	14.94	14.58

There were no borrowings outstanding during the three months ended March 31, 2016 and 2015. The interest expense incurred in the first quarters of 2016 and 2015 includes the amortization of deferred financing charges, standby fees and interest incurred on outstanding letters of credit. Interest expense decreased by 29% in the first quarter of 2016 from the same period in 2015 due to decreases in interest rates on standby fees and letter of credit fees upon amendment and renewal of the Company’s credit facility on July 30, 2015. The weighted average effective interest rate on letters of credit outstanding for the three months ended March 31, 2016 was 2.0% (March 31, 2015 – 2.5%).

Accretion and financing charges are non-cash expenses. During the first three months of 2016, the Company recognized \$4.0 million accretion charges on the preferred shares (March 31, 2015 – \$3.3 million). The remaining accretion charges related to the decommissioning liabilities.

Gain (Loss) on Foreign Exchange

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
Realized gain (loss) on foreign exchange	73	(2)
Unrealized gain (loss) on foreign exchange	10,575	(11,880)
Total gain (loss) on foreign exchange	10,648	(11,882)

The foreign exchange gain (loss) relates mainly to the US dollar denominated preferred shares. The strengthening (weakening) of the Canadian dollar during a period would result in unrealized foreign exchange gain (loss).

Exploration and Evaluation Expense

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
Exploration and evaluation expense	26	102
Per boe	0.09	0.39

Depletion and Depreciation

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
Depletion and depreciation	4,658	6,081
Per boe	15.55	23.14

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. The decrease in the per boe depletion and depreciation rate in the first quarter of 2016 from the first quarter of 2015 incorporates the decrease in future development costs in the Evi area as well as lower finding and development costs at the Wheatland area.

Impairment (Recovery) Loss

	Three Months Ended March 31	
<i>(\$000s, except per boe)</i>	2016	2015
P&D impairment – decommissioning asset	—	1,236
Inventory impairment	(125)	—
Total impairment (recovery) loss	(125)	1,236

The impairment recovery of \$0.1 million recorded in the first quarter of 2016 is the result of an increase in the net realizable value of inventory. The impairment loss of \$1.2 million recorded in the first quarter of 2015 related to the change in decommissioning liability estimates for certain properties with a carrying value of nil.

Capital Expenditures

	Three Months Ended March 31	
<i>(\$000s)</i>	2016	2015
Drilling and completion	6,057	412
Equipment, facilities and pipelines	4,160	661
Land	47	208
Capitalized overhead, license and other	468	19
Total	10,732	1,300

Lone Pine focused its capital activities in the first quarter of 2016 in the Wheatland area including the drilling and completion of 3 gross (2.9 net) wells and expenditures on the construction of a multi-well battery and pipeline. Additional capital expenditures were spent on the second phase of the Evi waterflood project including pipeline expansion in the area.

During the first quarter of 2015, Lone Pine focused on capital activities in the Evi area, including electrification projects and well recompletion to enhance oil recovery.

Due to higher level of capital activities, capitalized overhead costs in the first quarter of 2016 increased, as compared against the same period in 2015.

Reorganization Costs

(\$000s)	Three Months Ended March 31	
	2016	2015
Salary and benefits	266	—
Professional fees	10	10
Total reorganization costs	276	10

Reorganization costs included non-recurring costs associated with the Company's corporate restructuring initiatives. For 2016, majority of the reorganization costs related to staff reductions.

Decommissioning Liabilities

The Company's decommissioning liabilities at March 31, 2016 were \$68.1 million (December 31, 2015 - \$70.5 million) to provide for future remediation, abandonment and reclamation of the Lone Pine's oil and gas properties. There were no changes in estimates for the three months ended March 31, 2016.

The undiscounted decommissioning obligation liabilities, based on inflation rate at 1.7%, are estimated at \$109.4 million. While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At March 31, 2016, Lone Pine had working capital of \$6.2 million (December 31, 2015 - \$18.3 million), including \$4.2 million (December 31, 2015 - \$13.0 million) cash and cash equivalents on hand.

Amended Credit Facility

As at both March 31, 2016 and December 31, 2015, Lone Pine had no outstanding long-term debt. Under the Company's credit facility, \$5.2 million of letters of credit have been issued as at March 31, 2016 (December 31, 2015 - \$4.5 million).

On July 31, 2015, the Company renewed and amended its credit facility with a syndicate of banks (the "Amended Credit Facility"). Under the Amended Credit Facility, Lone Pine has a \$40 million syndicated revolving term facility and a \$10 million operating facility, which mature one year after the term-out date. Annually prior to the applicable term-out date, subject to the lenders' approval, Lone Pine may extend the term-out date by 364 days. The next term-out date was set at May 31, 2016; as such the maturity date of Amended Credit Facility is May 31, 2017. The Amended Credit Facility is collateralized by a demand debenture from LPR Canada and each of its restricted subsidiaries in the amount of \$500 million granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property, together with a fixed charge and mortgage over its existing borrowing base assets. A fixed charge and mortgage over after-acquired borrowing base assets will only be granted under certain circumstances.

As at March 31, 2016, the Company was in compliance with all covenants under the Amended Credit Facility.

Subsequent to March 31, 2016, the term-out date and borrowing base redetermination were extended from May 31, 2016 to June 17, 2016. The maturity date of the Amended Credit Facility remains unchanged at May 31, 2017.

Shareholders' Equity

At March 31, 2016, Lone Pine had combined common share capital of \$73.9 million (December 31, 2015 – \$73.9 million).

Preferred Shares

At March 31, 2016, preferred shares balance was \$159.5 million (December 31, 2015 – \$166.2 million), with a separate conversion liability of \$26.5 million (December 31, 2015 – \$26.5 million). The \$6.7 million decrease from December 31, 2015 was primarily due to the translation of the US dollar denominated preferred shares at a lower US to Canadian exchange rate partially offset by accretion recognized on the preferred shares.

Capital Management

Lone Pine's objectives when managing capital is to maintain a flexible capital structure in order to meet its financial obligations and allow it to execute on its planned capital expenditure program. The Company considers its capital structure to include shareholders' equity, the Amended Credit Facility, preferred shares and working capital. The Company has outlined its Capital Management policy in Note 19 of the Annual Financial Statements.

Lone Pine manages its liquidity risk through its capital management of cash, debt, equity and committed credit capacity along with its planned capital expenditure program. The Company has determined that its current obligations are adequately funded by current assets. With its cash on hand, available borrowing capacity, and cash flows from operations, Lone Pine believes that there is sufficient liquidity to fund its capital program and other commitments.

Contractual Obligations and Commitments

Contractual obligations and commitments are outlined in Note 22 of the Annual Financial Statements. There were no significant changes during the first quarter of 2016 except as outlined below.

Lease Acquisition Capital Commitment

As of March 31, 2016, the Company has incurred \$10.8 million (December 31, 2015 - \$7.7 million) related to the lease acquisition capital commitment. Under the lease acquisition capital commitment, the Company is committed to annual capital expenditures as follows pursuant to the acquisition of 69,000 net undeveloped acres in the Wheatland area. The lease acquisition capital commitment is further described in Note 22 of the Annual Financial Statements.

Commitment Period Ending	Capital Commitment
<i>(\$000s)</i>	
July 1, 2016	10,000
July 1, 2017	15,000
July 1, 2018	20,000

Farm-in Arrangement Capital Commitment

As of March 31, 2016, the Company has incurred \$5.8 million (December 31, 2015 - \$2.3 million) related to the farm-in arrangement capital commitment. Under the farm-in arrangement capital commitment, the Company is committed to a minimum of \$20 million of drilling and completion expenditures on farm-in lands pursuant to the farm-in and option agreement by December 31, 2016. The farm-in arrangement capital commitment is further described in Note 22 of the Annual Financial Statements.

Supplemental Information

Financial – Quarterly extracted information

<i>(\$000)</i>	2016	2015	2015	2015	2015	2014	2014	2014
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas revenue	7,203	8,783	9,191	11,591	9,770	16,323	26,061	38,176
Royalties	(649)	(746)	(575)	(323)	(546)	(1,949)	(3,341)	(3,794)
Unrealized (loss) gain on derivatives	852	(730)	4,118	(6,650)	(3,581)	25,043	10,648	(1,380)
Realized (loss) gain on derivatives	3,585	4,921	4,421	3,063	4,380	3,464	(6,409)	(1,935)
Revenues	10,991	12,228	17,155	7,681	10,023	42,881	26,959	31,067
Net earnings (loss)	3,197	(15,390)	(12,985)	(9,929)	(21,590)	(127,211)	(11,334)	(22,697)

The net earnings of \$3.2 million in the first quarter of 2016 was primarily the result of unrealized foreign exchange gains of \$10.7 million related to the translation of the US dollar denominated preferred share liability and realized gains on derivative instruments of \$3.6 million.

The net loss of \$15.4 million in the fourth quarter of 2015 was mainly due to impairment charges of \$7.3 million on E&E assets and unrealized foreign exchange losses of \$5.3 million related to the translation of the US dollar denominated preferred share liability.

The net loss of \$13.0 million in the third quarter of 2015 was mainly due to declining production volume and an unrealized foreign exchange loss of \$10.6 million related to the translation of the US dollar denominated preferred shares liability. In addition, an impairment loss of \$2.6 million was recognized including \$0.9 million against the Hayter CGU and the remainder against undeveloped E&E lands.

The net loss of \$9.9 million in the second quarter was mainly attributable to lower production volume and \$6.6 million unrealized loss on hedge instruments. Also, there was a \$1.7 million impairment charge against certain E&E lands and pre-drill cost that Lone Pine no longer intends to explore in light of low oil prices. The Company also recognized \$1.3 million of reorganization costs related to workforce reduction.

The net loss of \$21.6 million in the first quarter of 2015 was mainly due to lower production volume and \$11.9 million unrealized loss on foreign exchange related to the translation of the US dollar denominated preferred shares liability, due to the weakening of Canadian dollar relative to the US dollar. Oil and natural gas revenue was significantly lower than the prior periods, due to lower production volume and lower realized prices across all products.

The net loss of \$127.2 million in the fourth quarter of 2014 was mainly due to the recognition of \$136.2 million in impairment losses. Oil and natural gas revenue decreased in the fourth quarter as a result of the Deep Basin divestiture in the third quarter of 2014 and lower liquids prices. The decreases were offset by \$28.5 million of gains on oil derivatives, resulting in an overall increase of revenues in the fourth quarter, compared with the prior quarters.

The net loss of \$11.3 million in the third quarter of 2014 was due to lower volumes of production as a result of the Deep Basin sale, realizing a \$6.2 million loss from terminating all natural gas hedges, incurring \$2.9 million of reorganization costs upon staff reduction and recognizing a \$6.1 million loss on extinguishment of the Term Facility. These items were partly offset by a higher operating netback, a \$10.6 million unrealized gain on derivative instruments and a \$1.7 million gain on sale of property and equipment.

The net loss of \$22.7 million in the second quarter of 2014 was mainly due to a \$26.3 million impairment loss against Deep Basin CGU E&E assets. Oil and natural gas revenue for the second quarter of 2014 was the highest, reflecting significantly higher commodity prices.

Changes in Accounting Policies

The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements. Lone Pine did not adopt any new accounting policies or standards during the first quarter of 2016.

There were no new or amended standards issued during the first three months of 2016 that are applicable to Lone Pine in future periods other than those disclosed in Note 3 of the Annual Financial Statements. A description of issued accounting pronouncements that will be adopted by the Company in future periods is also included in Note 3 to the annual financial statements. The Company is currently evaluating the impact of those new accounting pronouncements.

Operational and Other Risk Factors

Operational and Other Risk factors outlined in the Annual MD&A have remained unchanged during the first quarter of 2016.

Forward-Looking Statements

Certain statements and information in this MD&A may constitute forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond Lone Pine's control. All statements regarding the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "could," "believe," "anticipate," "intend," "plan," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements with respect to, among other things:

- estimates of the Company's oil and natural gas reserves;
- estimates of the Company's future oil, natural gas and NGL production, including estimates of any increases or decreases in the Company's production;
- estimates of future capital expenditures;
- estimates and judgements related to common shares and preferred shares valuations;
- the Company's future financial condition and results of operations;
- the Company's ability to meet its capital commitment pursuant to the Wheatland Acquisition and the Farm-In Arrangement;
- the Company's future revenues, cash flows and expenses;

- the Company's access to capital and expectations with respect to liquidity and capital resources;
- the Company's future business strategy and other plans and objectives for future operations;
- the Company's future development opportunities and production mix;
- the Company's outlook on oil, natural gas and NGL prices;
- the amount, nature and timing of future capital expenditures, including future development costs;
- the Company's ability to access the capital markets to fund capital and other expenditures;
- the Company's assessment of the Company's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

Lone Pine believes the expectations and forecasts reflected in the Company's forward-looking statements are reasonable, but Lone Pine can give no assurance that they will prove to be correct. Readers are cautioned that these forward-looking statements can be affected by inaccurate assumptions and are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control, incident to the exploration for and development, production and sale of oil and natural gas. When considering forward-looking statements, you should keep in mind the assumptions, risk factors and other cautionary statements that include, among other things:

- the volatility of oil, natural gas and NGL prices, and the related differentials between realized prices and benchmark prices;
- a continuation of depressed natural gas prices;
- the availability of capital on economic terms to fund the Company's significant capital expenditures and acquisitions;
- the Company's ability to obtain adequate financing to pursue other business opportunities;
- the Company's ability to generate sufficient cash flow from operations or obtain adequate financing to fund the Company's capital expenditures and meet working capital needs;
- the Company's ability to replace and sustain production;
- a lack of available drilling and production equipment, and related services and labor;
- increases in costs of drilling, completion and production equipment and related services and labor;
- unsuccessful exploration and development drilling activities;
- regulatory and environmental risks associated with exploration, drilling and production activities;
- declines in the value of the Company's oil and natural gas properties, resulting in impairments;
- the adverse effects of changes in applicable tax, environmental and other regulatory legislation;
- a deterioration in the demand for the Company's products;
- the risks and uncertainties inherent in estimating proved oil and natural gas reserves and in projecting future rates of production and the timing of expenditures;
- the risks of conducting exploratory drilling operations in new or emerging plays;
- intense competition with companies with greater access to capital and staffing resources;
- the risks of conducting operations in Canada and the impact of pricing differentials, fluctuations in foreign currency exchange rates and political developments on the financial results of the Company's operations; and
- the uncertainty related to the pending litigation against us.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, Lone Pine's actual results and plans could differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A, and Lone Pine undertakes no obligation to update this information to reflect events or circumstances after the delivery of this MD&A. All forward-looking statements, expressed or implied, included in this MD&A are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral

forward-looking statements that Lone Pine may make or persons acting on the Company's behalf may issue.

Other Advisories

Volumetric Conversion

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout the MD&A, Lone Pine has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where Lone Pine sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ration based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-IFRS Measures

Lone Pine uses terms within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may not be comparable with the calculation of similar measurements used by other companies. The non-IFRS measures used in this report are summarized as follows:

Operating Netback

Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this report were determined by taking (oil and gas revenues less royalties less operating costs) divided by gross working interest production. Operating netback, including realized commodity gains and losses, adjusts the operating netback for only realized gains and losses on derivative instruments.

EBITDAX

The Company monitors its capital structure based on the ratio of total debt to EBITDAX. The ratio provides a measure of the Company's ability to manage its debt levels under current operating conditions. "Total debt" and "EBITDAX" are terms corresponding to defined terms in the Company's credit facility agreement for the purpose of calculation of financial covenants. The Company also uses EBITDAX as a measure of its operating cash flows.

EBITDAX means net earnings before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items. The following is a reconciliation of EBITDAX to the nearest IFRS measure, net earnings (loss) before income tax:

<i>(\$000s)</i>	Three Months Ended March 31	
	2016	2015
Net earnings (loss) before income tax	3,197	(21,590)
Add (deduct):		
Finance costs	4,473	3,830
(Gain) loss on foreign exchange	(10,648)	11,882
Reorganization costs	276	10
Share-based compensation	92	408
Loss on sale of properties	—	3
Exploration and evaluation expense	26	102
Depletion and depreciation	4,658	6,081
Unrealized (gain) loss on derivative instruments	(852)	3,581
Impairment (recovery) loss	(125)	1,236
EBITDAX	1,097	5,543

For purposes of calculating covenants under the credit facility, EBITDAX (hereinafter referred to as “Adjusted EBITDAX”) is determined using financial information from the most recent four consecutive fiscal quarters. Adjusted EBITDAX also includes adjustments for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

SCHEDULE D

THE LONE PINE ANNUAL FINANCIAL STATEMENTS AND THE LONE PINE ANNUAL MD&A



Lone Pine Resources Inc.
Lone Pine Resources Canada Ltd.

Combined and Consolidated Financial Statements

As at and for the Year Ended December 31,
2015

Dated: April 5, 2016

INDEPENDENT AUDITORS' REPORT

To the Directors of Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd.

We have audited the accompanying combined and consolidated financial statements of Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd., which comprise the combined and consolidated statements of financial position as at December 31, 2015 and 2014, and the combined and consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined and consolidated financial statements

Management is responsible for the preparation and fair presentation of these combined and consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

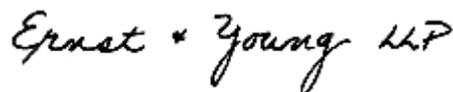
Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined and consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined and consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined and consolidated financial statements present fairly, in all material respects, the financial position of Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd. as at December 31, 2015 and 2014, and its financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calgary, Canada
April 5, 2016



Chartered Professional Accountants

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (\$000s)	Note	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	19	13,021	15,258
Accounts receivable	19	6,582	7,069
Inventory		471	380
Prepaid expenses and other assets		1,139	1,443
Derivative instruments – current	19	9,531	14,643
Total current assets		30,744	38,793
Exploration and evaluation	5	48,314	57,351
Property and equipment	6	115,272	104,480
Derivative instruments	19	3,918	5,649
Other assets		657	919
Total assets		198,905	207,192
LIABILITIES			
Accounts payable and accrued liabilities	19	8,945	10,315
Current portion of decommissioning liability	9	3,500	3,000
Total current liabilities		12,445	13,315
Preferred Shares	8	166,171	126,625
Preferred Shares – conversion liability	8	26,450	26,450
Decommissioning liabilities	9	67,002	55,325
Other liabilities		899	904
Total liabilities		272,967	222,619
Commitments and Contingencies	22		
SHAREHOLDERS' DEFICIT			
Share capital	10	73,912	73,912
Contributed surplus	11	1,024,623	1,023,364
Accumulated deficit		(1,172,884)	(1,112,990)
Accumulated other comprehensive income ("AOCI")		287	287
Total deficit		(74,062)	(15,427)
Total liabilities and shareholders' deficit		198,905	207,192

See accompanying notes to the combined and consolidated financial statements.

Approved by the Board of Directors,
(signed)

Patrick McDonald
Chair of the Board of Directors and Director

(signed)

Ajay Sabherwal
Chair of the Audit and Reserves Committee and Director

COMBINED AND CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended
(\$000s)

	Note	December 31, 2015	December 31, 2014
REVENUE			
Oil and natural gas revenue		39,335	111,467
Royalties		(2,190)	(13,456)
Oil and natural gas revenue, net of royalties		37,145	98,011
Unrealized gain (loss) on derivative instruments	19	(6,843)	20,292
Realized gain (loss) on derivative instruments	19	16,785	(6,719)
		47,087	111,584
EXPENSES			
Operating	15	15,959	35,787
General and administrative	16	12,430	11,557
Depletion and depreciation	6	21,436	39,370
Exploration and evaluation	5	545	11,403
Loss (gain) on sale of properties	6	197	(3,512)
Gain on extinguishments of financial liabilities – net	14	—	(104,948)
Impairment loss	5, 6	13,298	162,532
Loss on foreign exchange	8	25,498	5,179
Finance costs	17	16,145	16,563
Reorganization	18	1,415	11,048
Total expenses		106,923	184,979
Net loss before taxes		(59,836)	(73,395)
Current taxes	12	58	—
Net loss and comprehensive loss		(59,894)	(73,395)

See accompanying notes to the combined and consolidated financial statements.

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(\$000s)	Note	Share Capital	Contributed Surplus	Accumulated Deficit	AOCI	Total Deficit
Balance at January 1, 2015		73,912	1,023,364	(1,112,990)	287	(15,427)
Share-based compensation	11	—	1,259	—	—	1,259
Net loss		—	—	(59,894)	—	(59,894)
Balance at December 31, 2015		73,912	1,024,623	(1,172,884)	287	(74,062)

(\$000s)	Note	Share Capital	Contributed Surplus	Accumulated Deficit	AOCI	Total Deficit
Balance at January 1, 2014		747,340	273,818	(1,039,595)	287	(18,150)
Cancellation of share capital	10	(747,340)	747,340	—	—	—
Issuance of common shares	10	73,912	—	—	—	73,912
Share-based compensation	11	—	2,206	—	—	2,206
Net loss		—	—	(73,395)	—	(73,395)
Balance at December 31, 2014		73,912	1,023,364	(1,112,990)	287	(15,427)

See accompanying notes to the combined and consolidated financial statements.

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended (\$000s)	Note	December 31, 2015	December 31, 2014
OPERATING ACTIVITIES			
Net loss and comprehensive loss		(59,894)	(73,395)
Adjustments for non-cash items:			
Impairment loss	5, 6	13,298	162,532
Gain on extinguishments of financial liabilities - net	14	—	(104,948)
Unrealized loss (gain) on derivative instruments	19	6,843	(20,292)
Depletion and depreciation	6	21,436	39,370
Exploration and evaluation	5	545	11,403
Accretion and financing charges	9, 17	15,317	11,700
Unrealized loss on foreign exchange		25,498	5,142
Loss (gain) on sale of property and equipment	6	197	(3,512)
Share-based compensation	11	1,217	1,831
Amortization of deferred cost		510	1,047
Payment of decommissioning liabilities	9	(1,389)	(306)
Other, net		(463)	(315)
Change in non-cash working capital	13	(2,348)	236
Cash from operating activities		20,767	30,493
FINANCING ACTIVITIES			
2014 Credit Facility – borrowings	4	—	307,706
2014 Credit Facility – repayments	4	—	(307,706)
2014 Credit Facility - cancellation fee	4	—	(4,445)
Proceeds from Preferred Shares	4, 8	—	111,358
Net proceeds (repayments) from 2011 Credit Facility	4	—	(178,570)
DIP Credit Facility - borrowings	4	—	10,000
DIP Credit Facility – repayments	4	—	(10,000)
Debt issuance costs		(217)	(2,649)
Finance lease payments		—	(2,791)
Backstop fee		—	(4,454)
Cash settlements on unsecured notes		—	(83)
Cash used in financing activities		(217)	(81,634)
INVESTING ACTIVITIES			
Exploration and evaluation expenditures	5	(21,250)	(9,659)
Property and equipment expenditures	6	(3,365)	(35,153)
Proceeds on sale of property and equipment	6	150	111,494
Change in non-cash working capital	13	1,678	(6,622)
Cash from (used in) investing activities		(22,787)	60,060
Change in cash and cash equivalents		(2,237)	8,919
Cash beginning of year		15,258	6,339
Cash and cash equivalents end of year		13,021	15,258

See accompanying notes to the combined and consolidated financial statements.

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

1. COMBINED REPORTING ENTITIES

Lone Pine Resources Inc. (“Lone Pine Resources”) was incorporated under the laws of the state of Delaware, United States. Lone Pine Resources Canada Ltd. (“LPR Canada”) was incorporated under the laws of the province of Alberta, Canada. In these combined and consolidated financial statements (the “annual financial statements”), Lone Pine Resources and LPR Canada are collectively referred as the “Company” or “Lone Pine”.

Lone Pine is an independent oil and natural gas exploration, development and production company based in Calgary, Alberta, Canada with operations exclusively in Canada. The principal office of Lone Pine is located at 640 – 5th Avenue S.W., Calgary, Alberta.

Lone Pine’s reserves, producing properties and exploration prospects are located in the provinces and territories of Alberta, British Columbia, Quebec, and the Northwest Territories. The Company conducts certain of its operating activities jointly with others through unincorporated joint arrangements and these annual financial statements reflect only the Company’s share of assets, liabilities, revenues and expenses under these arrangements. The Company conducts all of its principal business in one reportable segment.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The annual financial statements were approved and authorized for issue by the Audit and Reserves Committee of the Board of Directors of Lone Pine on April 5, 2016.

The Company’s significant accounting policies under IFRS are presented in Note 3.

(b) Principles of Combination and Consolidation

On January 31, 2014, Lone Pine emerged from the Creditor Protection Proceedings (as herein defined and as discussed in Note 4) that restructured the Company and resulted in Lone Pine Resources no longer having control of its subsidiary, LPR Canada, based on the definition of control under IFRS 10 – *Consolidated Financial Statements*. However, as a direct result of and concurrent with the Creditor Protection Proceedings (as herein defined), Lone Pine Resources and LPR Canada are controlled through direct and indirect ownership (as defined in IFRS 10) by a single majority investor. As a result, Lone Pine Resources and LPR Canada have been presented on a combined and consolidated basis in these annual financial statements. The entirety of the assets and undertaking of Lone Pine Resources and LPR Canada, but for the liabilities extinguished as the result of the Creditor Protection Proceedings are the same both before and after the Creditor Protection Proceedings. Accordingly, the presentation of the combined financial statements after January 31, 2014 as a continuation of Lone Pine before January 31, 2014 is considered the most meaningful presentation of financial information for the legal structure and for financial statement users.

(c) Basis of Measurement

The annual financial statements have been prepared on the historical cost basis except for derivative instruments that are measured at fair value.

(d) Functional and Presentation Currency

The annual financial statements are presented in Canadian dollars, which is the Company's functional currency. All references to US\$ are to United States dollars.

(e) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the annual financial statements are as follows:

- The Company's oil and gas assets are grouped into cash generating units ("CGUs"). CGUs are defined as the lowest level of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgement and interpretation. Factors considered in the classification include the integration between assets, geological formation, geographical proximity, the existence of a common sales point and shared processing facilities and the way in which management monitors its operations. The recoverability of the Company's oil and gas assets is assessed at the CGU level, and therefore, the determination of a CGU and its related costs could have a significant impact on impairment losses or impairment reversals;
- Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgement of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; (iii) the determination of net recoverable amount of oil and gas properties for impairment assessment and measurement, and (iv) the determination of reserve lives which affect the timing of decommissioning activities, all of which could have a material impact on earnings and financial positions;
- Recoverable amounts calculated for impairment testing are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rates as well as future development costs and operating costs. These calculations require the use of estimates and assumptions, which by their nature, are subject to measurement uncertainty. In addition, judgement is exercised by management as to whether there have been indicators of impairment or of impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: market value of assets, estimate of future prices and costs, a change in estimated quantity of reserves and appropriate discount rates. Management will determine whether a change in one or more indicators of

impairment or impairment reversal results in a change in the estimated recoverable amount of the asset. Accordingly, the impact in the annual financial statements of future periods could be material;

- The annual financial statements have been prepared under the premise that Lone Pine Resources and LPR Canada are under common control. When assessing control, the Company considers the following factors:
 - the purpose and design of the Company;
 - the relevant activities and how decisions about those activities are made;
 - the rights of the investors and their ability to direct the relevant activities;
 - the investors' exposures or rights to variable returns from their involvement with the Company; and
 - the investors' ability to use its power over the Company to affect the amount of their returns.

The assessment of these factors is not clear-cut and significant judgement is required in determining whether control exists.

Lone Pine Resources holds a single class C multiple voting share of LPR Canada that carries approximately 75% of the total voting power of all outstanding shares of LPR Canada entitled to vote generally in the election of directors of LPR Canada, however the Company concluded that Lone Pine Resources does not have control over LPR Canada after assessing the factors above. Lone Pine Resources' exposure to variable returns from its involvement with LPR Canada is nominal given its 1/100,000,000th equity ownership in LPR Canada. Lone Pine Resources' ability to use its voting power to affect its returns is also limited by the special approval rights in the Preferred Shares (as herein defined). Those rights pertain to corporate matters including declaration of dividends by LPR Canada, redemption of any equity securities and voluntary liquidation. Therefore, after the implementation of the Plan (as herein defined), Lone Pine Resources has ceased consolidating the financial statements of LPR Canada;

- Amounts recorded for decommissioning liabilities and the related accretion expense require the use of estimates with respect to the amount and timing of decommissioning expenditures, inflation rates and discount rates. Actual costs and cash outflows can differ from estimates because of changes in law and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow;
- The classification of share-based compensation plans as equity-settled or cash-settled requires judgement in instances where both outcomes are possible of occurrence (and are outside the control of the issuing entity and the holders). Compensation costs recorded pursuant to share-based compensation plans are subject to the estimated fair values of the awards on the grant date (including any adjustments related to the probability of achievement of non-vesting conditions) and the estimated number of units that will ultimately vest. Under the Company's 2014 Equity Incentive Plan ("EIP"), restricted share units ("RSU") are granted to directors, officers and employees. The classification of the RSU as equity-settled or cash-settled requires assessing the probability of occurrence of various corporate events, some of which may lead to cash-settlement. RSUs are currently accounted for as equity-settled awards. Management considers the scenarios that may lead to cash-settlement as occurring in limited circumstances with low likelihood of occurrence. No adjustments have been made to the estimated fair values of the awards related to the probability of achieving non-vesting conditions as these conditions are expected to occur;

- Derivative risk management contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and forward rate curves of the underlying commodity. Changes in any of these assumptions would impact fair value of the risk management contracts and as a result, future net income and other comprehensive income;
- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The Company is also subject to income tax audits and reassessments which may change its provision for income taxes. Therefore, the determination of income taxes is by nature complex, and requires making certain estimates and assumptions. Lone Pine recognizes net deferred tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted;
- The determination of fair value requires judgement and is based on market information, where available and appropriate. Fair value is best evidenced by an independent quoted market price for the same asset or liability in an active market. However, quoted market prices and active markets do not always exist. In those instances, fair valuation techniques are used. The Company applies judgement in determining the most appropriate inputs and the weighting ascribed to each such input as well as its selection of valuation methodologies. The calculation of fair value is based on market conditions as at each reporting date, and may not be reflective of ultimate realizable value;
- Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.
- Amounts recorded for capitalized general and administrative cost that is related to directly attributed supporting functions and activity to post license exploration and evaluation assets and to development and producing CGU properties requires the use of estimates and judgements and is by its nature subject to measurement uncertainty; and
- Lone Pine provides postretirement health care benefits to certain retirees and their spouses. An independent actuary determines the costs of the Company's employee future benefit program using certain management assumptions and estimates such as, expected health care costs, mortality rates and discount rates. The related obligation and expense recorded could increase or decrease if there were to be a change in these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below were applied consistently to all periods presented in these annual financial statements.

(a) Basis of Combination and Consolidation

The consolidated and combined financial statements include the accounts of Lone Pine Resources Inc., Lone Pine Resource Canada Ltd. and their wholly owned subsidiary. The subsidiary is fully consolidated from the date on

which the Company obtains control and continues to be consolidated until the date such control ceases. Control is achieved when Lone Pine is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Lone Pine controls its subsidiary as the Company has all of the following via its 100% ownership:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intergroup balances, income and expenses and unrealized gains and losses from intergroup transactions are eliminated in full.

The combined and consolidated financial statements of the Company as of December 31, 2015 include the following subsidiary:

Subsidiary	Country of incorporation	% Equity interest
Lone Pine Resources (Holdings) Inc.	Canada	100%

(b) Joint Arrangements

Lone Pine conducts some of its oil and gas activities through joint operations. Joint operation is a type of joint arrangement over which two or more parties have joint control and rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control. Lone Pine does not have any joint arrangements that are material to the Company, or that are structured using separate vehicles. In relation to its interests in joint operations, Lone Pine recognizes in the financial statements its share of assets, liabilities, revenues and expenses of the arrangements.

(c) Revenue

Revenue from the sale of petroleum and natural gas is recognized based on volume delivered at contractual delivery points and rates received upon delivery. The costs associated with the delivery, including operating, transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(d) Exploration and Evaluation Assets and Property and Equipment

(i) Recognition and Measurement

Exploration and Evaluation (“E&E”) Assets

Pre-license costs are recognized in the combined and consolidated statements of loss and comprehensive loss as incurred.

E&E costs, including the costs of acquiring licenses, obtaining geological and geophysical data, drilling and completing E&E wells, and building associated facilities are initially capitalized as E&E assets according to the nature of the expenditure. E&E assets may include estimated decommissioning costs associated with

E&E decommissioning obligations. The costs are accumulated by well, field or exploration area pending determination of technical feasibility and commercial viability. E&E assets are not amortized.

The technical feasibility and commercial viability of extracting a hydrocarbon resource are considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, E&E assets attributable to those reserves are tested for impairment and if estimated recoverable amounts exceed carrying values the E&E assets, are transferred to petroleum and natural gas properties, within property and equipment assets. The cost of undeveloped land that expires and E&E expenditures determined to be unsuccessful are derecognized by recording exploration and evaluation expense.

Production and Development ("P&D") Assets

P&D assets generally represent costs incurred in acquiring and developing proved and/or probable reserves, and bringing in or enhancing production from such reserves. Development costs include the initial purchase price and directly attributable costs relating to land and mineral leases, geological and seismic studies, property acquisitions, development drilling, construction of gathering systems and infrastructure facilities, decommissioning costs, transfers from E&E assets, and for qualifying assets, borrowing costs. These costs are accumulated on a field or an area basis (major components). The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

The production and development items of property and equipment, which includes oil and natural gas development, properties and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, net of impairment reversals. Development assets include certain stock equipment that is expected to be used in the normal course of P&D field development.

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas properties, are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment and are recognized on a net basis on the combined and consolidated statements of loss and comprehensive loss.

(ii) Depletion and Depreciation

The net carrying value of P&D assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to convert those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are prepared by management and reviewed by independent reserve engineers at least annually.

Proved plus probable reserves are estimated annually by independent and qualified reserve evaluators and represent the estimated quantities of petroleum and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves are the remaining quantities of, petroleum and natural gas from known accumulations estimated to be recoverable from a given date forward. The estimates of reserves are determined from drilling, geological, geophysical and engineering data based on established technology and specified economic conditions. For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

The guidelines for the determination and classification of reserves are outlined in the Canadian Oil and Gas Evaluation Handbook. Proven plus probable reserve estimate is defined as a “best estimate” of the remaining recoverable quantities of, petroleum and natural gas. This estimate should best represent the expected outcome, on a neutral basis, with no optimism or conservatism. In probabilistic terms, there should be at least a 50 percent probability that the quantities actually recovered in the future will equal or exceed the proven plus probable reserve estimate.

For other assets, depreciation is recognized in profit or loss on a straight-line or declining-balance basis over the estimated useful life of each part of an item of property and equipment. Leasehold improvements are depreciated over the term of the lease. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Computer equipment is depreciated using the declining-balance basis at a rate of 30 percent per year. Office furniture is depreciated on a straight line basis over five years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iii) Impairment

E&E Assets

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) at such time that facts and circumstances indicate that the carrying amount exceeds the recoverable amount. If the recoverable amount does not exceed the carrying amount, an impairment adjustment is recognized in comprehensive loss.

For the purposes of impairment testing, E&E assets are allocated to CGUs based on geographical proximity. E&E assets that are not related to established CGUs with reserves, such as undeveloped land holdings, seismic, equipment, and exploration drilling in Quebec, the Northwest Territories and other exploratory properties, are subject to impairment testing based on the nature and estimated recoverable amount of the respective cost components.

P&D Assets

Lone Pine assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less cost of disposal (“FVLCD”) and its value-in-use (“VIU”). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such case, an impairment test is performed at the CGU level. A CGU is a group of assets that Lone Pine aggregates based on their ability to generate largely independent cash flows. The Company has four principal operating CGUs – Evi, Wheatland, Hayter and Other, after disposing the Deep Basin CGU in August 2014.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. To determine VIU, the Company estimates the present value of the future net cash flows expected to derive from the continued use of the asset or CGU without consideration for potential enhancement or improvement of the underlying asset’s performance. Discount rates that reflect the market assessments of the time value of money and the risks specific to the asset or CGU are used. In determining FVLCD, discounted cash flows and recent market transactions are taken into account, if available. These calculations are corroborated by valuation multiples or other

available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the previously recognized impairment loss is reversed. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods.

(e) Financial Instruments

(i) Recognition and Measurement

Lone Pine recognizes financial assets and financial liabilities, including derivatives, on the combined and consolidated statements of financial position when the Company becomes a party to the contract. The Company initially measures all financial instruments at fair value. Subsequent measurement of the financial instrument is based on its classification. Financial assets are classified into the following categories: held for trading, available for sale, held-to-maturity investments and loans and receivables. Financial liabilities are classified as held for trading or other financial liabilities. Lone Pine has not designated any financial asset or liability at fair value through profit or loss.

Financial assets and financial liabilities classified as held for trading are measured at fair value with changes in those fair values recognized in net income. Financial assets classified as either held-to-maturity or loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive loss over the expected life of the instrument. Financial assets classified as available-for-sale are measured at fair values with changes in those fair values recognized in other comprehensive income.

(ii) Liabilities and Equity

Financial instruments are classified as a liability or equity based on the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavorable terms. A contract is also classified as a liability if it is a non-derivative and could obligate the Company to deliver a variable number of its own shares or it is a derivative other than one that can be settled by the delivery of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. An instrument is classified as equity if it evidences a residual interest in the Company's assets after deducting all liabilities.

(iii) Derivative Financial Instruments

As described in Note 19, derivative financial instruments are used by the Company to manage its exposure to market risks relating to commodity prices. The Company's policy is not to use derivative financial instruments for speculative purposes. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third party market indications and forecasts and includes an estimate of the credit quality of counterparties to the derivative instruments. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

The Company has not designated its financial derivative contracts as effective accounting hedges, and therefore has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are measured at fair value, with any gains and losses recorded in comprehensive loss.

(iv) LPR Canada Preferred Shares

The LPR Canada Series 1 Preferred Shares (the “Preferred Shares”) are puttable after eight years and immediately convertible at the holder’s option. The Preferred Shares are classified as financial liabilities due to the holder’s put option. Further, the Preferred Shares are denominated in United States currency, resulting in the conversion option classified as an embedded derivative (the “Preferred Shares – Conversion Liability”). The Preferred Shares are initially measured at fair value and subsequently at amortized cost. The Preferred Shares – Conversion Liability is initially measured at fair value and subsequently at cost, less impairment, as the conversion option is linked to and must be settled by delivery of LPR Canada common shares, which do not have quoted market prices in an active market and cannot be reliably measured.

(v) Derecognition of Financial Instruments

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. The difference between the carrying value of the liability and the ultimate consideration paid is recognized in the combined and consolidated statement of loss. If equity instruments are issued to extinguish a financial liability, the equity instruments are treated as consideration paid and measured at their fair value at the date of extinguishment.

A financial asset is derecognized when (1) the rights to receive cash flows from the assets have expired or (2) the Company has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the assets, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

(vi) Impairment

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are assessed for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that have similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event following recognition. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(f) Fair Value Measurement

Lone Pine measures derivatives at fair value at each balance sheet date and, for the purposes of impairment testing, uses FVLCD to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 19. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the following markets that are accessible by the Company:

- the principal market for the asset or liability, or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Lone Pine uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorized within the fair value hierarchy; described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, Lone Pine determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(g) Provisions

(i) Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to provisions are generally presented in the combined and consolidated statements of loss net of any reimbursement except for decommissioning liabilities. If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingency is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable.

(ii) Decommissioning Liabilities

Lone Pine recognizes decommissioning liabilities related to its obligations to dismantle, retire and reclaim its oil and gas properties. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The present value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement or towards the settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(h) Share-Based Compensation

(i) General

Lone Pine has not offered any cash-settled awards. For equity settled share-based awards granted to officers, directors, employees and certain consultants, the grant date fair value of such awards is recognized as compensation costs within operating and general and administrative expenses, with a corresponding increase in contributed surplus over the vesting period. The Company also capitalizes a portion of the share-based compensation that is directly attributable to capital projects, with a corresponding decrease to compensation expense.

The fair value of option-based awards is measured using Black-Scholes option pricing model. Non-option based awards are valued based on the fair value of the underlying share units at grant date. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. Upon the exercise of the share-based awards, any consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested awards expire, previously recognized compensation expense associated with such awards is not reversed. In the event that awards are forfeited, previously recognized compensation expense associated with the unvested portion of such awards is reversed.

(ii) RSUs

The settlement of RSUs is contingent on the occurrence of certain corporate change events, which may result in equity-settlement, or cash-settlement as certain cash redemption rights embedded in the underlying shares may be triggered. The Company assesses the probability of equity or cash settlement at each reporting date until the RSUs are settled. Currently, the RSU are classified as equity-settled awards. If cash-settlement becomes probable in the future, then a cash-settled liability will be recognized at fair value, the cumulative balance in contributed surplus will be reversed, and the difference between the two amounts will be recorded to net earnings.

(i) Employee Benefits and Post-Retirement Obligation

LPR Canada sponsors a group savings plan for its employees. Contributions made under the plan are expensed as the plan benefits are earned by the employees.

The Company also sponsors an unfunded post-retirement benefits plan to certain retirees, which is closed to new entrants. Expense for the post-retirement benefits plan includes the interest cost on post-retirement benefits obligations.

The liability of the post-retirement benefits plan is actuarially determined using the projected unit credit actuarial cost method prorated on service and reflects the Company's best estimate of future health care costs and retiree longevity. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date. The Company accounts for its post-retirement benefits plan by recognizing the underfunded status of the plan as a liability in its combined and consolidated statements of financial position and recognizing actuarial changes in funded status in the year in which the changes occur through other comprehensive income, unless changes related to discount rates, then to the combined and consolidated statements of loss.

(j) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Reorganization Costs

Reorganization costs are non-recurring costs related to the Company's Creditor Protection Proceedings completed in 2014 and to other corporate restructuring activities. Reorganization costs include employment termination payments, accelerated share-based compensation expense, office closure costs, professional fees, and key employee retention bonus program charges.

(l) Cash Equivalents

Cash equivalents include market deposits and similar type instruments, with an original maturity of three months or less when purchased.

(m) Inventory

Inventories are stated at the lower of cost and net realizable value. The cost of materials is the purchase cost, determined on first-in, first-out basis. The net realizable value is based on the estimated selling price in the ordinary course of business, less estimated costs necessary to sell.

(n) Foreign Currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates in effect to the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are not subsequently re-translated. Foreign currency differences arising on translation are recognized in profit or loss.

(o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of the contract. Leases, which transfer substantially all of the risks and rewards of ownership to the Company, are classified as finance leases. Finance leases are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments and are depreciated over the shorter of the estimated useful life of the asset and the lease term. As at December 31, 2015 Lone Pine did not have any finance leases. Other leases are classified as operating leases and payments are recognized as an expense in the period incurred. Lease inducement costs are initially capitalized and amortized to net income over the lease terms.

(p) Adoption of New Accounting Standards and New Accounting Pronouncements

New and Amended Accounting Standards and Interpretations Adopted

There were no new or amended accounting standards or interpretations adopted during the year ended December 31, 2015.

New Accounting Pronouncements

- In July 2014, the IASB completed the final elements of IFRS 9 - *Financial Instruments*. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements;
- In May 2014, the IASB published IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") replacing IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and several revenue-related interpretations. The new standard establishes a single revenue recognition framework that applies to contracts with customers and requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently assessing the adoption impact to its financial statements; and
- In January 2016, the IASB issued IFRS 16 - *Leases*, which replaces IAS 17 – *Leases*. For lessees, IFRS 16 removes the classification of leases as financing or operating leases, effectively treating all leases as finance leases which requires the recognition of lease assets and lease obligations. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS

15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of the standard on its financial statements.

4. CREDITOR PROTECTION PROCEEDINGS

On September 25, 2013, the Company commenced proceedings under the Companies' Creditors Arrangement Act ("CCAA") in the Court of Queen's Bench of Alberta (the "CCAA Court") and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "U.S. Bankruptcy Court"). Lone Pine Resources, LPR Canada and all other subsidiaries of the Company were parties to the CCAA and Chapter 15 proceedings (collectively, the "Creditor Protection Proceedings").

On January 9, 2014, the CCAA Court issued an order (the "Sanction Order") sanctioning and approving Lone Pine's previously announced first amended and restated plan of compromise and arrangement (the "Plan") under the CCAA. On January 10, 2014, the U.S. Bankruptcy Court issued an order recognizing and enforcing the Sanction Order in the United States under Chapter 15 of the U.S. Bankruptcy Code.

On January 31, 2014, the Company implemented the Plan and emerged from the Creditor Protection Proceedings. Implementation of the Plan resulted in comprehensive capital reorganization and financial restructuring of the Company. The following is a summary of the material features of the Plan.

- Compromised debt and accounts payable exchange: The Plan resulted in the exchange of \$213.6 million of all outstanding 10.375% senior notes due June 2017 (the "Senior Notes", including accrued interest, together with certain affected accounts payables of \$5.9 million for a total of 24,985,757 Class A voting common shares of LPR Canada ("LPR Canada Class A Shares") and 24,985,757 Class A voting common shares of Lone Pine Resources ("Lone Pine Class A Shares");
- New investment: The Plan provided for a US\$100 million offering of the Preferred Shares and multiple voting shares of LPR Canada. As a result of the offering, 74,999,996 Preferred Shares and 74,999,996 Lone Pine Resources multiple voting common shares were issued with total gross proceeds of \$111.4 million;
- 2014 Credit Facility: On January 31, 2014, LPR Canada entered into a \$130 million credit facility (the "2014 Credit Facility") with a syndicate of banks. The 2014 Credit Facility became effective upon completion of the Creditor Protection Proceedings and replaced the 2011 Credit Facility (as herein defined) and debtor-in-possession credit facility ("DIP Credit Facility");
- Repayment of the 2011 Credit Facility and the DIP Credit Facility: The outstanding principal and accrued interest on the 2011 Credit Facility (\$178.6 million) and the DIP Credit Facility (\$10.0 million) were repaid in full and all security granted to lenders under each facility was released;
- Cancellation of existing Lone Pine shares: The Plan resulted in the cancellation for no consideration of all previously issued and outstanding common shares of Lone Pine Resources. The Plan also provided that all potential claims against the Company resulting from the ownership, purchase or sale of common stock in Lone Pine Resources prior to implementation of the Plan were cancelled; and
- Corporate structure: LPR Canada ceased to be a wholly-owned subsidiary of Lone Pine Resources. Lone Pine Resources was issued a single class C multiple voting share of LPR Canada which carries approximately 75% of the total voting power of all outstanding shares of LPR Canada entitled to vote generally in the election of directors of LPR Canada. Lone Pine Resources no longer has any economic interest in LPR Canada as a result of this transaction.

5. EXPLORATION AND EVALUATION ASSETS

(\$000s)	December 31, 2015	December 31, 2014
Cost Balance – beginning of year	85,675	111,705
Additions	24,197	12,067
Transfers to oil and gas property and equipment (Note 6)	(22,171)	(94)
Exploration and evaluation expense	(545)	(11,403)
Expiries of previously impaired assets	(9,772)	—
Disposition of undeveloped land	—	(113)
Disposal – Deep Basin E&E (Note 6)	—	(26,487)
Cost Balance – end of year	77,384	85,675
<hr/>		
Provision for impairment – beginning of year	(28,324)	(19,312)
Impairment loss	(10,518)	(35,321)
Expiries of previously impaired assets	9,772	—
Disposal – Deep Basin E&E (Note 6)	—	26,309
Provision for impairment – end of year	(29,070)	(28,324)
Net book value – beginning of the year	57,351	92,393
Net book value – end of the year	48,314	57,351

In the year ended December 31, 2015, the Company recorded impairment of E&E assets of \$8.1 million as a result of changes in management development plans due to significant and prolonged decreases in commodity prices. This included impairments of \$1.5 million related to the Evi CGU, \$0.2 million related to the Hayter CGU, \$0.4 million related to the Other CGU and \$6.0 million related to exploratory areas that are not related to established CGUs with reserves. E&E assets were written down to their estimated recoverable amounts of \$nil based on the FVLCD. The FVLCD was determined using a market approach based on the estimated selling price of land, seismic, equipment and exploration drilling held in the related area considering recent transactions completed on similar assets. Key assumptions include the estimated selling prices of assets held considering the geographic location and related risk profile. The fair value measurement is non-recurring and is classified as level 3 in the fair value hierarchy (see note 3(f) for information on the fair value hierarchy).

Additional impairment of \$2.4 million was recorded in 2015 related to the changes in the current year's decommissioning liability estimates on certain E&E assets that were impaired in previous years.

During 2014, the Company recognized an impairment loss of \$26.3 million related to the Deep Basin CGU as a result of changes in management's future development plans to realize the value of E&E assets substantially through sales rather than through development. Upon the completion of the disposition, as outlined further in Note 6 (d), the related carrying costs and provision for impairment were removed from E&E assets.

In addition, in 2014, the Company recognized an impairment loss of \$6.8 million against undeveloped land holdings in certain exploration areas. The recoverable values were estimated using recent transactions completed on similar assets. The remaining \$2.2 million of impairment loss pertained to changes in decommissioning liability estimates on certain E&E assets that had been written off in the previous year.

During the year ended December 31, 2015, \$0.5 million (2014 – \$nil) of directly attributable general and administrative expenses including a nominal amount (2014 – \$nil) of share-based compensation, were capitalized to E&E assets.

6. PROPERTY AND EQUIPMENT

(\$000s)	Production and Development	Office Equipment	Year Ended December 31, 2015
Cost:			
Balance-beginning of year	316,260	3,444	319,704
Additions	12,390	389	12,779
Disposals (c)	(86)	—	(86)
Transfer from E&E assets (Note 5)	22,171	—	22,171
Balance-end of year	350,735	3,833	354,568
Accumulated impairment, depletion and depreciation:			
Balance- beginning of year	(213,667)	(1,557)	(215,224)
Depletion and depreciation	(20,919)	(590)	(21,509)
Impairment loss (b)	(2,630)	—	(2,630)
Disposals (c)	67	—	67
Balance – end of year	(237,149)	(2,147)	(239,296)
Net book value:			
At beginning of year	102,593	1,887	104,480
At end of year	113,586	1,686	115,272

(\$000s)	Production and Development	Office Equipment	Year Ended December 31, 2014
Cost:			
Balance-beginning of year	491,767	3,437	495,204
Additions	39,671	7	39,678
Disposals (c) (d)	(215,272)	—	(215,272)
Transfer from E&E assets (Note 5)	94	—	94
Balance-end of year	316,260	3,444	319,704
Accumulated impairment, depletion and depreciation:			
Balance- beginning of year	(148,857)	(887)	(149,744)
Depletion and depreciation	(38,643)	(670)	(39,313)
Impairment loss (b)	(127,173)	—	(127,173)
Disposals (c) (d)	101,006	—	101,006
Balance – end of year	(213,667)	(1,557)	(215,224)
Net book value:			
At beginning of year	342,910	2,550	345,460
At end of year	102,593	1,887	104,480

As at December 31, 2015, an estimated \$94.4 million in future development costs associated with proved plus probable undeveloped reserves were included in the calculation of depletion (December 31, 2014 - \$201.9 million).

(a) Capitalization of General and Administrative and Share-Based Compensation Expenses

During the year ended December 31, 2015, \$0.3 million (2014 – \$4.3 million) of directly attributable general and administrative expenses, including a nominal amount (2014 – \$0.4 million) of share-based compensation expenses, were capitalized to property and equipment.

(b) Impairment Loss

The Company conducted impairment tests of all its CGUs as at December 31, 2015 as a result of continued and prolonged declines in forecasted crude oil and natural gas prices. The FVLCD was estimated using pre-tax discount rates of 12% to 15% and using the following estimated commodity prices:

December 31, 2015 ^{(1) (2)}	Edmonton Light Oil	AECO Natural Gas Price	Heavy Oil 25 API Hardisty
	(\$/bbl)	(\$/Mcf)	(\$/bbl)
2016	55.20	2.25	45.82
2017	69.00	2.95	58.65
2018	78.43	3.42	66.67
2019	89.41	3.91	76.00
2020	91.71	4.20	77.95
2021	93.08	4.28	79.12
2022	94.48	4.35	80.31
2023	95.90	4.43	81.51
2024	97.34	4.51	82.74
2025	98.80	4.59	83.98
2026 ⁽³⁾	100.28	4.67	85.24

(1) Source: Sproule price forecast, effective December 31, 2015

(2) The forecast benchmark prices listed above are adjusted for quality differentials, heat content and distance to market in performing the Company's impairment tests.

(3) Thereafter, annual increase of 1.5 percent.

The Company concluded that there was no impairment to P&D assets as a result of impairment test performed as at December 31, 2015.

During Q3 2015, an impairment test was performed as a result of continued declines in forward crude oil and natural gas prices which resulted in the recognition of \$0.9 million of impairment in the Hayter CGU. The Hayter CGU was written down to the net recoverable amount of \$1.8 million. The FVLCD was estimated using a risk adjusted pre-tax discount rate of 12%.

The remaining \$1.7 million (2014 – \$1.7 million) of impairment loss recognized in 2015 was comprised of \$1.5 million (2014 – \$1.4 million) related to the change in the current year's decommissioning liability estimates on certain properties with a carrying value of nil and \$0.2 million (2014 – \$0.3 million) on the write down of certain surplus equipment.

As at December 31, 2014, impairment testing was conducted on all the Company's CGUs as a result of annual reserve revisions and declining forward oil prices. As a result, an impairment loss of \$125.5 million was recognized related to the Evi CGU to write down the carrying amount to the net recoverable amount of \$95.5 million. The FVLCD was estimated using a risk adjusted pre-tax discount rate of 12%.

The recoverable amounts used in the impairment tests were based on the FVLCD, determined using the net present value of cash flows from oil and gas reserves estimated by the Company's independent evaluator and is therefore considered as level 3 under the fair value hierarchy (see Note 3(f)).

(c) Property and Equipment Disposals

During 2015, the Company sold certain surplus equipment and non-core assets. The proceeds from these disposals totaled \$0.2 million (2014 – \$1.5 million) and resulted in a gain on disposal of property and equipment totaling \$0.2 million (2014 – \$1.5 million).

(d) Deep Basin Disposition

On August 12, 2014, LPR Canada sold all the assets within its Deep Basin CGU for cash proceeds of \$110.4 million net of disposition costs. The Deep Basin CGU was comprised of gas-weighted undeveloped and developed properties in the Narraway and Ojay fields, located in Alberta and British Columbia. The assets disposed of had a net carrying value of \$108.4 and as such, a gain on sale of property and equipment in the amount of \$2.0 million was recognized in year ended December 31, 2014.

7. LONG-TERM DEBT

As at December 31, 2015 and December 31 2014, Lone Pine had no outstanding long-term debt. Under the Company's credit facilities, \$4.5 million of letters of credit had been issued as at December 31, 2015 (December 31, 2014 – \$1.9 million).

The weighted average effective interest rate on letters of credit outstanding for the year ended December 31, 2015 was 2.3% (2014 – 2.8%). The weighted average effective interest rate on the 2014 Credit Facility borrowings for the year ended December 31, 2014 was 5.9%.

(a) Amended Credit Facility

On July 30, 2015, the Company renewed and amended its 2014 Credit Facility with a syndicate of banks (the "Amended Credit Facility"). Under the Amended Credit Facility, Lone Pine has a \$40 million syndicated revolving term facility and a \$10 million operating facility, which mature one year after the term-out date. Annually prior to the applicable term-out date, subject to the lenders' approval, Lone Pine may extend the term-out date by 364 days. The next term-out date was set at May 31, 2016; as such the maturity date of Amended Credit Facility is May 31, 2017.

Borrowings under the Amended Credit Facility may be in the form of Canadian prime loans, bankers acceptances, US base rate loans and Libor loans. Applicable margins per annum are as follows:

- (i) for Canadian prime loans and US base rate loans, the margins are between 100 and 250 basis points ("bps") (2014 Credit Facility – 150 to 350 bps);
- (ii) for Libor loans, bankers' acceptance and financial letters of credit, the margins range from 200 to 350 bps (2014 Credit Facility – 250 to 450 bps); and
- (iii) standby fees on any undrawn borrowing capacity are between 50 to 87.5 bps (2014 Credit Facility – 63 to 113 bps) per annum.

The applicable margins and standby fees all depend on the debt to EBITDAX (as herein defined) ratio of the Company calculated at the Company's previous quarter-end. EBITDAX is defined as consolidated net income before financing charges, exploration expenses, income taxes, depreciation, depletion and amortization and other non-cash items of expense. For purposes of calculating covenants under the Amended and 2014 Credit Facility, EBITDAX (hereinafter referred to as "Adjusted EBITDAX") is determined using financial information from the most recent four consecutive fiscal quarters. Adjusted EBITDAX also includes adjustments for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

The Amended Credit Facility includes terms and covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. The Amended Credit Facility also includes two financial covenants where at the end of each applicable quarterly period:

- (i) total debt outstanding to Adjusted EBITDAX for a trailing 12-month period is required to be less than 3.0 to 1.0 (2014 Credit Facility – 3.0 to 1.0); and
- (ii) current assets to current liabilities (including available borrowing capacity and excluding derivative instruments) is required to be greater than 1.0 to 1.0 (2014 Credit Facility – 1.1 to 1.0).

The Amended Credit Facility is collateralized by a demand debenture from LPR Canada and each of its restricted subsidiaries in the amount of \$500 million granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property, together with a fixed charge and mortgage over its existing borrowing base assets. A fixed charge and mortgage over after-acquired borrowing base assets will only be granted under certain circumstances.

As at December 31, 2015, the Company was in compliance with all covenants under the Amended Credit Facility.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of LPR Canada's oil and natural gas properties in accordance with the lenders' customary practices for oil and gas loans. The borrowing base is subject to a semi-annual redetermination, with the next redetermination scheduled for May 31, 2016. In addition to the scheduled semi-annual redeterminations, the lenders each have the discretion at any time, but not more often than once during any calendar year, to have the borrowing base re-determined.

As at December 31, 2015, the Company had \$0.4 million of deferred costs related to its outstanding credit facilities included in other current assets (December 31, 2014 – \$0.6 million) and \$0.2 million included in other long-term assets (December 31, 2014 - \$0.3 million).

(b) 2014 Credit Facility

On January 31, 2014, LPR Canada entered into the 2014 Credit Facility with a syndicate of banks, which was comprised of: (a) a \$50 million syndicated facility and a \$10 million operating facility (together, the "Revolving Facilities") that will mature one year after the term-out date; and (b) a \$70 million term facility (the "Term Facility") that will mature on the earlier of (i) January 31, 2018 and (ii) the maturity of the Revolving Facilities. Annually prior to the applicable term-out date, subject to the lenders' approval, Lone Pine may extend the term-out date by one year. Initially, the term-out date was set at May 30, 2014, and the Company received a one-year extension to May 29, 2015 under the first amending agreement to the 2014 Credit Facility.

On August 12, 2014, Lone Pine entered into the second amending agreement to the 2014 Credit Facility (the "Second Amending Agreement"). The Second Amending Agreement provided for certain changes to the 2014 Credit Facility as follows: (i) consent to the disposition of the Deep Basin CGU properties; (ii) the Term Facility was repaid in full and cancelled and the Term Facility lender ceased to be a lender; (iii) an early termination fee was paid to the Term Facility lender; (iv) the borrowing base was amended to be \$60 million and (v) consent was provided to terminate all of the Company's natural gas hedges. As a result of the Second Amending Agreement, the 2014 Credit Facility was then comprised of the \$60 million Revolving Facilities.

With the cancellation of the Term Facility, a loss on the extinguishment for \$6.1 million was recognized, which was comprised of \$4.5 million early termination fee and \$1.6 million accelerated amortization of deferred finance cost.

8. LPR CANADA PREFERRED SHARES

On January 31, 2014, the Company issued 75,000,000 of Preferred Shares and 74,999,996 Lone Pine Resources multiple voting common shares for total cash proceeds of \$111.4 million (US\$100.0 million). As at December 31, 2015, the Preferred Shares liability was \$166.2 million (December 31, 2014 - \$126.6 million). During the year ended

December 31, 2015, \$25.6 million of unrealized loss (2014 - \$5.1 million) was recognized related to the translation of United States dollar denominated shares to Canadian dollars at the prevailing rates.

For so long as the LPR Canada Class C multiple voting common share (“LPR Canada Class C Share”) is outstanding, the Preferred Shares are convertible into LPR Canada Class B non-voting common shares (“LPR Canada Class B Shares”), otherwise, into LPR Canada Class A Shares. In either case, the number of LPR Canada Class A Shares or LPR Canada Class B Shares into which each Preferred Share is convertible will be based on a conversion ratio determined by dividing (a) the then-applicable redemption price of the Preferred Shares by (b) the conversion price of the Preferred Shares. Upon issuance on January 31, 2014, the redemption price and conversion price were both initially equal to the issue price of US\$1.33 per share, such that the Preferred Shares were initially convertible into LPR Canada Class B Shares on a one-for-one basis. The redemption price of the Preferred Shares (the “Applicable Redemption Price”) increases at a rate of 10% per annum, which results in an escalating conversion ratio. The conversion price is also subject to downward anti-dilution adjustments. At December 31, 2015, one Preferred Share was convertible into 1.20 LPR Canada Class B Shares.

Conversion of the Preferred Shares is at the holder’s option, except that in the event of an initial public offering of LPR Canada all Preferred Shares will automatically convert into LPR Canada Class A Shares. The conversion option is classified as an embedded derivative (see Note 3(e)(ii)), with a value of \$26.5 million recorded as Preferred Shares – Conversion Liability on the combined and consolidated statement of financial position as at December 31, 2015 and 2014.

The Preferred Shares are redeemable, in whole or in part, after four years at the option of LPR Canada and eight years at the option of the holder at a price per share equal to the Applicable Redemption Price. The redemption price will be paid, at the holder’s election, in cash or through the issuance of LPR Canada Class A Shares or LPR Canada Class B Shares. If redeemed for shares, the number of shares issuable will be determined using the fair market value of those shares. If the holder elects to redeem for cash, the cash payment is limited to the paid-up capital of such redeemed Preferred Shares and any remaining amounts owing (the “Excess Amount”) will be paid through the issuance of LPR Canada Class A Shares. Holders of any LPR Canada Class A Shares issued for the Excess Amount have the right, exercisable within 30 days following the issuance, to redeem their shares for cash amount equal to the fair market value of such shares. The Preferred Shares also have certain redemption rights in connection with a change of control transaction.

The Preferred Shares rank senior to the LPR Canada common shares with respect to distribution of assets in the event of dissolution and liquidation. Holders of the Preferred Shares have a right to receive, in cash or other assets, before any payment is made on any other class of shares, an amount equal to the greater of (a) the Applicable Redemption Price and (b) the amount the holders should receive as common shareholders assuming the Preferred Shares are convertible into common shares immediately prior to the liquidation.

9. DECOMMISSIONING LIABILITIES

(\$000s)	December 31, 2015	December 31, 2014
Balance – beginning of year	58,325	56,930
Liabilities incurred	468	420
Liabilities divested on properties sold	—	(6,443)
Payments	(1,389)	(306)
Change in estimates	11,747	6,143
Accretion of decommissioning liabilities	1,351	1,581
Sub total	70,502	58,325
Current portion – end of year	3,500	3,000
Long-term portion – end of year	67,002	55,325

The Company's decommissioning liabilities result from its ownership interests in oil and natural gas assets and are estimated based on the Company's net ownership interests in wells and facilities, the estimated costs to abandon and reclaim such properties and the estimated timing of these costs to be incurred in future years. At December 31, 2015, risk-free rates of 0.7% - 2.2% (December 31, 2014 – 1.6% - 2.8%) and an inflation rate of 1.7% (December 31, 2014 – 1.7%) were used to calculate the net present value of the decommissioning liabilities.

Changes in estimates in 2015 resulted in an increase in the decommissioning liabilities of \$11.7 million (2014 – \$6.1 million), of which \$6.8 million (2014 – \$4.2 million) related to the change in discount rate.

The Company has estimated the undiscounted total future liabilities of approximately \$111.8 million (December 31, 2014 – \$95.7 million). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 25 years.

10. SHARE CAPITAL

(a) Authorized

(i) Lone Pine Resources

As at December 31, 2013, Lone Pine Resources was authorized to issue an unlimited number of common shares. Upon implementation of the Plan on January 31, 2014, all previously issued and outstanding common shares were cancelled without any repayment of capital, or other compensation. As a result, the book value in the amount of \$747.3 million was transferred from share capital to contributed surplus in shareholders' equity. In accordance with the Plan, new common shares of Lone Pine Resources were issued.

Lone Pine Resources is authorized to issue a total of 315,000,000 shares of all classes of stock, consisting of 75,000,000 shares of Class A common stock, par value \$0.01 per share, designated as "Class A Common Shares"; 225,000,000 shares of Class B common stock, par value \$0.01 per share, designated as "Class B Multiple Voting Shares"; and 15,000,000 shares of preferred stock, par value \$0.01 per share.

Upon implementation of the Plan, Lone Pine Resources issued 24,985,757 Class A Common Shares and 74,999,996 Class B Multiple Voting Shares. No shares of preferred stock were issued or are outstanding as at December 31, 2015.

Holders of Class A Common Shares are entitled to one vote per share. Holders of multiple voting common shares are entitled to one vote per share upon issuance, with such voting rights escalating by 10% per annum on a compounding basis.

Holders of both classes of common shares are entitled to receive dividends and other distributions when, as and if declared by the Lone Pine Resources Board of Directors and to receive pro rata the remaining property and assets of Lone Pine Resources upon its dissolution or liquidation.

(ii) LPR Canada

LPR Canada is authorized to issue an unlimited number of common shares and preferred shares with the preferred shares issuable in series.

Class A common shareholders are entitled to one vote per share at meetings of shareholders of LPR Canada. Holders of Class B common shares do not have any voting rights. The Class C common shareholder is entitled to 75 million votes per share.

The Preferred Shares are non-voting except in certain limited circumstances. Preferred shareholders have the right to receive dividends if, as and when declared by the Board of Directors of LPR Canada. In addition, any dividend declared on the LPR Canada common shares should be shared on a pari passu and pro rata basis among the common shareholders and the preferred shareholders.

(b) Issued

<i>(000s of units)</i>	Number of Shares
Lone Pine Resources Common Shares	
Balance at January 1, 2014	86,860
Cancellation of common shares	(86,860)
Issuance of Class A Common Shares	24,986
Issuance of Class B Multiple Voting Shares	75,000
Balance at December 31, 2014 and 2015	99,986

<i>(000s of units)</i>	Number of Shares
LPR Canada Common Shares	
Balance at January 1, 2014	2
Cancellation of common shares	(2)
Issuance of Class A Voting Common Shares	24,986
Issuance of Class C multiple voting common shares	—
Balance at December 31, 2014 and 2015	24,986

<i>(\$000s)</i>	Amount
Consolidated and Combined Common Share Capital	
Balance at January 1, 2014	747,340
Cancellation of common shares	(747,340)
Issuance of common shares	73,912
Balance at December 31, 2014 and 2015	73,912

On January 31, 2014, both Lone Pine Resources and LPR Canada issued common shares pursuant to the Plan (see Note 4). No cash proceeds were received upon issuance of these shares.

The LPR Canada Class B Shares are issuable on conversion of the Preferred Shares. For the years ended December 31, 2015 and December 31, 2014, no such conversion has occurred. As such, there were no LPR Canada Class B Shares outstanding (see Note 8). There were no cancellations or issuance of common shares after January 31, 2014.

11. SHARE-BASED COMPENSATION

Effective April 23, 2014, the shareholders of the Company approved the adoption of the EIP which authorizes the Board of Directors to grant certain equity-based awards. On June 20, 2014, the Board granted RSU awards to the Company's directors, officers and employees.

The RSUs granted vest in equal installments on January 31 of the next 2 years for the directors and the next 3 years for the rest of the participants. Vested RSUs are to be settled in shares for no cash consideration in the following manner:

- for director RSUs: 75% with Preferred Shares and 25% with LPR Canada common shares; and
- for officer and employee RSUs: 80% with Preferred Shares and 20% with LPR Canada common shares.

The RSU holder has no rights as a shareholder of the Company. Vested RSUs will only be settled and redeemed upon a corporate change that (i) directly or indirectly ascribes a value to the shares and (ii) provides liquidity to the holders of shares. A corporate change is defined in the EIP, which generally includes events that result in a change of control, sale of all or substantially all of the Company's assets or liquidation of the Company. As at December 31, 2015 and 2014, none of the RSUs were exercisable.

The number of RSUs outstanding for the years ended December 31, 2014 and December 31, 2015 is as follows:

	Directors	Officer and Employees	Total
Granted in 2014	271,967	2,000,613	2,272,580
Cancellations – terminations	—	(410,694)	(410,694)
Balance at December 31, 2014	271,967	1,589,919	1,861,886
Cancellations – terminations	—	(11,791)	(11,791)
Balance at December 31, 2015	271,967	1,578,128	1,850,095
Weighted average fair value per RSU at grant date	\$2.13	\$2.07	\$2.08

The fair value of each RSU award was determined using the estimated fair value of the underlying preferred and common shares at grant date. As RSU holders have no rights as a shareholder, no expected dividends were incorporated into the fair value measurement of the awards.

For the year ended December 31, 2015, share-based compensation of \$1.0 million (December 31, 2014 - \$1.9 million) was included in general and administrative expense net of a nominal amount of capitalized share based compensation (December 31, 2014 - \$0.4 million). In addition, \$0.2 million (December 31, 2014 - \$0.3 million) was included in reorganization costs for accelerated vesting of units related to terminations. A nominal amount was included in operating expense in 2015 and 2014.

12. INCOME TAX

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before income tax expense as follows:

<i>Years ended</i> <i>(\$000s)</i>	December 31, 2015	December 31, 2014
Net loss before taxes	(59,836)	(73,395)
Statutory income tax rate	25.96%	25.05%
Expected income tax recovery	(15,535)	(18,385)
Add (deduct):		
Debt forgiveness	—	3,507
Intercompany gain on debt cancellation	—	2,154
Accretion and foreign exchange on preferred shares	10,282	3,825
Change in unrecognized deferred tax asset	13,212	8,197
Provincial tax rate increase	(7,882)	—
Non-deductible share-based compensation	327	553
Other	(346)	149
Current income tax expense	58	—

The movement in deferred tax balances during the year ended December 31, 2015 is as follows:

(\$000s)	Balance January 1, 2015	Recognized in Net Loss	Balance December 31, 2015
Deferred tax liabilities:			
Unrealized gains of financial instruments	(5,083)	1,452	(3,631)
Total deferred tax liabilities	(5,083)	1,452	(3,631)
Deferred tax assets:			
E&E and property and equipment	22,435	(18,308)	4,127
Decommissioning liabilities	14,611	4,425	19,036
Net operating loss carry forwards	1,917	369	2,286
Financing and restructuring fees	2,930	(450)	2,480
Non-capital losses	53,933	10,176	64,109
Accruals and other items, net	392	158	550
Total deferred tax assets	96,218	3,630	92,588
Net deferred tax assets	91,135	(2,178)	88,957
Less: Unrecognized deferred tax assets	(91,135)	2,178	(88,957)
Deferred taxes	—	—	—

The movement in deferred tax balances during the year ended December 31, 2014 is as follows:

(\$000s)	Balance January 1, 2014	Recognized in Net Loss	Balance December 31, 2014
Deferred tax liabilities:			
Unrealized gains of financial instruments	—	(5,083)	(5,083)
Other items, net	(83)	83	—
Total deferred tax liabilities	(83)	(5,000)	(5,083)
Deferred tax assets:			
E&E and property and equipment	45,578	(23,143)	22,435
Decommissioning liabilities	14,259	352	14,611
Net operating loss carry forwards	1,675	242	1,917
Financing and restructuring fees	3,353	(423)	2,930
Deferred loss on commodity contract	818	(818)	—
Unrealized translation losses	756	(756)	—
Non-capital losses	—	53,933	53,933
Accruals and other items, net	2,303	(1,911)	392
Total deferred tax assets	68,742	27,476	96,218
Net deferred tax assets	68,659	22,476	91,135
Less: Unrecognized deferred tax assets	(68,659)	(22,476)	(91,135)
Deferred taxes	—	—	—

At December 31, 2015, the Company had \$141.2 million (December 31, 2014 – \$215.5 million) of federal tax pools in Canada related to the exploration, development and production of oil and gas available for deduction against future Canadian taxable income. In addition, the Company had Canadian tax loss carry-forwards in the amount of \$237.4 million (December 31, 2014 – \$215.3 million), scheduled to expire in the years 2033 to 2035.

In 2015, the Canada Revenue Agency (“CRA”) conducted an audit and issued a proposal letter regarding the income tax treatment of compromised debt pertaining to the CCAA, as well as certain historic tax pools. The CRA proposed \$126.7 million of potential adjustments to Lone Pine’s tax pools, of which the Company has reflected a decrease in

the Canadian development tax pool of \$57.0 million as at December 31, 2015. The Company disagrees with the CRA's position on the remaining issues and believes its positions on the remaining \$69.7 million of tax pools are supportable under applicable law, and as such, has not adjusted its December 31, 2015 tax pools accordingly.

As of December 31, 2015 and December 31, 2014, the Company did not recognize any deferred tax assets in the combined and consolidated statements of financial position for deductible temporary differences and unused tax losses as there was insufficient evidence to indicate that it was probable that future taxable profits in excess of profits arising from the reversal of existing temporary difference would be generated to utilize the existing deferred tax assets.

Current tax expense of \$58 thousand recognized in the year ended December 31, 2015 relates to US federal income tax incurred by the Company's US entity, Lone Pine Resources.

13. SUPPLEMENTAL INFORMATION

Cash Flow Presentation

Changes in non-cash working capital and interest paid are summarized:

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Source (use) of cash:		
Accounts receivable	487	3,250
Prepaid expenses and other current assets	213	6,954
Accounts payable and accrued liabilities	(1,370)	(18,627)
Accounts payable – compromised and settled for equity	—	2,037
	(670)	(6,386)
Related to operating activities	(2,348)	236
Related to investing activities	1,678	(6,622)
	(670)	(6,386)
Other:		
Interest paid during the year	630	6,223

14. GAIN ON EXTINGUISHMENTS OF FINANCIAL LIABILITIES – NET

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Gain on extinguishment of the Senior Notes (see Notes 4)	—	(109,743)
Gain on compromised accounts payable (see Note 4)	—	(1,346)
Loss on extinguishment of Term Facility (see Note 7(b))	—	6,141
	—	(104,948)

15. OPERATING EXPENSE

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Lease operating expense	12,924	26,386
Transportation and processing	1,147	7,429
Production and property taxes	1,888	1,972
Total operating expense	15,959	35,787

16. GENERAL AND ADMINISTRATIVE COSTS

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Salaries and benefits	5,346	7,053
Share-based compensation	1,073	1,856
Office rents and leases	1,600	1,558
Professional fees	3,231	2,943
Other – office and administration	2,011	2,468
	13,261	15,887
Amounts capitalized to property and equipment and E&E assets (Notes 5 & 6)	(831)	(4,330)
General and administrative expense	12,430	11,557

17. FINANCE COST

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Interest expense	828	4,863
Accretion – preferred shares (Note 8)	13,966	10,119
Accretion – decommissioning liability (Note 9)	1,351	1,581
Finance cost	16,145	16,563

18. REORGANIZATION COST

Years Ended (\$000s)	December 31, 2015	December 31, 2014
Employee termination cost	1,126	2,502
Share-based compensation – accelerated vesting	176	308
Professional fees	113	7,264
Employee retention bonus program	—	548
DIP Credit Facility costs	—	180
Amortization and other costs	—	246
Reorganization cost	1,415	11,048

Reorganization costs are non-recurring costs related to corporate restructuring activities. The reorganization costs incurred in 2014 mainly related to the Company's Creditor Protection Proceedings and other corporate restructuring activities primarily as a result of the Deep Basin CGU divestiture. In 2015, the costs related mainly to staff reduction.

19. FINANCIAL INSTRUMENTS, FAIR VALUES AND RISK MANAGEMENT

Financial instruments of Lone Pine consist of cash and cash equivalents, accounts receivable, accounts payable, borrowings under its credit facilities, derivative contracts and Preferred Shares and the conversion liability.

Cash and cash equivalents, derivative contracts and the conversion option within the Preferred Shares are classified as held for trading. The Preferred Shares conversion option is linked to and must be settled by delivery of LPR Canada common shares, which do not have quoted market prices in an active market and therefore cannot be reliably measured. Accounts receivable are classified as loans and receivables. The remaining instruments are considered other financial liabilities.

(a) Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short-term maturities. The fair value of the borrowings under Lone Pine's credit facilities approximates the carrying value (excluding deferred financing charges) as they bear floating market rates. The fair value of Preferred Shares as at December 31, 2015 is \$127.3 million (2014 – \$126.6 million) compared to the carrying value of \$166.2 million (2014 – \$126.6 million). The Company determined the fair value of the Preferred Shares by discounting future cash flows at market yields of corporate bonds of comparable credit characteristics and maturity and is therefore considered as level 3 under the fair value hierarchy (see Note 3(f)).

The Company's finance department is responsible for performing the valuation of financial instruments. The valuation process and results are reviewed and approved by management at least once every quarter, in line with the Company's quarterly reporting dates.

Cash and cash equivalents and derivative instruments are measured and recorded on Lone Pine's statement of financial position at fair value through profit and loss. Cash and cash equivalents and risk management contracts have been assessed on the fair value hierarchy described in Note 3(f). Cash is classified as Level 1, while cash equivalents and derivative contracts are classified as Level 2. During the years ended December 31, 2015 and 2014, there were no transfers among Levels 1, 2 and 3.

Derivatives are valued using valuation techniques with observable market inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations and third-party option valuation models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and forward rate curves and volatilities of the underlying commodity. The fair values of the risk management contracts are net of a credit valuation adjustment attributable to derivative counterparty default risk or the Company's own default risk.

(b) Risk Management

The Company's activities expose it to a variety of financial risks that arise as result of its exploration, development production and financing activities such as:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented, and monitors compliance with, risk management policies. The

Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable from joint operators and oil and natural gas marketers.

Cash and Cash Equivalents

The Company limits its exposure to credit risk related to cash by depositing its excess cash only with financial institutions that have investment grade credit ratings. As of December 31, 2015, the cash and cash equivalents amount included \$9.0 million (December 31, 2014 – \$8.0 million) of one-month guaranteed investment certificates.

Accounts Receivable

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All of the Company's petroleum and natural gas production is marketed under standard industry terms. Accounts receivable from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a number of large purchasers. The Company historically has not experienced any collection issues with its oil and natural gas marketers.

Receivable from joint operators are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining the partners' pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exist with joint operators as disagreements occasionally arise that may increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint operators; however, the Company can withhold its production from joint operators in the event of non-payment.

As at December 31, the maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

<i>(\$000s)</i>	2015	2014
Oil and natural gas marketing companies	2,625	3,414
Joint operators	1,238	1,464
Government agencies	485	—
Counterparties – derivative instruments	1,873	1,979
Other	361	212
Total accounts receivable	6,582	7,069

As at December 31, the Company's accounts receivable are aged as follows:

<i>(\$000s)</i>	2015	2014
Current (less than 90 days)	6,141	6,626
Past due (more than 90 days)	441	443
Total	6,582	7,069

Lone Pine's allowance for doubtful accounts was \$0.3 million as at December 31, 2015 (December 31, 2014 – \$0.6 million). When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

Derivatives

Lone Pine executes with each of its derivative counterparties an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions. As of December 31, 2015, all of the derivative counterparties are lenders under the Amended Credit Facility, which provides that any security granted under the credit facility shall also extend to and be available to those lenders that are counterparties to derivative transactions with Lone Pine. None of these counterparties require collateral beyond that already pledged under the credit facility. Lone Pine's derivative counterparties are all financial institutions that are engaged in similar activities and have similar economic characteristics that, in general, could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Lone Pine does not require the posting of collateral for its benefit under its derivative agreements. However, Lone Pine's ISDA Master Agreements generally contain netting provisions whereby if on any date amounts would otherwise be payable by each party to the other, then on such date the party that owes the larger amount will pay the excess of that amount over the smaller amount owed by the other party, thus satisfying each party's obligations. These provisions generally apply to all derivative transactions, or all derivative transactions of the same type (e.g., commodity, interest rate, etc.), with the particular counterparty.

The following is a summary of Lone Pine's financial assets and financial liabilities that were subject to offsetting as at December 31, 2015 and 2014. The net asset amounts represented the maximum exposure to credit risks for derivative instruments at each applicable reporting date:

<i>December 31, 2015 (\$000s)</i>	Gross Assets (Liabilities)	Amounts Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments assets	16,758	(7,227)	9,531
Derivative instruments liabilities	(7,227)	7,227	—
Long-term:			
Derivative instruments assets – long-term	5,121	(1,203)	3,918
Derivative instruments liabilities – long-term	(1,203)	1,203	—

December 31, 2014 (\$000s)	Gross Assets (Liabilities)	Amounts Offset Gross Assets (Liabilities)	Net Amount Presented
Derivative instruments assets – long-term	10,049	(4,400)	5,649
Derivative instruments liabilities – long-term	(4,400)	4,400	—

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company addresses its liquidity risk through its capital management of cash, committed credit capacity along with its planned capital expenditure program. As outlined in Note 7(a), the Company has \$50.0 million borrowing capacity under the Amended Credit Facility, of which \$4.5 million was utilized as at December 31, 2015 by the issuance of letters of credit. The Company has determined that its current financial obligations are adequately funded from the available borrowing capacity and from working capital derived from operations. Except for the redemption features of the Preferred Shares detailed in Note 8, all of the Company's financial liabilities are due within one year.

(iii) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Company may use financial derivative contracts to manage market risks as disclosed below. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Substantially all of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars.

In addition, Lone Pine Preferred Shares are denominated in U.S. dollars. If the U.S. dollar strengthened (weakened) by \$0.05 relative to the Canadian dollar, pre-tax income would be lower (higher) by \$6.0 million due to the translation of the Preferred Shares held at December 31, 2015.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Amended Credit Facility fluctuates with the interest rates posted by the lenders. The Company will be exposed to interest rate risk when borrowings are drawn under the Amended Credit Facility.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship

between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

Lone Pine enters into derivative instruments to manage its exposure to commodity price risk caused by fluctuations in commodity prices, which have served to protect and provide certainty on a portion of the Company's cash flows. The following table summarizes commodity derivative transactions as at December 31, 2015:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	750 bbls/d	January 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 91.19	Swap
Light oil differential	1,000 bbls/d	January 1, 2016 – December 31, 2016	CDN\$ MSW ⁽¹⁾	\$ -5.35	Swap
Oil	250 bbls/d	January 1, 2016 – December 31, 2017	CDN\$ WTI	\$ 65.00/ 75.00	Collar
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 87.78	Swap
Oil	382 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 93.50	Call Option
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	USD\$ WTI	\$ 65.00	Call Option

(1) Settled on the monthly average Mixed Sweet Blend ("MSW") Differential to WTI

Subsequent to December 31, 2015, the Company has entered into the following derivative contracts:

Commodity Contract	Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Natural gas	2,500 GJ/d	February 1, 2016 – December 31, 2016	AECO 7A Monthly Index	\$ 2.50	Swap

The following lists the fair value of all derivative contracts by commodity type in place at the following balance sheet dates:

December 31, 2015	Crude Oil
(\$000s)	
Derivative instruments – current asset	9,531
Derivative instruments – long-term asset	3,918
Total	13,449
December 31, 2014	Crude Oil
(\$000s)	
Derivative instruments – current asset	14,643
Derivative instruments – long-term asset	5,649
Total	20,292

The following shows the breakdown of realized and unrealized gains and losses recognized by commodity type in the fiscal years 2015 and 2014:

Year ended December 31, 2015	Crude Oil	Natural Gas	Total
<i>(\$000s)</i>			
Unrealized loss on derivative instruments	(6,843)	—	(6,843)
Realized gain on derivative instruments	16,785	—	16,785
Total gain	9,942	—	9,942
<hr/>			
Year ended December 31, 2014	Crude Oil	Natural Gas	Total
<i>(\$000s)</i>			
Unrealized gain on derivative instruments	20,292	—	20,292
Realized gain (loss) on derivative instruments	925	(7,644)	(6,719)
Total gain (loss)	21,217	(7,644)	13,573

An increase of Canadian dollar WTI by \$1.00 per bbl from the expected forward prices as at December 31, 2015 would result in a decrease in the unrealized gain on derivative instruments of approximately \$0.6 million, assuming all other variables, including the Canadian/United States dollar exchange rate, remain constant.

(c) Capital Management

Lone Pine's objectives when managing capital is to maintain a flexible capital structure in order to meet its financial obligations and allow it to execute on its planned capital expenditure program. The Company considers its capital structure to include shareholders' equity, Amended Credit Facility, Preferred Shares and working capital. Lone Pine aims to manage the capital structure of the Company to provide a strong financial position that is capable of funding the future growth of the Company. Lone Pine monitors the current and forecasted capital structure and makes adjustments on an ongoing basis in order to maintain the liquidity needed to satisfy the funding requirements of the Company. Modifications to the capital structure of the Company can be accomplished through issuing new preferred or common shares, issuing new debt or replacing existing debt, adjusting capital spending and acquiring or disposing of assets.

The Company monitors its capital structure based on the ratio of debt to trailing twelve months EBITDAX. Total debt to EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The ratio is calculated as total debt from the Amended Credit Facility divided by EBITDAX for the most recent four consecutive fiscal quarters.

The Company's goal is to manage this ratio within the financial covenants imposed on it under the Amended Credit Facility and to target for this ratio at a forecasted level of less than 2.0:1. As at December 31, 2015, if calculated on an annualized quarter to date basis, the Company's ratio of total debt to EBITDAX was in compliance with the covenants under the Amended Credit Facility.

20. KEY MANAGEMENT COMPENSATION

The aggregate payroll expense of directors and executive management is summarized as follows:

<i>Years ended</i> <i>(\$000s)</i>	December 31, 2015	December 31, 2014
Salary, bonus and fees	2,124	3,485
Termination payments	747	1,100
Share based compensation	820	1,418
Share based compensation – terminations	174	185
Total remuneration	3,865	6,188

Share based compensation included in key management compensation is non-cash compensation.

21. RELATED PARTIES

During 2015 and 2014, Lone Pine did not have any related party transactions other than the ones executed under the Plan (see Note 4).

22. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

(i) Lease Acquisition Capital Commitment

On June 30, 2015, LPR Canada entered into a lease acquisition agreement for mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta. The mineral leases generally have a primary term of three years, with a three-year extension option. In exchange for the leases, LPR Canada paid \$9.3 million of cash consideration. Future production from these leases will be subject to a flat-rate royalty at 17.5%. Pursuant to the lease acquisition agreement, LPR Canada is committed to the following annual capital expenditures:

Commitment Period Ending	Capital Commitment
<i>(\$000s)</i>	
July 1, 2016	10,000
July 1, 2017	15,000
July 1, 2018	20,000

LPR Canada has the flexibility to decide the locations and the number of wells to be drilled. In the event that LPR Canada does not incur the minimum capital expenditures by the end of a given commitment period, the shortfall will be payable to the vendor. If the amount of capital expenditures incurred for any commitment period exceeds the minimal amount, such excess will be applied to satisfy capital commitment in the subsequent commitment period. During the first two years of the leases, if the average West Texas Intermediate prices for a calendar quarter are below US\$50 per barrel, LPR Canada may defer a portion of the drilling commitment from that commitment period to be allocated over the remaining term.

On or before July 1, 2017, if LPR Canada fails to drill or to elect to drill one well in a specific formation on certain lands ("Specific Formation"), LPR Canada will be required to surrender the leases pertaining to the Specific Formation immediately. In the event that the Company made the election but does not drill by July 1, 2018, \$250,000 will be payable to the vendor.

As at December 31, 2015, the Company has incurred \$7.7 million related to the lease acquisition capital commitment.

(ii) Farm-in Arrangement Capital Commitment

Effective December 8, 2015, Lone Pine entered into a farm-in and option agreement (“Farm-In Arrangement”) to farm-in certain lands in the Wheatland area (“Farm-In Lands”). The key terms of the Farm-In Arrangement are as follows:

- Prior to December 31, 2016, a minimum of \$20 million of drilling and completion expenditures must be incurred on the Farm-In Lands (“Gross Capital Commitment”).
- Dependent on the farmor’s participation level (as discussed below), Lone Pine’s share of the Gross Capital Commitment may be between 50% and 100%.
- Between the effective date of the Farm-In Arrangement and December 31, 2016:
 - On half of any given section of the Farm-In Lands, Lone Pine may drill a test well (“Earning Well”) in a targeted formation (“Initial Earned Land”);
 - In exchange, Lone Pine will earn up to a maximum of 95% of working interest in the Initial Earned Land;
 - The farmor may participate up to a 50% of working interest in each Earning Well and share the capital expenditures accordingly; and
 - If the farmor participates in an Earning Well, Lone Pine will be required to pay a land bonus of no more than \$0.1 million for each Initial Earned Land, prorated based on Lone Pine’s working interest.
- In addition, Lone Pine may earn additional lands as follows:
 - For each Earning Well drilled, Lone Pine will also earn the right to drill an additional well (the “Option Well”) in the same geological formation in the offsetting half section (“Offsetting Land”) of the Initial Earned Land;
 - All Option Wells must be drilled prior to December 31, 2017;
 - The farmor may participate in drilling each Option Well to a maximum of 50% working interest. Its participation level will vary based on its working interest in the corresponding Earning Well; and
 - Lone Pine may earn up to 100% of working interest in the Offsetting Land.
- The Gross Capital Commitment may be met by drilling Earning Wells alone, or a combination of Earning Wells and Option Wells.

As at December 31, 2015, the Company has incurred \$2.3 million related to the Farm-in Arrangement capital commitment.

(b) Other commitments

The Company has non-cancellable contractual obligations at December 31, 2015 are summarized as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
Operating Leases – net	1,546	1,628	2,446	2,519	2,519	2,729	13,387
Firm transportation agreements	222	191	76	23	—	—	512
Other agreements	437	434	51	54	57	641	1,674
Total	2,205	2,253	2,573	2,596	2,576	3,370	15,573

Included in operating leases – net are sublease recoveries in amount of \$1.8 million over the contractual period into 2018.

In addition, as outlined in Note 9, the Company has estimated decommissioning liabilities on its interests in wells and facilities in the total amount of \$111.8 million on an undiscounted basis, of which, \$17.1 million is estimated to be incurred over the next five years.

(c) Contingencies

Lone Pine is involved in litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on the Company's results of operations or cash flows.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.



Lone Pine Resources Inc.
Lone Pine Resources Canada Ltd.

Management's Discussion and Analysis
For the Three Months and Year Ended December 31, 2015

Dated: April 5, 2016

Advisories

The following management’s discussion and analysis (“MD&A”) of Lone Pine Resources Inc. (“Lone Pine Resources”) and Lone Pine Resources Canada Ltd. (“LPR Canada”; collectively “Lone Pine” or the “Company”) provides management’s analysis of the Company’s results of operations, financial position and outlook as at and for the three and twelve months ended December 31, 2015. This MD&A is dated April 5, 2016 and should be read in conjunction with the audited combined and consolidated financial statements of Lone Pine as at and for the year ended December 31, 2015 (the “2015 Annual Financial Statements”).

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) unless otherwise noted.

Unless otherwise noted, all financial information provided herein is reported in Canadian dollars. Production volumes are presented on a working-interest basis, before royalties.

This MD&A contains forward-looking statements and non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with Lone Pine’s disclosures under the headings “Forward-Looking Statements” and “Non-IFRS Measures” included at the end of this MD&A.

Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mboe	thousands of barrels of oil equivalent
mmboe	millions of barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
GJ	gigajoule
AECO	AECO “C” hub price index for Alberta natural gas
CGU	cash-generating-unit
DD&A	depreciation, depletion and amortization
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IFRS	International Financial Reporting Standards
P&D	production and development
RSU	restricted share unit
WTI	West Texas Intermediate

Report to the Shareholders

The year 2015 has marked one of the most challenging years for the oil and gas business. Global oversupply of crude oil continued to weigh on the market, eventually pushing prices below to US\$30/bbl in early 2016. As the year unfolded, oil and gas development economics were increasingly pressured, funds from operations declined considerably, and balance sheet strength and liquidity became of utmost importance.

Despite these turbulent times, we delivered strong operating results in 2015 through cost reduction efforts and prudent operations. We achieved annual average production of 2,652 boe/d, coming in at the high end of our production guidance. Though we shut-in certain un-economic production, the effect was largely offset by higher production at Evi due to exceptional run rates and waterflood responses. Our strong performance was supported by our robust commodity hedging program, which generated realized cash gains of \$16.8 million during the year, resulting in 2015 EBITDAX of approximately \$26.6 million. We ended the year with \$13 million of cash on hand. In addition, our \$50 million credit facility remained undrawn, which was renewed in 2015 with a maturity date of May 31, 2017.

Our solid operational performance and stable liquidity position allowed us to expand our business. In 2015, we established a second core area – Wheatland area – through a lease acquisition agreement and then a farm-in arrangement. The multi-stacked pay zones in the Wheatland Area provide attractive development prospects. Lone Pine has identified over 125 drilling locations mainly targeting the Lithic Glauconite, Ellerslie, Basal Quartz, and Turner Valley Formations. Since September 2015, we have drilled 7 wells at Wheatland, taking advantage of the down cycle pricing. The initial 4 wells showed an average IP30 of 294 boe/d. The remaining 3 wells do not have IP30 data yet, however, the test data shows encouraging results.

Through prudent operations of our existing assets and acquisition of the Wheatland area, we built strong foundations for long-term growth by delivering solid reserves performance in 2015, successfully replacing 2015 production with proved plus probable (2P) reserve additions. As at December 31, 2015, the Company had an estimated 12.3 MMboe (75% liquids) of 2P reserves with a NPV10 of \$162.5 million. 2015 2P reserves increased by 10% or 1.14 MMboe from 2014. Based on 2P reserves additions¹ of 2.1 MMboe, a replacement ratio of 220% was achieved. F&D² costs (excluding FDC)³ was \$10.01/boe, resulting in recycle ratio of 2.2. The significant reserve additions came from the drilling program at the Wheatland area. We also had reserves bookings from the Evi waterflood program that has shown positive responses. These two areas represent future value creation in the Company and for our shareholders.

In 2016, we plan to continue proving up the Wheatland prospects in a fiscally disciplined manner, by closely monitoring the drilling economics. We also plan to expand our waterflood program by converting 4 producers to injectors. We remain well hedged in 2016 with a significant portion of our crude oil and natural gas production protected at prices well in excess of the current market prices. In addition, our strong balance sheet provides us with the financial flexibility to pursue both organic growth and M&A opportunities to provide accretive value to our shareholders.

We remain committed to preserving financial liquidity through this downturn. We continue to take active measures to reduce costs while maintaining the efficiency and compliance of our operations and the integrity of our assets without compromising the safety of our workforce. We strongly believe the efforts we demonstrated in 2015 and

¹ Includes extensions, infills, improved recovery, technical revisions and economic factors.

² Calculated using exploration and development costs incurred in 2015 and 2P reserves additions.

³ The downward change in FDC, which exceeded the 2015 capital spent, resulted in negative exploration and development expenditures, therefore F&D costs including FDC are not meaningful.

the actions we have taken in 2016 are the appropriate ones to ensure that the Company remains financially sound and emerges from this downturn a stronger company.

Lone Pine Overview

Lone Pine is a Canadian independent oil and gas exploration, development and production company, headquartered in Calgary, Alberta, Canada. The Company's reserves, producing properties and exploration prospects are located in the provinces of Alberta, British Columbia and Quebec, and the Northwest Territories.

Recent Developments

2015

On June 30, 2015, LPR Canada entered into a lease acquisition agreement for mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta. The mineral leases generally have a primary term of three years, with a three-year extension option. In exchange for the leases, LPR Canada paid \$9.3 million of cash consideration.

Effective December 8, 2015, Lone Pine entered into a farm-in and option agreement to farm-in certain lands in the Wheatland area.

Corporate History

2014

On January 31, 2014, the Company implemented the Plan and emerged from the Creditor Protection Proceedings. Implementation of the Plan (as herein defined) resulted in comprehensive capital reorganization and financial restructuring of the Company. Lone Pine became a private entity and the Company's financial position at December 31, 2014, had improved significantly, compared with the prior year.

On August 12, 2014, LPR Canada sold all the assets within its Deep Basin CGU for cash proceeds of \$110.4 million net of disposition costs. The Deep Basin CGU was comprised of gas-weighted undeveloped and developed properties in the Narraway and Ojay fields, located in Alberta and British Columbia. The disposition resulted in approximately \$2.0 million gain on sale of property and equipment for the year 2014. Proceeds from the disposition were used to fully repay Lone Pine's borrowings under its outstanding credit facilities. This provides the Company with financial flexibility to pursue various strategic options.

2013

On September 25, 2013, the Company commenced proceedings under the Companies' Creditors Arrangement Act ("CCAA") in the Court of Queen's Bench of Alberta (the "CCAA Court") and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "U.S. Bankruptcy Court"). Lone Pine Resources, LPR Canada and all other subsidiaries of the Company were parties to the CCAA and Chapter 15 proceedings (collectively, the "Creditor Protection Proceedings").

On January 9, 2014, the CCAA Court issued an order (the "Sanction Order") sanctioning and approving Lone Pine's previously announced first amended and restated plan of compromise and arrangement (the "Plan") under the CCAA. On January 10, 2014, the U.S. Bankruptcy Court issued an order recognizing and enforcing the Sanction Order in the United States under Chapter 15 of the U.S. Bankruptcy Code.

The Business Environment

Lone Pine's operations are influenced by both international and domestic factors. The Company is exposed to a number of risks inherent in the exploration, development, production, marketing, transportation, storage and sale of oil and gas. Commodity price fluctuations and declines, particularly as experienced with North American commodity prices, are highly dependent on international supply and economic conditions and represent one of the most significant factors that affect the performance of the Company and its financial position. The Company enters into commodity derivatives to help mitigate price volatility (see Commodity Price and Risk Management).

The over-supplied oil and natural gas market became prevalent in late 2014, as a result of the continued production growth from shale plays in the United States, slower than expected global demand growth, and sustained production levels by OPEC. The severe crude oil supply-demand imbalance persisted in 2015 and continued into the start of 2016. With new Iranian production and looming economic slowdown in China, WTI prices have been pushed to 11-year lows. Current oil prices are below marginal supply costs for new production from many areas; resulting in major capital spending cuts globally in 2015 and in 2016. While reduced capital activity is expected to re-balance markets, the existing production and storage will take some time to be depleted. The decreased capital activities have resulted in lower oilfield service costs, which has improved production economics somewhat.

Due to significant drop in commodity prices, the Canadian dollar has also been facing downward pressure. The CDN\$/US\$ exchange rate has been dropping considerably in 2015. The devaluation of the Canadian dollar relative to the US dollar partially offsets the impact of lower US dollar-denominated crude oil and natural gas prices.

Outlook

Lone Pine started 2016 with a strong balance sheet, a positive cash position and no borrowings under its \$50 million reserve-based credit facility. We remain committed to preserving financial liquidity through this downturn. We continue to take active measures to reduce costs while maintaining the efficiency and compliance of our operations in order to navigate the current pricing environment. In 2016, we plan to continue proving up the Wheatland prospects, and will do so in a fiscally disciplined manner by closely monitoring the drilling economics. We also plan to expand our waterflood program by converting 4 producers to injectors. We remain well hedged in 2016, and protected at prices well in excess of the current market prices. In addition, our strong balance sheet provides us with the financial flexibility to pursue both organic growth and M&A opportunities to provide accretive value to our shareholders.

For 2016, Lone Pine has hedged approximately 60% (2015 – 82%) of its forecast oil production and 44% (2015 – nil) of its gas production (from producing properties at December 31, 2015, net of royalties), at \$84.64/bbl (2015 – \$95.66/bbl) and \$2.50/GJ, respectively. Annual production is forecast to be slightly below 3,500 boe/d, with 67% in liquids. Compared against 2015 exit production of 2,777 boe/d, 2016 forecast includes wedge volume from the 12-well drilling program at the Wheatland area. EBITDAX for the year of 2016 is expected to be approximately \$12.6 million, a \$14.0 million decrease from 2015. Lower 2016 commodity prices are the key contributors to the decreased EBITDAX for 2015, despite higher production volume. Lone Pine planned to invest \$32.7 million on Wheatland drilling, Evi waterflood project, non-drilling capital projects and asset retirement activities, which will be primarily funded by its cash flows from operations, existing cash on hand and borrowings from the credit facility.

Financial and Operational Highlights

	Three Months Ended December 31,		Year Ended December 31,	
<i>(\$000s except per unit amounts)</i>	2015	2014	2015	2014
Financial				
Oil and natural gas revenue	8,783	16,323	39,335	111,467
EBITDAX ⁴	7,138	9,115	26,582	45,779
Net loss	(15,390)	(127,211)	(59,894)	(73,395)
Net capital expenditures (dispositions)	9,809	(1,540)	24,627	(66,356)
Production Volumes				
Crude oil (bbls/d)	1,799	2,197	1,820	2,257
Natural gas (Mcf/d)	4,130	4,937	4,577	21,489
Natural gas liquids (bbls/d)	63	81	69	86
Total (boe/d)	2,550	3,101	2,652	5,924
% Liquids	73%	73%	71%	40%
Average Realized Prices				
Crude oil (\$/bbl)	46.58	71.31	51.24	89.42
Natural gas (\$/Mcf)	2.56	3.58	3.01	4.62
Natural gas liquids (\$/bbl)	17.08	37.74	10.76	50.25
Total (\$/boe)	37.44	57.21	40.64	51.55
Operating Netback (\$/boe)⁵				
Realized price	37.44	57.21	40.64	51.55
Royalties	(3.18)	(6.83)	(2.26)	(6.22)
Operating costs	(15.92)	(22.62)	(16.49)	(16.55)
Operating netback	18.34	27.76	21.89	28.78

2015 highlights include:

- In the June 2015, Lone Pine entered into a lease acquisition agreement for mineral leases covering approximately 69,000 net acres of undeveloped land in the Wheatland area in southeast Alberta. In exchange for the leases, LPR Canada paid \$9.3 million of cash consideration. The lands were purchased with the intention to establish Wheatland into the Company's second core area.
- In December 2015, Lone Pine entered into a farm-in and option arrangement, where the Company may earn additional lands in the Wheatland area. This farm-in arrangement reinforces Lone Pine's strategy to establish Wheatland as its second core area. Not only the arrangement will increase the Company's land holdings, it is also expected to high-grade the Company's drilling prospects.
- In September 2015, Lone Pine commenced its initial four-well drilling program at the Wheatland area. Two wells were spudded in the third quarter, with the remaining two spudded in the fourth quarter.
- Production averaged 2,652 boe/d (71% liquids), a 55% decrease compared to 2014 due to the 2014 Deep Basin CGU sale, natural declines and the shut-in of certain un-economic wells since May 2015. Production declines were partially offset by additions from the 2015 drilling program, with one well coming on production in

^{4,5} EBITDAX and Operating Netback are non-IFRS measures and are defined in Other Advisories.

December 2015 resulting in an increase in fourth quarter production of approximately 140 boe/d. Excluding the Deep Basin 2014 production, average production decreased by 724 boe/d or 21% compared to 2014.

- Operating netback after realized gains on derivative instruments was \$39.23/boe for 2015, an increase of \$13.56/boe from 2014. The higher operating netback was primarily due to \$17.34/boe of realized gains on derivative instruments recognized in 2015, as compared to \$3.11 of realized losses on derivative instruments in 2014. The increase in realized gains on derivative instruments offset the \$10.91/boe decrease in average realized prices. Lone Pine's overall average realized prices did not decrease to the same extent as decreases in benchmark prices because the Company benefited from higher liquids-weighted production mix after the Deep Basin disposition in 2014. The remaining \$4.02/boe of favorable variance was mainly attributable to lower royalties rate, a direct result of lower commodity prices.
- EBITDAX was \$26.6 million, a \$19.2 million decrease compared to 2014, mainly due to lower production, partially offset by higher operating netback after realized gains on derivative instruments.
- Capital expenditures, net of proceeds from dispositions, were \$24.6 million, which included \$9.3 million of cash consideration paid for the Wheatland lands and \$10.8 million spent on the Wheatland drilling program.
- Net loss was \$59.9 million, compared to a net loss of \$73.4 million in 2014. During 2015, the Company recognized \$25.5 million of unrealized foreign exchange losses substantially related to the US dollar denominated preferred shares. Additionally, impairment losses of \$10.5 million were recorded in 2015 against E&E assets as a result of changes in management development plans due to significant and prolonged decreases in commodity prices, as well as to impair increases in decommissioning liability assets related to assets that were previously written-off. The 2014 net loss included \$162.5 million of impairment losses related to E&E and P&D assets offset by a \$104.9 million gain on the extinguishment of financial liabilities.
- Exited the year with working capital of \$18.3 million (including \$13.0 million in cash) and no borrowings.
- On July 30, 2015, the Company entered into an amended and restated credit agreement with the same syndicate lenders, under which (a) a \$40 million syndicated facility and (b) a \$10 million operating facility are available (collectively, the "Amended Credit Facility"). Future borrowings under the Amended Credit Facility will bear lower margins than under the previous agreement.

Fourth quarter highlights include:

- Average production of 2,550 boe/d, (73% liquids) decreased by 18% from the fourth quarter of 2014 mainly due to natural production declines and the shut-in of certain un-economic wells since May 2015. Production declines were partially offset by new production from Wheatland drilling;
- EBITDAX of \$7.1 million, compared with \$9.1 million in the same quarter in 2014. The decrease was the result of lower production in 2015;
- Capital expenditures were \$9.8 million in the fourth quarter, which include \$8.5 million on the Wheatland drilling program; and
- Impairment losses of \$7.3 million were recorded related to E&E assets.

Results of Operations

Production

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Crude oil (bbls/d)	1,799	2,197	1,820	2,257
Natural gas (Mcf/d)	4,130	4,937	4,577	21,489
Natural gas liquids (bbls/d)	63	81	69	86
Total (boe/d)	2,550	3,101	2,652	5,924
Oil & Liquids Weighting	73%	73%	71%	40%

The Company's production in the fourth quarter of 2015 decreased by 18% compared to the fourth quarter of 2014. The decrease was primarily the result of natural production declines, coupled with the shut-in of certain uneconomic wells since May 2015. Under the 2014 drilling program, 10 of the 11 wells that were drilled in the Evi area commenced production during March and April of 2014. New wells typically have sharper decline rates in the first year of production, which contributed to the significant variance between the two periods. The production declines were partially offset by additions from the 2015 drilling program, with one well coming on production in December 2015 resulting in an increase in fourth quarter production of approximately 140 boe/d.

The 2015 annual production decreased by 55% compared to 2014 annual production. The most significant decrease was the 79% decrease in natural gas production due primarily to the Deep Basin CGU disposition in August 2014. The remainder of the decrease was the result of the factors outlined above.

Revenue

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(\$000s, except per unit amounts)</i>				
Revenue				
Crude oil	7,710	14,416	34,041	73,656
Natural gas	974	1,626	5,023	36,230
Natural gas liquids	99	281	271	1,581
Oil and natural gas revenue	8,783	16,323	39,335	111,467
Average Realized Prices				
Crude oil (\$/bbl)	46.58	71.31	51.24	89.42
Natural gas (\$/Mcf)	2.56	3.58	3.01	4.62
Natural gas liquids (\$/bbl)	17.08	37.74	10.76	50.25
Total (\$/boe)	37.44	57.21	40.64	51.55
Benchmark Prices				
Crude oil - WTI (\$/bbl)	57.56	83.10	62.42	102.50
Crude oil - Edmonton Par (\$/bbl)	52.21	75.37	56.51	94.60
Natural gas - AECO monthly index - 7A (\$/Mcf)	2.65	4.01	2.77	4.42
Exchange rate - US\$/CDN\$	0.75	0.88	0.78	0.91

For the three months and year ended December 31, 2015, revenue decreased by 46% and 65%, respectively, compared against the same periods in 2014. The decreases were due to lower production and lower realized prices in all commodities. Lower realized prices reflected the declines in benchmark prices. The overall average realized prices did not decrease to the same extent as the individual commodity prices because of higher liquids-weighted production mix in 2015 than in 2014.

Royalties

(\$000s, except per boe)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Royalties	746	1,949	2,190	13,456
Per boe	3.18	6.83	2.26	6.22
Percentage of revenue	8.5%	11.9%	5.6%	12.1%

The majority of Lone Pine's royalties are paid to the Crown based on various sliding scales that are dependent on incentives, production volumes and commodity reference prices. Wells drilled in the Wheatland area are subject to a 17.5% flat royalty rate, which will have an impact on Lone Pine's royalty structure as the area is developed. On a percentage of revenue basis, royalties for the three months and year ended December 31, 2015 decreased from the corresponding periods in 2014 primarily as a result of significantly lower commodity prices.

Commodity Price and Risk Management

Lone Pine enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. Lone Pine considers these derivative contracts to be an effective means to manage cash flows from operations.

(\$000s)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Realized gains (losses) on derivatives	4,921	3,464	16,785	(6,719)
Unrealized gains (losses) on derivatives	(730)	25,043	(6,843)	20,292
Total gains on derivatives	4,191	28,507	9,942	13,573

Per boe				
	2015	2014	2015	2014
Realized gains (losses) on derivatives	20.97	12.14	17.34	(3.11)
Unrealized gains (losses) on derivatives	(3.11)	87.78	(7.07)	9.38
Total gains on derivatives	17.86	99.92	10.27	6.28

As of December 31, 2015, the Company held the following outstanding derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Oil	750 bbls/d	January 1, 2016 – December 31, 2016	CDN\$ WTI	\$ 91.19	Swap
Light oil differential	1,000 bbls/d	January 1, 2016 – December 31, 2016	CDN\$ MSW ⁶	\$ -5.35	Swap
Oil	250 bbls/d	January 1, 2016 – December 31, 2017	CDN\$ WTI	\$ 65.00 / 75.00	Collar
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 87.78	Swap
Oil	382 bbls/d	January 1, 2017 – December 31, 2017	CDN\$ WTI	\$ 93.50	Call Option
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	USD\$ WTI	\$ 65.00	Call Option

Subsequent to December 31, 2015, the Company entered into the following derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price	Contract Type
Natural gas	2,500 GJ/d	February 1, 2016 – December 31, 2016	AECO 7A Monthly Index	\$ 2.50	Swap

⁶ Settled or the monthly average Mixed Sweet Blend ("MSW") Differential to WTI.

All of the Company's derivatives contracts were entered into with counterparties that are lenders under the Lone Pine's Amended Credit Facility.

Operating Expenses

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(\$000s, except per boe)</i>				
Lease operating expense	2,943	4,899	12,924	26,386
Transportation and processing	319	1,107	1,147	7,429
Production and property taxes	472	448	1,888	1,972
Total	3,734	6,454	15,959	35,787
Per boe	15.92	22.62	16.49	16.55

Lease operating expenses for the three months and year ended December 31, 2015 decreased by 40% and 51% respectively, from the same periods in 2014. The decreases were due to the Deep Basin disposition, lower production volume, improved run rates and cost reduction efforts.

For the three months and year ended December 31, 2015, transportation and processing expenses were lower than the same period in 2014 by 71% and 85% respectively. Transportation and processing activity has decreased considerably due to the Deep Basin disposition. Positive adjustments received in the current year related to the prior year production periods further contributed to the favorable variance.

Operating expenses on a per boe basis for the fourth quarter of 2015 decreased by 30% from the same period in 2014. The decrease is the result of improved run rates and cost reduction efforts. Additionally, operating expenses in the fourth quarter of 2014 were higher than the annual average as a result of increased maintenance work in the period.

Annual operating expenses on a per boe basis for 2015 were comparable to annual operating expenses for 2014. As a large portion of the Company's operating expenses are fixed costs, declining production usually results in higher per boe costs. This was not the case for 2015 as a result of the Company's cost reduction efforts.

Operating Netback

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(\$ per boe)</i>				
Revenue	37.44	57.21	40.64	51.55
Royalties	(3.18)	(6.83)	(2.26)	(6.22)
Operating costs	(15.92)	(22.62)	(16.49)	(16.55)
Operating netback	18.34	27.76	21.89	28.78
Realized gains (losses) on derivative instruments	20.97	12.14	17.34	(3.11)
Operating netback, after realized gains (losses) on derivative instruments	39.31	39.90	39.23	25.67

Lone Pine's operating netback, after realized gains on derivative instruments, of \$39.31 per boe in the fourth quarter of 2015 is comparable to the fourth quarter 2014. Decreases in realized revenue were offset by decreases in operating costs, decreases in royalties and increases in realized gains on derivative instruments.

The operating netback after realized gains on derivative instruments for the year ended December 31, 2015 increased by \$13.56 per boe from the year ended December 31, 2014. The increase was primarily caused by increases in realized gains on derivative instruments from a loss of \$3.11 per boe in 2014 to a gain of \$17.34 per boe in 2015. The loss in 2014 was caused by the termination of natural gas hedges in the third quarter of 2014 as a result of the Deep Basin disposition, while 2015 gains were caused by the significant declines in commodity prices. This was partially offset by decreases in realized revenues by \$10.91 per boe from 2014. Further contributing to the higher operating netback in 2015 was lower royalty rates.

General and Administrative Expenses

(\$000s, except per boe)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
General and administrative expense	2,638	3,403	13,261	15,887
Less amounts capitalized	(382)	(175)	(831)	(4,330)
Total	2,256	3,228	12,430	11,557
Per boe	9.62	11.31	12.84	5.34

For the quarter and year ended December 31, 2015, gross G&A expenses decrease by \$0.8 million and \$2.6 million respectively compared to the same periods in 2014. The decreases were primarily related to reduced workforce and cost reduction initiatives.

The changes in capitalized G&A for the three months and year ended December 31, 2015, as compared to the same periods in the prior year, corresponded to the changes in the level of capital activities.

On a per boe basis, net G&A expenses in the fourth quarter of 2015 decreased by \$1.69 compared to the fourth quarter of 2014. The decrease is primarily the result of the reduced workforce and cost reduction initiatives. Net G&A on a per boe basis increased by \$7.50 for the 2015 annual period compared to the 2014 annual period. This increase is primarily the result of reduced production related to the Deep Basin disposition.

Finance Costs

(\$000s, except per boe)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Interest expense	169	316	828	4,863
Accretion expenses	4,049	3,230	15,317	11,700
Total finance costs	4,218	3,546	16,145	16,563
Per boe	17.98	12.43	16.68	7.66

There were no borrowings drawn on Lone Pine's available credit facilities during the three months or year ended December 31, 2015. Additionally, there were no borrowings drawn on available credit facilities during the 3 months ended December 31, 2014 as they were all repaid in the third quarter of 2014. Interest expense incurred in these periods relates to amortization of deferred financing charges, certain standby fees as well as interest on outstanding letters of credit. The decreased in interest expense in the fourth quarter of 2015 from the fourth quarter of 2014 relates to decreases in margins and reduction in borrowing capacity under the credit facility agreement when it was amended in the second quarter of 2015.

For the fourth quarter and for the year ended December 31, 2015, accretion expenses included non-cash accretion related to outstanding preferred shares in the amounts of \$3.7 million and \$14.0 million (2014 - \$2.9 million and \$10.1 million), respectively. As the preferred shares are denominated in US dollars, the weakening of the Canadian dollar throughout 2015 has resulted in higher accretion expenses.

The remaining non-cash accretion in the periods related to the decommissioning liabilities and is similar to the comparative periods.

Loss (Gain) on Foreign Exchange

(\$000s)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Realized loss on foreign exchange	2	1	—	37
Unrealized loss on foreign exchange	5,285	4,213	25,498	5,142
Loss on foreign exchange	5,287	4,214	25,498	5,179

Foreign exchange loss relates mainly to the US dollar denominated preferred shares issued in 2014. The weakening (strengthening) of the Canadian dollar during a period would result in unrealized foreign exchange loss (gain).

Exploration and Evaluation Expense

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Exploration and evaluation expense	379	10,798	545	11,403
Per boe	1.62	37.85	0.56	5.27

E&E expense related mainly to expired and expiring cost of land leases.

Depletion and Depreciation

(\$000s, except per boe)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Depletion and depreciation	3,789	7,609	21,436	39,370
Per boe	16.15	26.67	22.15	18.21

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, reserve updates and changes in production by area. The decreases in per boe depletion and depreciation rates in the fourth quarter of 2015 from the fourth quarter of 2014 incorporates the decrease in the carrying value of the asset base due to impairment charges related to the Evi CGU of \$125.5 million recognized in the fourth quarter of 2015. The increase in the 2015 annual per boe depletion and depreciation rate from the annual 2014 depletion and depreciation rate is related to the Deep Basin disposition in August 2014. The Deep Basin natural gas weighted property had a lower per unit of production depletion rate than oil and liquids weighted areas.

Impairment Loss

	Three Months Ended		Year Ended	
	December 31,		December 31,	
<i>(\$000s, except per boe)</i>	2015	2014	2015	2014
E&E Impairment	4,868	6,824	8,108	33,133
E&E Impairment – decommissioning asset	2,410	2,188	2,410	2,188
Total E&E Impairment	7,278	9,012	10,518	35,321
P&D Impairment	—	125,539	912	125,539
P&D Impairment – decommissioning asset	270	1,415	1,506	1,415
P&D Inventory	212	219	212	219
Total P&D Impairment	482	127,173	2,630	127,173
Inventory impairment	45	38	150	38
Total impairment loss	7,804	136,223	13,298	162,532

Fourth quarter and year-to-date 2015 E&E impairment losses were incurred as a result of changes in management development plans due to significant and prolonged decreases in commodity prices. Additional impairment losses were recorded related to the change in the current year's decommissioning liability estimates on certain E&E assets that were impaired in previous years.

The P&D impairment charges recognized in the fourth quarter and year-to-date 2015 primarily related to the change in the current year's decommissioning liability estimates on certain properties with no carrying value and on the write down of certain surplus inventory. Additionally, year-to-date P&D impairment charges incorporate \$0.9 million related to the Hayter CGU as a result of continued declines in forward crude oil and natural gas prices.

Impairment charges could be reversed in future periods should commodity prices recover or should development plans change.

For the fourth quarter and year of 2014, the Company recognized an impairment loss of \$6.8 million against unproven E&E land holdings. In addition, \$2.2 million of E&E impairment loss was recognized related to increased decommissioning liabilities of certain E&E assets that had been written off in the previous year. The 2014 annual impairment also incorporated an impairment loss of \$26.3 million against the Deep Basin CGU E&E assets in the second quarter of 2014, which were subsequently sold.

Upon considering annual reserves revisions and declining forward oil prices, the Company tested its CGUs for impairment at December 31, 2014. The estimated recoverable amounts were determined based on the 2014 year-end reserves evaluation. An impairment loss of \$125.5 million was recognized to decrease the net book value of the Evi CGU. There was no impairment loss recorded against the Other CGU properties. The remaining \$1.7 million of impairment loss recognized in 2014 was comprised of \$1.4 million for current year's change in decommissioning liability estimates on properties that had zero carrying value and \$0.3 million for writing down certain surplus equipment.

Capital Expenditures⁷

(\$000s)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Drilling and completion	7,149	251	10,789	27,564
Equipment, facilities and pipelines	1,940	(213)	2,944	13,396
Wheatland land	—	—	9,288	—
Capitalized overhead, land and other	720	57	1,756	4,178
Total expenditures	9,809	95	24,777	45,138
Proceeds from disposals of property	—	(1,635)	(150)	(111,494)
Total – net	9,809	(1,540)	24,627	(66,356)

On June 30, 2015, LPR Canada entered into a lease acquisition agreement for mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta (“Wheatland Acquisition”). The mineral leases have a primary term of three years, with a three-year extension option. In exchange for the leases, LPR Canada paid \$9.3 million of cash consideration. Future production from these leases will be subject to a flat-rate royalty at 17.5%.

Additionally, effective December 8, 2015, Lone Pine entered into a farm-in and option agreement (“Farm-In Arrangement”) to farm-in certain lands in the Wheatland area.

The Company entered into the Wheatland Acquisition and Farm-In Arrangement with the strategy to establish Wheatland as the Company’s second core area. Lone Pine’s 2015 four-well drilling program was conducted solely in the newly established Wheatland core area. Two wells were spudded in the third quarter, with the remaining two spudded in the fourth quarter. Completion costs for all four wells were incurred in the fourth quarter. The remaining capital expenditures were primarily incurred at Evi for electrification and well re-completions, partially offset by proceeds from the sale of surplus equipment.

Capital expenditures in 2014 were primarily invested in the Evi 11-well drilling program and Evi waterflood pilot project. Capital activity was nominal in the fourth quarter of 2014. Proceeds from dispositions of property in 2014 primarily related to the Deep Basin disposition, with additional non-core properties disposed of in the fourth quarter of 2014.

Gains on Extinguishment of Financial Liabilities

There was no gain on extinguishments of financial liabilities during the three months or year ended December 31, 2015. The net gain of \$104.9 million for the year ended December 31, 2014 on extinguishment of financial liabilities was due to the followings:

- On January 31, 2014, Lone Pine emerged from Credit Protection Proceedings (as defined and discussed in the Annual Financial Statements). As a result, for the six months ended June 30, 2014, a gain of \$111.1 million was recognized on the extinguishment of financial liabilities comprising Senior Notes and certain accounts payable as disclosed in the Annual Financial Statements; and
- On August 12, 2014 the Term Facility portion of the 2014 Credit facility was cancelled and a loss on the extinguishment for \$6.1 million was recognized comprised of an early termination fee and accelerated amortization of deferred finance cost.

⁷ Capital expenditures include expenditures on E&E assets.

Reorganization Costs

(\$000s)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Salary and benefits – terminations	—	45	1,126	2,502
Share-based compensation	—	12	176	308
Professional fees	94	12	113	7,264
Employee retention bonus program – CCAA	—	—	—	548
Amortization and other finance costs	—	(5)	—	426
Total reorganization costs	94	64	1,415	11,048

Reorganization costs are non-recurring costs related to restructuring activities, including reduction of workforce. In 2015, the costs related mainly to staff reduction. For 2014, the expenses incurred were primarily for the Company's Creditor Protection Proceedings.

Decommissioning Liabilities

The Company's decommissioning liabilities at December 31, 2015 were \$70.5 million (December 31, 2014 - \$58.3 million) to provide for future remediation, abandonment and reclamation of the Lone Pine's oil and gas properties.

For the year ended December 31, 2015, the Company recognized an increase in decommissioning liabilities of \$11.7 million due to changes in estimates, of which \$6.8 million related to changes in discount rates. The remaining increase was primarily the result of increases in cost estimates. The changes in estimates resulted in a corresponding increase in the carrying amount of related assets, except for certain assets with a zero carrying value, in which case, the amount was immediately recognized as an impairment charge.

The undiscounted decommissioning liability is estimated to be approximately \$111.8 million including \$3.5 million estimated to be incurred over the next 12 months.

While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Income Tax

At December 31, 2015, the Company had \$141.2 million (December 31, 2014 – \$215.5 million) of federal tax pools in Canada related to the exploration, development and production of oil and gas available for deduction against future Canadian taxable income. In addition, the Company had Canadian tax loss carry-forwards in the amount of \$237.4 million (December 31, 2014 – \$215.3 million), scheduled to expire in the years 2033 to 2035.

In 2015, the Canada Revenue Agency ("CRA") conducted an audit and issued a proposal letter regarding the income tax treatment of compromised debt pertaining to the CCAA, as well as certain historic tax pools. The CRA proposed \$126.7 million of potential adjustments to Lone Pine's tax pools, of which the Company has reflected a decrease in the Canadian development tax pool of \$57.0 million as at December 31, 2015. The Company disagrees with the CRA's position on the remaining issue and believes its position on the remaining \$69.7 million of tax pools are supportable under applicable law, and as such, has not adjusted its December 31, 2015 tax pools accordingly.

As of December 31, 2015 and December 31, 2014, the Company did not recognize any deferred tax assets in the combined and consolidated statements of financial position for deductible temporary differences and unused tax losses as there was insufficient evidence to indicate that it was probable that future taxable profits in excess of

profits arising from the reversal of existing temporary difference would be generated to utilize the existing deferred tax assts.

Current tax expense of \$58 thousand recognized in the year ended December 31, 2015 relates to US federal income tax incurred by the Company's US entity, Lone Pine Resources.

Capital Resources and Liquidity

Capital Resources

Working Capital

At December 31, 2015, Lone Pine had working capital of \$18.3 million (December 31, 2014 –\$25.9 million), including \$13.0 million (December 31, 2014 –\$15.3 million) cash and cash equivalents on hand.

Credit Facility

At both December 31, 2015 and 2014, Lone Pine had no outstanding long-term debt. Under the Amended Credit Facility, as at December 31, 2015, \$4.5 million (December 31, 2014 - \$1.9 million) of letters of credit have been issued and the Company has \$45.5 million (December 31, 2014 – \$58.1 million) of borrowing capacity available.

On July 30, 2015, the Company renewed and amended its 2014 Credit Facility with a syndicate of banks (the "Amended Credit Facility"). Under the Amended Credit Facility, Lone Pine has a \$40 million syndicated revolving term facility and a \$10 million operating facility, which mature one year after the term-out date. Annually prior to the applicable term-out date, subject to the lenders' approval, Lone Pine may extend the term-out date by 364 days. The next term-out date was set at May 31, 2016; as such the maturity date of Amended Credit Facility is May 31, 2017. The Amended Credit Facility has substantially similar terms as the 2014 Credit Facility including no change to the related covenant definitions. Key changes are summarized in the 2015 Annual Financial Statements.

The Amended Credit Facility is collateralized by a demand debenture from LPR Canada and each of its restricted subsidiaries in the amount of \$500 million granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property, together with a fixed charge and mortgage over its existing borrowing base assets. A fixed charge and mortgage over after-acquired borrowing base assets will only be granted under certain circumstances.

The Amended Credit Facility borrowing base is subject to a semi-annual redetermination. The next redetermination is scheduled for May 31, 2016.

As at December 31, 2015, the Company was in compliance with all covenants under the Amended Credit Facility.

Shareholders' Equity

At December 31, 2015, Lone Pine had combined common share capital of \$73.9 million (December 31, 2014 – \$73.9 million).

Preferred Shares

At December 31, 2015, the carrying value of preferred shares is \$166.2 million (December 31, 2014 – \$126.6 million), with a separate conversion liability of \$26.5 million (December 31, 2015 – \$26.5 million). The increase was primarily due to the translation of the US dollar denominated preferred shares at a higher US to Canadian exchange rate, coupled with accretion recognized on the preferred shares.

Capital Management and Liquidity

Lone Pine's objectives when managing capital is to maintain a flexible capital structure in order to meet its financial obligations and allow it to execute on its planned capital expenditure program. The Company considers its capital structure to include shareholders' equity, the Amended Credit Facility, preferred shares and working capital. The Company has outlined its Capital Management policy in Note 19 of the 2015 Annual Financial Statements.

Lone Pine manages its liquidity risk through its capital management of cash, debt, equity and committed credit capacity along with its planned capital expenditure program. The Company has determined that its current obligations are adequately funded by current assets. With its cash on hand, available borrowing capacity, and cash flows from operations, Lone Pine believes that there is sufficient liquidity to fund its capital program and other commitments.

Contractual Obligations and Commitments

The Company has non-cancellable contractual obligations summarized as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
Operating Leases – net	1,546	1,628	2,446	2,519	2,519	2,729	13,387
Firm transportation agreements	222	191	76	23	—	—	512
Other agreements	437	434	51	54	57	641	1,674
Total	2,205	2,253	2,573	2,596	2,576	3,370	15,573

Included in operating leases – net are sublease recoveries in amount of \$1.8 million over the contractual period into 2018.

In addition, the Company has estimated decommissioning liabilities on its interests in wells and facilities in the total amount of \$111.8 million on an undiscounted basis, of which, \$17.1 million is estimated to be incurred over the next five years.

Under the Company's Equity Incentive Plan ("EIP"), the Board of Directors is authorized to grant certain equity-based awards to the Company's directors, officers and employees. Under this plan, the Company granted restricted share units ("RSUs") to its directors, officers and employees in 2014. No RSUs were granted in 2015. As at December 31, 2015 there were 271,967 outstanding RSUs granted to directors and 1,578,128 outstanding RSUs granted to officers and employees. Settlements of RSU plan awards into fully paid shares are contingent on future corporate change events and vesting conditions.

Capital Commitments

Wheatland Acquisition

Pursuant to the Wheatland Acquisition, the Company is committed to the following annual capital expenditures:

Commitment Period Ending	Capital Commitment
<i>(\$000s)</i>	
July 1, 2016	10,000
July 1, 2017	15,000
July 1, 2018	20,000

LPR Canada has the flexibility to decide the locations and the number of wells to be drilled. In the event that LPR Canada does not incur the minimum capital expenditures by the end of a given commitment period, the shortfall

will be payable to the vendor. If the amount of capital expenditures incurred for any commitment period exceeds the minimal amount, such excess will be applied to satisfy capital commitment in the subsequent commitment period. During the first two years of the leases, if the average West Texas Intermediate prices for a calendar quarter are below US \$50 per barrel, LPR Canada may defer a portion of the drilling commitment from that commitment period to be allocated over the remaining term.

On or before July 1, 2017, if LPR Canada fails to drill or to elect to drill one well in a specific formation on certain lands (“Specific Formation”), LPR Canada will be required to surrender the leases pertaining to the Specific Formation immediately. In the event that the Company made the election but does not drill by July 1, 2018, \$250,000 will be payable to the vendor.

As at December 31, 2015, the Company has incurred \$7.7 million related to the Wheatland Acquisition capital commitment.

Farm-In Arrangement

Pursuant to the Farm-In Arrangement, under which the Company may earn additional lands in the Wheatland area, a minimum of \$20 million of drilling and completion expenditures must be incurred on the Farm-In Lands by December 31, 2016. Lone Pine’s share of this commitment may be between 50% and 100% depending on the election to participate by the Farmor. Key terms of the Farm-In Arrangement are listed in note 22 of the 2015 Annual Financial Statements.

As at December 31, 2015, the Company has incurred \$2.3 million related to the Farm-In Arrangement capital commitment.

Supplemental Information

Financial – Quarterly extracted information

<i>(\$000)</i>	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Oil and natural gas revenue	8,783	9,191	11,591	9,770	16,323	26,061	38,176	30,907
Royalties	(746)	(575)	(323)	(546)	(1,949)	(3,341)	(3,794)	(4,372)
Unrealized (loss) gain on derivatives	(730)	4,118	(6,650)	(3,581)	25,043	10,648	(1,380)	(14,019)
Realized (loss) gain on derivatives	4,921	4,421	3,063	4,380	3,464	(6,409)	(1,935)	(1,839)
Revenues	12,228	17,155	7,681	10,023	42,881	26,959	31,067	10,677
Net (loss) earnings	(15,390)	(12,985)	(9,929)	(21,590)	(127,211)	(11,334)	(22,697)	87,847

The net loss of \$15.4 million in the fourth quarter of 2015 was mainly due to impairment charges of \$7.3 million on E&E assets and unrealized foreign exchange losses of \$5.3 million related to the translation of the US dollar denominated preferred share liability.

The net loss of \$13.0 million in the third quarter of 2015 was mainly due to declining production volume and an unrealized foreign exchange loss of \$10.6 million related to the translation of the US dollar denominated preferred shares liability. In addition, an impairment loss of \$2.6 million was recognized including \$0.9 million against the Hayter CGU and the remainder against undeveloped E&E lands.

The net loss of \$9.9 million in the second quarter was mainly attributable to lower production volume and \$6.6 million unrealized loss on hedge instruments. Also, there was a \$1.7 million impairment charge against certain E&E lands and pre-drill cost that Lone Pine no longer intends to explore in light of low oil prices. The Company also recognized \$1.3 million of reorganization costs related to workforce reduction.

The net loss of \$21.6 million in the first quarter of 2015 was mainly due to lower production volume and \$11.9 million unrealized loss on foreign exchange related to the translation of the US dollar denominated preferred shares liability, due to the weakening of Canadian dollar relative to the US dollar. Oil and natural gas revenue was significantly lower than the prior periods, due to lower production volume and lower realized prices across all products.

The net loss of \$127.2 million in the fourth quarter of 2014 was mainly due to the recognition of \$136.2 million in impairment losses. Oil and natural gas revenue decreased in the fourth quarter as a result of the Deep Basin divestiture in the third quarter of 2014 and lower liquids prices. The decreases were offset by \$28.5 million of gains on oil derivatives, resulting in an overall increase of revenues in the fourth quarter, compared with the prior quarters.

The net loss of \$11.3 million in the third quarter of 2014 was due to lower volumes of production as a result of the Deep Basin sale, realizing a \$6.2 million loss from terminating all natural gas hedges, incurring \$2.9 million of reorganization costs upon staff reduction and recognizing a \$6.1 million loss on extinguishment of the Term Facility. These items were partly offset by a higher operating netback, a \$10.6 million unrealized gain on derivative instruments and a \$1.7 million gain on sale of property and equipment.

The net loss of \$22.7 million in the second quarter of 2014 was mainly due to a \$26.3 million impairment loss against Deep Basin CGU E&E assets. Oil and natural gas revenue for the second quarter of 2014 was the highest, reflecting significantly higher commodity prices.

Net earnings of \$87.8 million in the first quarter of 2014 was mainly due to gain on compromised debt of \$111.1 million, partially offset by \$14 million of unrealized losses on derivatives and \$6.9 million of reorganization costs related to the Creditor Protection Proceedings.

Critical Accounting Estimates

Lone Pine discloses Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies in Note 2 to the 2015 Annual Financial Statements.

Changes in Accounting Policies

The 2015 Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). There were no new or amended accounting standards or interpretations adopted during the year ended December 31, 2015.

New or amended accounting standards and pronouncements issued that are applicable to Lone Pine in future periods are listed in Note 3 of the 2015 Annual Financial Statements. The Company is currently evaluating the impact of these standards on its financial statements.

Operational and Other Risk Factors

Lone Pine's operations are conducted in the same business environment as most other oil and gas operators and the business risks are very similar. The following summarizes the significant risks:

Risks Associated with Commodity Prices

- Lone Pine's operational results and financial condition, and therefore the amount of capital expenditures are dependent on the prices received for crude oil and natural gas production. Decreasing crude oil and natural gas prices and/or widening of oil price differentials will affect the Company's cash flow, impacting its level of capital expenditures and may result in the shut-in of certain producing properties. Longer-term adverse forward pricing outlook could also result in write-down of the Company's oil and gas assets' carrying values.
- The Amended Credit Facility has a reserves-based borrowing capacity. Decreases in future commodity prices may negatively impact the borrowing capacity and restrict Lone Pine's liquidity.
- Lone Pine may manage the risk associated with changes in commodity prices by entering into crude oil or natural gas price derivative contracts. If Lone Pine engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity derivative contracts activities could expose the Company to losses. To the extent that Lone Pine engages in risk management activities related to commodity prices, it would be subject to credit risks associated with counterparties with which it contracts.

Risks Associated with Operations

- The markets for crude oil and natural gas produced in Western Canada are dependent upon available capacity to refine crude oil and process natural gas as well as pipeline or other methods to transport the products to consumers. Pipeline capacity and natural gas liquids fractionation capacity in Alberta has not kept pace with the drilling of liquid rich gas properties in some areas of the province which may limit production periodically.
- Exploration and development activities may not yield anticipated production, and the associated cost outlay may not be recovered. In addition, the costs and expenses of drilling, completing and operating wells are often uncertain.
- Continuing production from a property are largely dependent upon the ability of the operator of the property. A significant portion of Lone Pine's production is either operated by third parties or dependent on third party's infrastructure, Lone Pine has limited ability to influence costs on partner-operated properties. To the extent the operator fails to perform their duties properly, Lone Pine's operating income from such properties may be reduced.
- The operations of oil and gas properties involves a number of operating and natural hazards which may result in health and safety incidents, environmental damage and other unexpected and/or dangerous conditions.
- Decommissioning liabilities are calculated using estimated costs and timelines based upon current operational plans, technology and reclamation practices, and environmental regulations. These factors are subject to change and such changes may impact the actual timing and amount of Lone Pine's decommissioning costs.

- The operations of oil and gas properties are subject to environmental regulation pursuant to local, provincial and federal legislation. Changes in these regulations could have a material adverse effect as regards to operating costs and capital costs. A breach of such legislation may result in the imposition of fines as well as higher operating standards that may increase costs.
- Lone Pine's corporate EH&S program has a number of specific policies and practices to minimize the risk of safety hazards and environmental incidents. It also includes an emergency response program should an incident occur. If areas of higher risk are identified, Lone Pine will undertake to analyze and recommend changes to reduce the risk including replacement of specific infrastructure. In addition to the above, Lone Pine maintains business interruption insurance, commercial general liability insurance as well as specific environmental liability insurance, in amounts consistent with industry standards. Though Lone Pine carries industry standard property and liability insurance on its properties, losses associated with potential incidents could exceed insurance coverage limits.

Risks Associated with Reserve Estimates

- The reservoir and recovery information in reserve reports prepared by independent reserve evaluators are estimates and actual production and recovery rates may vary from the estimates and the variations may be significant. Reserves estimation process is inherently complex and subjective. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgement of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; (iii) the determination of net recoverable amount of oil and gas properties for impairment assessment and measurement, and (iv) the determination of reserve lives which affect the timing of decommissioning activities, all of which could have a material impact on earnings, cash flows and financial positions;

Risks Associated with Capital Resources

- Absent capital reinvestment or acquisition, Lone Pine's reserves and production levels from petroleum and natural gas properties will decline over time as a result of natural declines. As a result, cash generated from operating these properties may decline. Decreased reserves level will also negatively impact the borrowing base under outstanding credit facilities.
- Lone Pine is required to comply with covenants under the Amended Credit Facility. In the event that the Company does not comply with the covenants, its access to capital may be restricted.
- To the extent that external sources of capital become limited or unavailable or available on onerous terms, Lone Pine's ability to make capital investments, meet its capital commitments pursuant to the Wheatland Acquisition and the Farm-In Arrangement, and maintain or expand existing assets and reserves may be impaired and Lone Pine's assets, liabilities, business, financial condition, and results of operations may be materially or adversely affected as a result.
- Though Lone Pine does not have any borrowings under its Amended Credit Facility, fluctuations in interest rates could result in increase in the amount Lone Pine pays to service future debt. Changes in US/Canadian exchange rates could impact the valuation and ultimate settlement of the Preferred Shares, which are denominated in US dollars. World oil prices are quoted in US dollars and the price received by Canadian

producers is therefore affected by the Canadian/US dollar exchange rate. A material increase in the value of the Canadian dollar may negatively impact Lone Pine's net production revenue.

- Although the Company monitors the credit worthiness of third parties it contracts, there can be no assurance that the Company will not experience a loss for nonperformance by any counterparty with whom it has a commercial relationship. Such events may result in material adverse consequences on the business of the Company.

General Business Risks

- The operations of Lone Pine operate under permits issued by the federal and provincial governments and these permits must be renewed periodically. The federal and provincial governments may make operating requirements more stringent, which may require additional spending.
- Provincial programs, including royalty regimes and environmental regulations, related to the oil and gas industry may change in a manner that adversely impacts the Company. Future amendments to any of these programs could result in reduced cash flow and operating results.
- The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in Western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells, there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law, which may make the conduct of Lone Pine's business more expensive or prevent the Company from conducting its business as currently conducted.
- The operation of oil and gas properties requires physical access for people and equipment on a regular basis, which could be affected by weather, accidents, government regulations or third party actions.
- Skilled labor is necessary to run operations (both those employed directly by Lone Pine and by our contractors) and there is a risk that we may have difficulty in sourcing skilled labor which could lead to increased operating and capital costs.
- The loss of a member of our senior management team and/or key technical operations employee could result in a disruption to our operations.
- Income tax laws, other laws or government incentive programs relating to the oil and gas industry, may in the future be changed or interpreted in a manner that affects Lone Pine or its stakeholders.

Forward-Looking Statements

Certain statements and information in this MD&A may constitute forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond Lone Pine's control. All statements regarding the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "could," "believe," "anticipate," "intend," "plan," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements with respect to, among other things:

- estimates of the Company's oil and natural gas reserves;

- estimates of the Company's future oil, natural gas and NGL production, including estimates of any increases or decreases in the Company's production;
- estimates of future capital expenditures;
- estimates and judgements related to common shares and preferred shares valuations;
- the Company's future financial condition and results of operations;
- the Company's ability to meet its capital commitment pursuant to the Wheatland Acquisition and the Farm-In Arrangement;
- the Company's future revenues, cash flows and expenses;
- the Company's access to capital and expectations with respect to liquidity and capital resources;
- the Company's future business strategy and other plans and objectives for future operations;
- the Company's future development opportunities and production mix;
- the Company's outlook on oil, natural gas and NGL prices;
- the amount, nature and timing of future capital expenditures, including future development costs;
- the Company's ability to access the capital markets to fund capital and other expenditures;
- the Company's assessment of the Company's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

Lone Pine believes the expectations and forecasts reflected in the Company's forward-looking statements are reasonable, but Lone Pine can give no assurance that they will prove to be correct. Readers are cautioned that these forward-looking statements can be affected by inaccurate assumptions and are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control, incident to the exploration for and development, production and sale of oil and natural gas. When considering forward-looking statements, you should keep in mind the assumptions, risk factors and other cautionary statements that include, among other things:

- the volatility of oil, natural gas and NGL prices, and the related differentials between realized prices and benchmark prices;
- a continuation of depressed crude oil and natural gas prices;
- the availability of capital on economic terms to fund the Company's significant capital expenditures and acquisitions;
- the Company's ability to obtain adequate financing to pursue other business opportunities;
- the Company's ability to generate sufficient cash flow from operations or obtain adequate financing to fund the Company's capital expenditures and meet working capital needs;
- the Company's ability to replace and sustain production;
- a lack of available drilling and production equipment, and related services and labor;
- increases in costs of drilling, completion and production equipment and related services and labor;
- unsuccessful exploration and development drilling activities;
- regulatory and environmental risks associated with exploration, drilling and production activities;
- declines in the value of the Company's oil and natural gas properties, resulting in impairments;
- the adverse effects of changes in applicable tax, environmental and other regulatory legislation;
- a deterioration in the demand for the Company's products;
- the risks and uncertainties inherent in estimating proved oil and natural gas reserves and in projecting future rates of production and the timing of expenditures;
- the risks of conducting exploratory drilling operations in new or emerging plays;
- intense competition with companies with greater access to capital and staffing resources;
- the risks of conducting operations in Canada and the impact of pricing differentials, fluctuations in foreign currency exchange rates and political developments on the financial results of the Company's operations; and
- the uncertainty related to the pending litigation against us.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, Lone Pine's actual results and plans could differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A, and Lone Pine undertakes no obligation to update this information to reflect events or circumstances after the delivery of this MD&A. All forward-looking statements, expressed or implied, included in this MD&A are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Lone Pine may make or persons acting on the Company's behalf may issue.

Other Advisories

Volumetric Conversion

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout the MD&A, Lone Pine has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where Lone Pine sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ration based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-IFRS Measures

Lone Pine uses terms within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may not be comparable with the calculation of similar measurements used by other companies. The non-IFRS measures used in this report are summarized as follows:

Operating Netback

Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this report were determined by taking (oil and gas revenues less royalties less operating costs) divided by gross working interest production. Operating netback, including realized commodity (loss) and gain, adjusts the operating netback for only realized gains and losses on derivative instruments.

EBITDAX

The Company monitors its capital structure based on the ratio of total debt to EBITDAX. The ratio provides a measure of the Company's ability to manage its debt levels under current operating conditions. "Total debt" and "EBITDAX" are terms corresponding to defined terms in the Amended Credit Facility agreement for the purpose of calculation of our financial covenants. The Company also uses EBITDAX as a measure of its operating cash flows.

EBITDAX means net earnings before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items. The following is a reconciliation of EBITDAX to the nearest IFRS measure, net earnings (loss) before income tax:

<i>(\$000s)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net loss before income tax	(15,332)	(127,211)	(59,836)	(73,395)
Add (deduct):				
Finance costs	4,218	3,546	16,145	16,563
Loss on foreign exchange	5,287	4,214	25,498	5,179
Reorganization costs ⁸	94	64	1,415	11,048
Share-based compensation – net	169	960	1,041	1,831
Loss (gain) on sale of properties	—	(2,036)	197	(3,512)
Gain on extinguishment of financial liabilities - net	—	—	—	(104,948)
Exploration and evaluation expense	379	10,789	545	11,403
Depletion and depreciation	3,789	7,609	21,436	39,370
Impairment loss on exploration and evaluation assets	7,804	136,223	13,298	162,532
Unrealized (gain) loss on derivative instruments	730	(25,043)	6,843	(20,292)
EBITDAX	7,138	9,115	26,582	45,779

For purposes of calculating covenants under the Amended Credit Facility, EBITDAX (hereinafter referred to as “Adjusted EBITDAX”) is determined using financial information from the most recent four consecutive fiscal quarters. Adjusted EBITDAX also includes adjustments for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

⁸ Reorganization cost includes share-based compensation related to terminations.

SCHEDULE E

CHARTER OF THE AUDIT AND RESERVES COMMITTEES



LONE PINE RESOURCES CANADA LTD.

AUDIT AND RESERVES COMMITTEE CHARTER

This Charter of the Audit and Reserves Committee (the "Committee") of the board of directors (the "Board") of Lone Pine Resources Canada Ltd. (the "Corporation") is adopted as of May 28, 2014.

A. Purpose

The Board has established the Committee for the principal purpose of assisting the Board in fulfilling its oversight responsibilities regarding the following matters:

- the integrity of the Corporation's consolidated financial statements and related accounting, financial reporting and audit processes;
- the design and implementation of an effective system of internal financial controls and disclosure controls and procedures;
- the selection (subject to requisite shareholder approval) and engagement of, and liaison with, the Corporation's external auditor and any independent qualified reserves evaluator or auditor ("reserves evaluator");
- the Corporation's risk management strategies;
- the Corporation's compliance with legal and regulatory requirements as they relate to financial and reserves reporting, and public disclosure, if any; and
- such other matters as the Board may from time to time delegate to the Committee.

While the Committee has the responsibilities set forth in this Charter, the role of the Committee is one of oversight and counsel. It is not the duty of the Committee to assure the Corporation's compliance with legal or regulatory requirements or corporate policies, or to assume the responsibilities of management of the Corporation ("Management"). In particular, the Committee is not responsible for planning or conducting financial audits or determining that the Corporation's financial statements are complete and accurate and in accordance with applicable generally accepted accounting principles ("GAAP"), or for planning or conducting

reserves evaluations or audits or determining that the Corporation's reserves data is complete and accurate and in accordance with applicable reserves estimation standards. These matters are the responsibility of Management and, as applicable, the Corporation's external auditor or reserves evaluator.

B. Composition

The Committee shall be comprised of three or more directors appointed by the Board who, individually and in the aggregate, meet all applicable independence, financial literacy, financial expertise and other qualification criteria with which the Corporation is required to comply under applicable corporate and securities laws, securities regulatory policies and stock exchange requirements (if any) to which the Corporation is subject, and any applicable policies of the Board from time to time. Determinations as to whether the appointment of any particular director to the Committee meets applicable qualification criteria shall be made by the Board.

Unless otherwise determined by the Board, no director shall serve on the Committee if he or she is an officer or employee of the Corporation or any of its affiliates, or has any direct or indirect relationship with the Corporation or any of its affiliates that could, in the Board's view, be reasonably expected to interfere with the exercise of his or her independent judgment.

The Board shall annually appoint the members of the Committee and designate one such member to serve as Chair of the Committee.

C. Responsibilities

In furtherance of its purpose the Committee shall have the following responsibilities, and in addition to the activities specifically described in this Charter may conduct such activities incidental thereto that the Committee determines to be appropriate or as may otherwise be delegated to it from time to time by the Board:

Financial Reporting and Disclosure

- review, through discussions with Management and the internal (if any) and external auditor, the Corporation's compliance with applicable legal or regulatory requirements regarding financial reporting and disclosure;
- review, prior to any external disclosure thereof, the Corporation's annual financial statements as prepared by Management and any related management's discussion and analysis ("MD&A") or news releases, and make recommendations to the Board as to the approval of such documents;
- review, prior to any external disclosure thereof, the Corporation's interim financial statements as prepared by Management and any related MD&A or news releases, and approve or make recommendations to the Board as to the approval of such documents;

- review, with Management and the internal (if any) and external auditor, significant accounting and financial reporting practices of the Corporation and related disclosure issues, including with respect to complex or unusual transactions, judgmental areas such as reserves or estimates, and significant changes to accounting principles or policies, with a view to obtaining reasonable assurance as to the appropriateness of the Corporation's accounting and financial reporting practices and the fair presentation of the Corporation's financial statements in accordance with GAAP;
- review new or proposed developments in accounting and financial reporting standards, or related legal or regulatory requirements, that could reasonably be expected to affect the Corporation;
- review, with Management and the internal (if any) and external auditor, actual or anticipated litigation, contingencies or other events that could reasonably be expected to materially affect the Corporation's financial statements, and their disclosure in the financial statements;
- review, with Management and the internal (if any) and external auditor, the effect of any "off-balance sheet" transactions or arrangements with unconsolidated entities or other persons;
- review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the procedures undertaken in connection with any required certifications provided by such officers in respect of the annual or interim financial statements of the Corporation and any related MD&A or similar disclosure documents;
- review any financial information or earnings guidance provided to analysts or ratings agencies;
- satisfy itself that adequate procedures are in place for review of the Corporation's external disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;

Internal Controls

- review, through discussions with Management and the internal (if any) and external auditor, the effectiveness and integrity of the Corporation's internal control over financial reporting and disclosure controls and procedures;
- discuss with Management the design and evaluation of the Corporation's internal control over financial reporting and disclosure controls and procedures;
- review any conclusions of Management or the internal (if any) or external auditor, whether in connection with a certification process in respect of the annual or interim financial statements of the Corporation or otherwise, regarding the effectiveness of the

Corporation's internal control over financial reporting or disclosure controls and procedures, and any material weakness or deficiency relating to the design or operation of internal controls, and Management's response to any identified weakness or deficiency;

- obtain reasonable assurance from Management as to the payment by the Corporation to appropriate governmental authorities of all amounts required by statute, including withholding taxes;
- review reports of any fraud involving Management or other personnel who have a significant role in the Corporation's internal controls
- review and oversee the investigation of any allegations of fraud, illegality or other impropriety involving Management or other personnel, or relating to the Corporation's financial position, accounting practices, internal controls, financial reporting or external disclosure;
- establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- as applicable, review and approve the internal audit function (if any), for the Corporation; including with respect to scope, authority and internal reporting channels, and any annual audit plan and related budget and staffing requirements;
- periodically meet with the personnel responsible for the internal audit function (if any), separately from Management;

External Auditor

- recommend to the Board the external auditor to be nominated for appointment by the shareholders, and the compensation of the external auditor;
- review any proposal to change the external auditor, and make recommendations to the Board with respect to any such proposal;
- review the independence, professional qualification and performance of the external auditor;
- review the terms of engagement of the external auditor, and require that such terms provide for the external auditor to report directly to the Committee;
- pre-approve any non-audit services to be provided to the Corporation or any of its subsidiaries by the external auditor (subject to such *de minimis* exceptions as may be

acceptable to the Committee and permitted under applicable law), and in connection therewith consider whether the provision of such non-audit services is compatible with the external auditor's independence;

- oversee the work of the external auditor, whether engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of any disagreements between Management and the external auditor regarding financial reporting;
- review the audit plan with the external auditor and Management;
- review any disagreements or unresolved issues between Management and the external auditor;
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the current and any former external auditor;
- at least annually, obtain and review a report from the external auditor regarding (i) its relationship(s) with the Corporation, (ii) its internal quality-control procedures, (iii) any material issues raised by the most recent internal quality-control review (or peer review) of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding 5 years, respecting one or more independent audits carried out by the external auditor, and any steps taken to deal with any such issues;
- review all material written communications between the external auditor and the Corporation, including any post-audit or management letter containing the recommendations of the external auditor, Management's response, and subsequent follow up on any identified weakness;
- review any correspondence with governmental or regulatory authorities, any internal complaints and any published third party reports concerning the Corporation's financial position, accounting practices, internal controls, financial reporting or public disclosure;
- at least once per quarter meet with responsible Management and the external auditor, together and also separately, to discuss and obtain feedback with respect to the annual audit or interim review process generally, significant accounting policies applied, alternatives discussed with Management, any preferences of the external auditor as between available alternatives, any restrictions or limitations imposed by Management or otherwise experienced by the external auditor, Management's response to any proposed adjustments identified by the external auditor, any disagreements with Management, and any other matters raised by Management, the external auditor or any Committee member;
- obtain reasonable assurance as to compliance by the external auditor with any

applicable legal or regulatory requirements regarding partner rotation;

Oil and Gas Reserves Data

- review, through discussions with Management and the reserves evaluator (if any), the Corporation's compliance with applicable legal or regulatory requirements regarding disclosure of reserves data and other information regarding the Corporation's oil and gas activities;
- review, prior to any public disclosure thereof, any report (or summary thereof) concerning the Corporation's reserves data and any related news releases, and make recommendations to the Board as to the approval of such documents;
- review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to its oil and gas activities, including its procedures for complying with any applicable disclosure requirements and restrictions under securities laws;
- in consultation with Management consider, and make recommendations to the Board with respect to, the appointment of one or more reserves evaluators to report to the Board on the Corporation's proved reserves and probable reserves and related future net revenue, estimated in accordance with applicable legal and regulatory requirements;
- review any proposed appointment of a reserves evaluator and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed reserves evaluator and Management, and make recommendations to the Board with respect to any such proposal;
- review the independence, professional qualification and performance of the reserves evaluator;
- review the terms of engagement of the reserves evaluator (including whether a reserves evaluator is engaged to evaluate or audit the Corporation's reserves data);
- review, with reasonable frequency, the Corporation's procedures for providing information to a reserves evaluator;
- at least annually meet with responsible Management and the reserves evaluator(s), together and also separately, to:
 - (a) determine whether any restrictions affect the reserves evaluator's ability to report on the Corporation's reserves data without reservation;

- (b) review the Corporation's reserves data and report of the reserves evaluator thereon; and
- (c) otherwise discuss and obtain feedback with respect to the reserves evaluation or audit process generally, reserves estimation standards applied, any restrictions or limitations imposed by Management or otherwise experienced by the reserves evaluator, any disagreements with Management, and any other matters raised by Management, the reserves evaluator or any Committee member;

Risk Management

- review the Corporation's risk management policies and procedures concerning its principal business risks, and discuss with Management the Corporation's significant risk exposures and steps taken to monitor and mitigate such exposures;
- review the Corporation's commodity price, financial and credit risk management activities, including oil and natural gas, foreign currency and interest rate hedging activities and the use of derivative instruments;
- review the Corporation's insurance program;
- review, through discussions with Management and appropriate advisors, the Corporation's compliance with applicable legal or regulatory requirements and internal policies and procedures;
- review any proposed related party transactions involving the Corporation, including with respect to actual and potential conflicts of interest and appropriate approval processes;

Other

- report to the Board on Committee activities and make recommendations to the Board regarding any of the matters described in this Charter;
- develop and recommend to the Board such corporate policies as the Committee may from time to time determine to be appropriate in furtherance of its responsibilities;
- facilitate direct communication to the Committee, through the Chair, by the external auditor, the internal auditor (if any) and any reserves evaluator;
- annually assess the Committee's performance; and
- annually review this Charter and recommend to the Board such revisions (if any) as the Committee may determine to be appropriate.

Notwithstanding the Committee responsibilities described herein, nothing in this Charter is intended to create, or shall be construed as creating, any personal duty or liability on the part of any Committee member or other director of the Corporation, beyond those duties and liabilities specifically provided for under applicable law.

D. Administrative Matters

- Meetings. The Committee shall meet at least 4 times per year. Unless otherwise specified in the articles or by-laws of the Corporation or this Charter, the time and place for Committee meetings, and the procedure for calling and holding such meetings, shall be determined by the Committee.
- Quorum. A majority of Committee members, present in person, or participating by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, shall constitute a quorum at any meeting of the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.
- Change of members. The Board may at any time and from time to time remove or replace any member of the Committee, and may fill any vacancy on the Committee.
- Term of appointment. Each Committee member shall hold office as such until the close of the next annual meeting of shareholders of the Corporation following the date of his or her appointment (or re-appointment, as applicable), or until he or she resigns, is replaced or for any reason ceases to be a director, whichever first occurs.
- Attendance by others. The Committee or the Chair may, in its discretion, invite such other directors, officers and employees of the Corporation, the external auditor, the reserves evaluator, outside legal counsel and other advisors as it sees fit to attend at all or any portion of any Committee meeting. A director who attends a Committee meeting but is not a member of the Committee shall not be entitled to vote on any matter before the Committee.
- Chair. The Chair of the Committee shall preside at all Committee meetings; provided that for any meeting in respect of which the Chair is absent (or there is a vacancy in the position of Chair), the other Committee members may choose one of their number to act as Chair for that meeting.
- Notice to external auditor. Notice of Committee meetings shall be given to the external auditor, who shall have the right to appear before and be heard at any Committee meeting.
- Meeting on request of external auditor or reserves evaluator. The Chair of the Committee shall, upon the request of the external auditor or any reserves evaluator, call a meeting of the Committee to consider any matter that the external auditor or reserves

evaluator wishes to bring forward.

- Independent advisers. The Committee shall have the authority to engage, at the Corporation's expense, independent legal counsel and such other advisers as it may, in its discretion, from time to time determine to be appropriate in the performance of its responsibilities.
- Funding. The Corporation shall provide the Committee with such funding as the Committee may require to pay the fees and expenses of any independent legal counsel or other adviser engaged by the Committee, and any ordinary administrative expenses incurred by the Committee in the performance of its responsibilities.
- Access to information and personnel. Without limiting their rights as members of the Board to receive and have access to information concerning the Corporation, the Committee shall, in the performance of its responsibilities, have the right to: (i) inspect any and all books and records of the Corporation; (ii) directly contact (through the Chair) and meet with any officer, employee or consultant of the Corporation or any of its subsidiaries, or the external auditor or any reserves evaluator; and (iii) discuss with any such officer, employee or consultant, or the external auditor or any reserves evaluator, the information contained in such books and records or any other information or matter that the Committee determines to be appropriate.
- In camera sessions. Unless the Committee determines it to be impracticable in respect of any particular meeting, the Committee members shall hold an *in camera* session in the absence of Management at each Committee meeting.
- Minutes. Minutes shall be kept of all Committee meetings.
- Delegation. The Committee shall have the authority to delegate to its Chair, any one or more of its members, or any subcommittee it may choose to form, its responsibility for, and authority with respect to, any matter or matters contemplated by this Charter; provided that unless expressly authorized by the Committee such delegated authority shall not include the authority to engage independent legal counsel or other experts or advisers.



LONE PINE RESOURCES INC.

AUDIT AND RESERVES COMMITTEE CHARTER

This Charter of the Audit and Reserves Committee (the "Committee") of the board of directors (the "Board") of Lone Pine Resources Inc. (the "Corporation") is adopted as of May 28, 2014.

A. Purpose

The Board has established the Committee for the principal purpose of assisting the Board in fulfilling its oversight responsibilities regarding the following matters:

- the integrity of the Corporation's consolidated financial statements and related accounting, financial reporting and audit processes;
- the design and implementation of an effective system of internal financial controls and disclosure controls and procedures;
- the selection (subject to requisite shareholder approval) and engagement of, and liaison with, the Corporation's external auditor and any independent qualified reserves evaluator or auditor ("reserves evaluator");
- the Corporation's risk management strategies;
- the Corporation's compliance with legal and regulatory requirements as they relate to financial and reserves reporting, and public disclosure, if any; and
- such other matters as the Board may from time to time delegate to the Committee.

While the Committee has the responsibilities set forth in this Charter, the role of the Committee is one of oversight and counsel. It is not the duty of the Committee to assure the Corporation's compliance with legal or regulatory requirements or corporate policies, or to assume the responsibilities of management of the Corporation ("Management"). In particular, the Committee is not responsible for planning or conducting financial audits or determining that the Corporation's financial statements are complete and accurate and in accordance with applicable generally accepted accounting principles ("GAAP"), or for planning or conducting reserves evaluations or audits or determining that the Corporation's reserves data is complete

and accurate and in accordance with applicable reserves estimation standards. These matters are the responsibility of Management and, as applicable, the Corporation's external auditor or reserves evaluator.

B. Composition

The Committee shall be comprised of three or more directors appointed by the Board who, individually and in the aggregate, meet all applicable independence, financial literacy, financial expertise and other qualification criteria with which the Corporation is required to comply under applicable corporate and securities laws, securities regulatory policies and stock exchange requirements (if any) to which the Corporation is subject, and any applicable policies of the Board from time to time. Determinations as to whether the appointment of any particular director to the Committee meets applicable qualification criteria shall be made by the Board.

Unless otherwise determined by the Board, no director shall serve on the Committee if he or she is an officer or employee of the Corporation or any of its affiliates, or has any direct or indirect relationship with the Corporation or any of its affiliates that could, in the Board's view, be reasonably expected to interfere with the exercise of his or her independent judgment.

The Board shall annually appoint the members of the Committee and designate one such member to serve as Chair of the Committee.

C. Responsibilities

In furtherance of its purpose the Committee shall have the following responsibilities, and in addition to the activities specifically described in this Charter may conduct such activities incidental thereto that the Committee determines to be appropriate or as may otherwise be delegated to it from time to time by the Board:

Financial Reporting and Disclosure

- review, through discussions with Management and the internal (if any) and external auditor, the Corporation's compliance with applicable legal or regulatory requirements regarding financial reporting and disclosure;
- review, prior to any external disclosure thereof, the Corporation's annual financial statements as prepared by Management and any related management's discussion and analysis ("MD&A") or news releases, and make recommendations to the Board as to the approval of such documents;
- review, prior to any external disclosure thereof, the Corporation's interim financial statements as prepared by Management and any related MD&A or news releases, and approve or make recommendations to the Board as to the approval of such documents;
- review, with Management and the internal (if any) and external auditor, significant

accounting and financial reporting practices of the Corporation and related disclosure issues, including with respect to complex or unusual transactions, judgmental areas such as reserves or estimates, and significant changes to accounting principles or policies, with a view to obtaining reasonable assurance as to the appropriateness of the Corporation's accounting and financial reporting practices and the fair presentation of the Corporation's financial statements in accordance with GAAP;

- review new or proposed developments in accounting and financial reporting standards, or related legal or regulatory requirements, that could reasonably be expected to affect the Corporation;
- review, with Management and the internal (if any) and external auditor, actual or anticipated litigation, contingencies or other events that could reasonably be expected to materially affect the Corporation's financial statements, and their disclosure in the financial statements;
- review, with Management and the internal (if any) and external auditor, the effect of any "off-balance sheet" transactions or arrangements with unconsolidated entities or other persons;
- review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the procedures undertaken in connection with any required certifications provided by such officers in respect of the annual or interim financial statements of the Corporation and any related MD&A or similar disclosure documents;
- review any financial information or earnings guidance provided to analysts or ratings agencies;
- satisfy itself that adequate procedures are in place for review of the Corporation's external disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;

Internal Controls

- review, through discussions with Management and the internal (if any) and external auditor, the effectiveness and integrity of the Corporation's internal control over financial reporting and disclosure controls and procedures;
- discuss with Management the design and evaluation of the Corporation's internal control over financial reporting and disclosure controls and procedures;
- review any conclusions of Management or the internal (if any) or external auditor, whether in connection with a certification process in respect of the annual or interim financial statements of the Corporation or otherwise, regarding the effectiveness of the Corporation's internal control over financial reporting or disclosure controls and

procedures, and any material weakness or deficiency relating to the design or operation of internal controls, and Management's response to any identified weakness or deficiency;

- obtain reasonable assurance from Management as to the payment by the Corporation to appropriate governmental authorities of all amounts required by statute, including withholding taxes;
- review reports of any fraud involving Management or other personnel who have a significant role in the Corporation's internal controls
- review and oversee the investigation of any allegations of fraud, illegality or other impropriety involving Management or other personnel, or relating to the Corporation's financial position, accounting practices, internal controls, financial reporting or external disclosure;
- establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- as applicable, review and approve the internal audit function (if any), for the Corporation; including with respect to scope, authority and internal reporting channels, and any annual audit plan and related budget and staffing requirements;
- periodically meet with the personnel responsible for the internal audit function (if any), separately from Management;

External Auditor

- recommend to the Board the external auditor to be nominated for appointment by the shareholders, and the compensation of the external auditor;
- review any proposal to change the external auditor, and make recommendations to the Board with respect to any such proposal;
- review the independence, professional qualification and performance of the external auditor;
- review the terms of engagement of the external auditor, and require that such terms provide for the external auditor to report directly to the Committee;
- pre-approve any non-audit services to be provided to the Corporation or any of its subsidiaries by the external auditor (subject to such *de minimis* exceptions as may be acceptable to the Committee and permitted under applicable law), and in connection

therewith consider whether the provision of such non-audit services is compatible with the external auditor's independence;

- oversee the work of the external auditor, whether engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of any disagreements between Management and the external auditor regarding financial reporting;
- review the audit plan with the external auditor and Management;
- review any disagreements or unresolved issues between Management and the external auditor;
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the current and any former external auditor;
- at least annually, obtain and review a report from the external auditor regarding (i) its relationship(s) with the Corporation, (ii) its internal quality-control procedures, (iii) any material issues raised by the most recent internal quality-control review (or peer review) of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding 5 years, respecting one or more independent audits carried out by the external auditor, and any steps taken to deal with any such issues;
- review all material written communications between the external auditor and the Corporation, including any post-audit or management letter containing the recommendations of the external auditor, Management's response, and subsequent follow up on any identified weakness;
- review any correspondence with governmental or regulatory authorities, any internal complaints and any published third party reports concerning the Corporation's financial position, accounting practices, internal controls, financial reporting or public disclosure;
- at least once per quarter meet with responsible Management and the external auditor, together and also separately, to discuss and obtain feedback with respect to the annual audit or interim review process generally, significant accounting policies applied, alternatives discussed with Management, any preferences of the external auditor as between available alternatives, any restrictions or limitations imposed by Management or otherwise experienced by the external auditor, Management's response to any proposed adjustments identified by the external auditor, any disagreements with Management, and any other matters raised by Management, the external auditor or any Committee member;
- obtain reasonable assurance as to compliance by the external auditor with any applicable legal or regulatory requirements regarding partner rotation;

Oil and Gas Reserves Data

- review, through discussions with Management and the reserves evaluator (if any), the Corporation's compliance with applicable legal or regulatory requirements regarding disclosure of reserves data and other information regarding the Corporation's oil and gas activities;
- review, prior to any public disclosure thereof, any report (or summary thereof) concerning the Corporation's reserves data and any related news releases, and make recommendations to the Board as to the approval of such documents;
- review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to its oil and gas activities, including its procedures for complying with any applicable disclosure requirements and restrictions under securities laws;
- in consultation with Management consider, and make recommendations to the Board with respect to, the appointment of one or more reserves evaluators to report to the Board on the Corporation's proved reserves and probable reserves and related future net revenue, estimated in accordance with applicable legal and regulatory requirements;
- review any proposed appointment of a reserves evaluator and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed reserves evaluator and Management, and make recommendations to the Board with respect to any such proposal;
- review the independence, professional qualification and performance of the reserves evaluator;
- review the terms of engagement of the reserves evaluator (including whether a reserves evaluator is engaged to evaluate or audit the Corporation's reserves data);
- review, with reasonable frequency, the Corporation's procedures for providing information to a reserves evaluator;
- at least annually meet with responsible Management and the reserves evaluator(s), together and also separately, to:
 - (a) determine whether any restrictions affect the reserves evaluator's ability to report on the Corporation's reserves data without reservation;
 - (b) review the Corporation's reserves data and report of the reserves evaluator thereon; and

- (c) otherwise discuss and obtain feedback with respect to the reserves evaluation or audit process generally, reserves estimation standards applied, any restrictions or limitations imposed by Management or otherwise experienced by the reserves evaluator, any disagreements with Management, and any other matters raised by Management, the reserves evaluator or any Committee member;

Risk Management

- review the Corporation's risk management policies and procedures concerning its principal business risks, and discuss with Management the Corporation's significant risk exposures and steps taken to monitor and mitigate such exposures;
- review the Corporation's commodity price, financial and credit risk management activities, including oil and natural gas, foreign currency and interest rate hedging activities and the use of derivative instruments;
- review the Corporation's insurance program;
- review, through discussions with Management and appropriate advisors, the Corporation's compliance with applicable legal or regulatory requirements and internal policies and procedures;
- review any proposed related party transactions involving the Corporation, including with respect to actual and potential conflicts of interest and appropriate approval processes;

Other

- report to the Board on Committee activities and make recommendations to the Board regarding any of the matters described in this Charter;
- develop and recommend to the Board such corporate policies as the Committee may from time to time determine to be appropriate in furtherance of its responsibilities;
- facilitate direct communication to the Committee, through the Chair, by the external auditor, the internal auditor (if any) and any reserves evaluator;
- annually assess the Committee's performance; and
- annually review this Charter and recommend to the Board such revisions (if any) as the Committee may determine to be appropriate.

Notwithstanding the Committee responsibilities described herein, nothing in this Charter is intended to create, or shall be construed as creating, any personal duty or liability on the part of any Committee member or other director of the Corporation, beyond those duties and liabilities specifically provided for under applicable law.

D. Administrative Matters

- Meetings. The Committee shall meet at least 4 times per year. Unless otherwise specified in the articles or by-laws of the Corporation or this Charter, the time and place for Committee meetings, and the procedure for calling and holding such meetings, shall be determined by the Committee.
- Quorum. A majority of Committee members, present in person, or participating by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, shall constitute a quorum at any meeting of the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.
- Change of members. The Board may at any time and from time to time remove or replace any member of the Committee, and may fill any vacancy on the Committee.
- Term of appointment. Each Committee member shall hold office as such until the close of the next annual meeting of shareholders of the Corporation following the date of his or her appointment (or re-appointment, as applicable), or until he or she resigns, is replaced or for any reason ceases to be a director, whichever first occurs.
- Attendance by others. The Committee or the Chair may, in its discretion, invite such other directors, officers and employees of the Corporation, the external auditor, the reserves evaluator, outside legal counsel and other advisors as it sees fit to attend at all or any portion of any Committee meeting. A director who attends a Committee meeting but is not a member of the Committee shall not be entitled to vote on any matter before the Committee.
- Chair. The Chair of the Committee shall preside at all Committee meetings; provided that for any meeting in respect of which the Chair is absent (or there is a vacancy in the position of Chair), the other Committee members may choose one of their number to act as Chair for that meeting.
- Notice to external auditor. Notice of Committee meetings shall be given to the external auditor, who shall have the right to appear before and be heard at any Committee meeting.
- Meeting on request of external auditor or reserves evaluator. The Chair of the Committee shall, upon the request of the external auditor or any reserves evaluator, call a meeting of the Committee to consider any matter that the external auditor or reserves evaluator wishes to bring forward.
- Independent advisers. The Committee shall have the authority to engage, at the Corporation's expense, independent legal counsel and such other advisers as it may, in its discretion, from time to time determine to be appropriate in the performance of its

responsibilities.

- Funding. The Corporation shall provide the Committee with such funding as the Committee may require to pay the fees and expenses of any independent legal counsel or other adviser engaged by the Committee, and any ordinary administrative expenses incurred by the Committee in the performance of its responsibilities.
- Access to information and personnel. Without limiting their rights as members of the Board to receive and have access to information concerning the Corporation, the Committee shall, in the performance of its responsibilities, have the right to: (i) inspect any and all books and records of the Corporation; (ii) directly contact (through the Chair) and meet with any officer, employee or consultant of the Corporation or any of its subsidiaries, or the external auditor or any reserves evaluator; and (iii) discuss with any such officer, employee or consultant, or the external auditor or any reserves evaluator, the information contained in such books and records or any other information or matter that the Committee determines to be appropriate.
- In camera sessions. Unless the Committee determines it to be impracticable in respect of any particular meeting, the Committee members shall hold an *in camera* session in the absence of Management at each Committee meeting.
- Minutes. Minutes shall be kept of all Committee meetings.
- Delegation. The Committee shall have the authority to delegate to its Chair, any one or more of its members, or any subcommittee it may choose to form, its responsibility for, and authority with respect to, any matter or matters contemplated by this Charter; provided that unless expressly authorized by the Committee such delegated authority shall not include the authority to engage independent legal counsel or other experts or advisers.

APPENDIX H

AUDITED FINANCIAL STATEMENTS OF NEWCO (PRE-ARRANGEMENT)

Prairie Provident Resources Inc.

Financial Statements

As at July 29, 2016

Dated: July 29, 2016

INDEPENDENT AUDITORS' REPORT

To the Directors of Prairie Provident Resources Ltd.

We have audited the accompanying financial statements of Prairie Provident Resources Ltd., which comprise the statement of financial position as at July 29, 2016 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

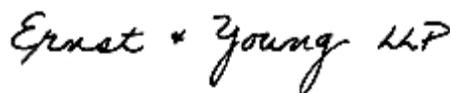
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prairie Provident Resources Ltd. as at July 29, 2016 in accordance with International Financial Reporting Standards.



Calgary, Canada
August 1, 2016

Chartered Professional Accountants

STATEMENTS OF FINANCIAL POSITION

As at

July 29, 2016

ASSETS	
Cash and cash equivalents	1,000
Total assets	1,000
SHAREHOLDERS' EQUITY	
Contributed surplus	1,000
Total liabilities and shareholders' equity	1,000

See accompanying notes to the financial statements.

Approved by the Board of Directors,
(signed)

Patrick McDonald

Chair of the Board of Directors and Director

(signed)

Ajay Sabherwal

Chair of the Audit and Reserves Committee and Director

NOTES TO THE BALANCE SHEET

As of July 29, 2016

1. NATURE OF THE ORGANIZATION

Prairie Provident Resources Inc. ("NewCo" or the "Company") was incorporated under the laws of the province of Alberta, Canada on July 29, 2016. The Company was formed to become the parent entity in the arrangement agreement amended August 2, 2016 and dated effective June 23, 2016 involving Lone Pine Resources Canada Ltd. ("LPR Canada"), Lone Pine Resources Inc. ("Lone Pine Resources") and Arsenal Energy Inc. ("Arsenal") (the "Arrangement" or "Transaction"). Pursuant to the Arrangement NewCo common shares will be exchanged for all issued and outstanding LPR Canada common shares and preferred shares and LPR Canada will be amalgamated with a wholly-owned subsidiary of NewCo. Lone Pine Resources will be amalgamated with a wholly-owned subsidiary of NewCo without consideration whereby the Lone Pine Resources common shares will be cancelled. NewCo common shares will then be issued and exchanged for all of the issued and outstanding common voting shares of Arsenal. The Transaction is expected to close on or about September 12, 2016.

NewCo has not carried on any business as of the date of these statements. The principal office of NewCo is located at 640 – 5th Avenue S.W., Calgary, Alberta.

Other than the contributed surplus of \$1,000, there have been no other activities and the Company will be inactive until the Arrangement is completed.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were approved and authorized for issue by the Board of Directors on July 29, 2016.

The Company's significant accounting policies under IFRS are presented in Note 3.

(b) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below were applied consistently to all periods presented in these annual financial statements.

(a) Cash

Cash consists of bank accounts and cash on hand.

4. SHARE CAPITAL

(a) Authorized

The Company has authorized an unlimited number of Common shares, of which none were issued as at July 29, 2016.

APPENDIX I

INFORMATION CONCERNING NEWCO FOLLOWING COMPLETION OF THE ARRANGEMENT

The following information concerning NewCo following completion of the Arrangement should be read in conjunction with the information concerning NewCo and, as applicable, Lone Pine, Arsenal, ABSUB and DESUB appearing elsewhere in the Circular. Capitalized terms used but not otherwise defined in this Appendix I have the meaning ascribed to them in the Circular.

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GENERAL

Corporate Overview

On completion of the Arrangement, NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos. Following completion of the Arrangement, the head office of NewCo is expected to be Suite 1100, 640 - 5th Avenue S.W., Calgary, Alberta, T2P 3G4 and the registered office of NewCo is expected to be located at 855 2nd Street SW, Calgary, Alberta, T2P 3KY.

On completion of the Arrangement, former Lone Pine Securityholders and grantees of the 2016 NewCo Awards will hold an aggregate of 77% of the outstanding NewCo Shares and former Arsenal Shareholders will hold an aggregate of 23% of the outstanding NewCo Shares, in each case calculated on a fully-diluted basis, comprised of:

- a) NewCo Shares issued to former LPR Canada Shareholders in exchange for their LPR Canada Shares;
- b) NewCo Shares issuable on settlement of the Replacement Lone Pine RSUs granted by NewCo pursuant to the Arrangement; and
- c) NewCo Shares issuable in respect of the 2016 NewCo Awards.

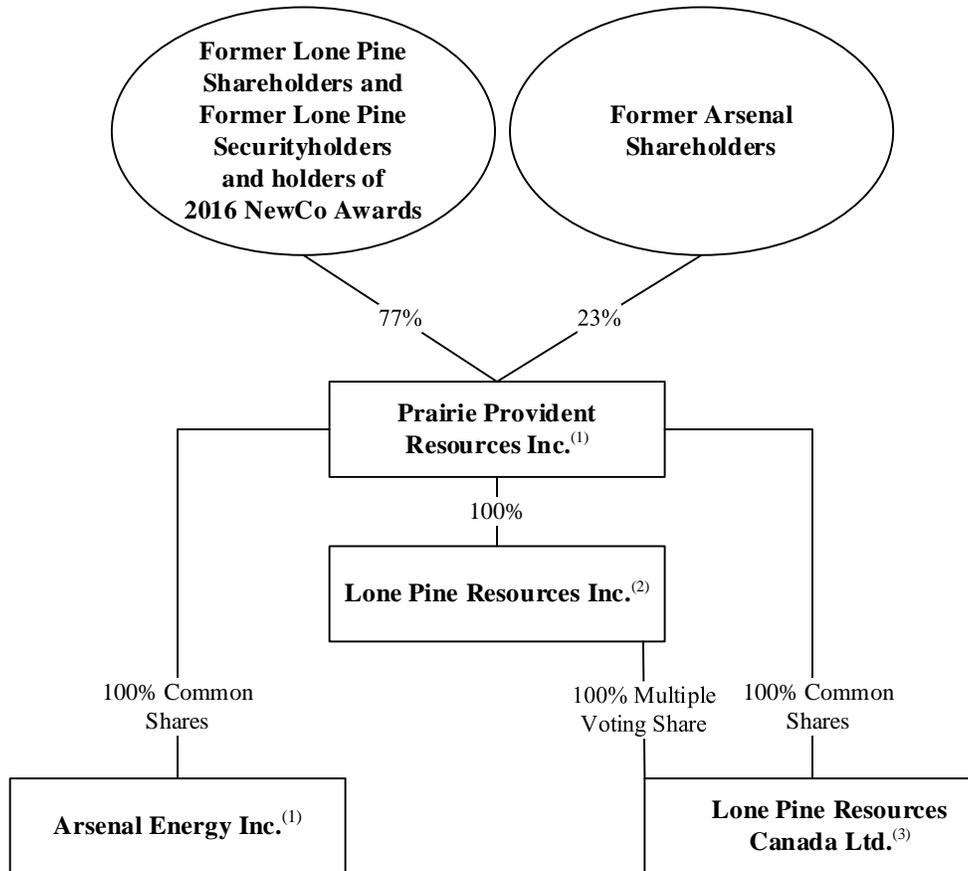
Former LPRI Shareholders will not hold any NewCo Shares following completion of the Arrangement and the issuance of NewCo Shares following completion of the Arrangement in connection with the settlement, exercise or vesting of Replacement Lone Pine RSUs and 2016 NewCo Awards will not modify the aggregate proportionate holdings of NewCo Shares as between former Lone Pine Securityholders and the additional persons described above, on the one hand, and former Arsenal Securityholder, on the other, as noted above.

For greater certainty, the 77% of NewCo Shares and 23% of NewCo Shares anticipated to be held respectively by former LPR Canada Securityholders and certain additional persons described above, on the one hand, and former Arsenal Securityholders, on the other, on completion of the Arrangement, is calculated on the basis of fully-diluted share capital of 100,000,000 NewCo Shares, meaning that immediately after Closing: (a) an aggregate of 97,730,618 NewCo Shares will be issued and outstanding, of which 74,730,618 NewCo Shares will be held by former LPR Canada Shareholders and 23,000,000 NewCo Shares will be held by former Arsenal Securityholders; and (b) 2,269,382 NewCo Shares will be issuable on: (i) settlement of the Replacement Lone Pine RSUs, of which 1,165,294 will be settled the 15th Business Day following Closing and 217,033 will vest on January 31, 2017 and subsequently be settled; and (ii) exercise or settlement of the 2016 NewCo Awards. In addition, as the number of NewCo Shares reserved for issuance under the NewCo Incentive Plan is based on a percentage of the issued and outstanding NewCo Shares from time to time, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. The number of NewCo Shares reserved for issuance thereunder will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards. The 2016 NewCo Awards will be made pursuant to the NewCo Incentive Plan and therefore count against the reserve.

On completion of the Arrangement, Liberty Harbor PF LPR LLC (a former LPRI Shareholder) and its affiliates, on the one hand, and Goldman Sachs & Co. (a former indirect LPR Canada Shareholder) and its affiliates, on the other, will each hold in the aggregate greater than 10% of the issued and outstanding NewCo Shares. See "*Principal Securityholders*" in this Appendix I.

Following the completion of the Arrangement, NewCo will become a reporting issuer in each of the provinces of Canada.

The following is an illustrative, simplified organizational chart of NewCo on completion of the Arrangement.



Notes:

- (1) Alberta corporation.
- (2) Delaware corporation surviving the merger of DESub and LPRI.
- (3) Alberta corporation formed by the amalgamation of LPR Canada and ASub.

Auditors, Transfer Agent and Registrar

On completion of the Arrangement, the auditors of NewCo are expected to be Ernst & Young LLP, Chartered Accountants, at their principal offices in Calgary, Alberta, located at 2200, 215 2nd Street S.W., Calgary, Alberta T2P 1M4.

The transfer agent and registrar for the NewCo Shares is expected to be Alliance, at its principal office in Calgary, Alberta.

DESCRIPTION OF THE BUSINESS

On completion of the Arrangement, NewCo will indirectly own the businesses of Lone Pine and Arsenal and will directly, and indirectly through LPRI, control the OpCos. For further information regarding the businesses of Lone Pine and Arsenal, see "General Description of the Business" in Appendix G to the Circular and refer to "Narrative Description of Business" in Arsenal's AIF, respectively.

STOCK EXCHANGE MATTERS

There is currently no market for any of the NewCo Shares. It is a condition of closing the Arrangement that the TSX provide conditional listing approval in respect of the NewCo Shares, including the NewCo Shares issued pursuant to

the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards and otherwise under the NewCo Incentive Plans. Listing will be subject to NewCo satisfying all original listing requirements of the TSX. There is no assurance that NewCo will satisfy the original listing requirements of the TSX. As of the date of this Circular, the TSX has neither reviewed nor approved, conditionally or otherwise, an application to list the NewCo Shares, including the NewCo Shares issued pursuant to the Arrangement and those to be reserved for issuance pursuant to the settlement or exercise, as applicable, of the Replacement Lone Pine RSUs, the 2016 NewCo Awards and otherwise under the NewCo Incentive Plans, and there is no certainty that the TSX will approve such listing, conditionally or otherwise, or, if approved, as to the timing of the listing of the NewCo Shares for trading through the facilities of the TSX. If listing approval is ultimately obtained, trading in the NewCo Shares is expected to commence under the symbol "PPR" concurrently with the delisting of the Arsenal Shares from the TSX, or shortly thereafter. Approval of the listing of the NewCo Shares may include requiring that all securities of NewCo held by principals of NewCo be subject to escrow under escrow agreements administered by the TSX in accordance with NP 46-201. See "*Part I – Stock Exchange Listing Matters*" and "*Part I – The Arrangement - Risk Factors*".

DESCRIPTION OF SECURITIES

Following completion of the Arrangement, the authorized share capital of NewCo will consist of an unlimited number of common shares, which are referred to herein as the NewCo Shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the NewCo Shares.

NewCo Shares

Each NewCo Share entitles the holder to: (a) the right to one (1) vote at all meetings of NewCo Shareholders, except meetings at which only holders of a specified class of shares of NewCo are entitled to vote; (b) subject to the prior rights and privileges attaching to any other class of shares of NewCo, the right to receive any dividend declared by NewCo; and (c) subject to the prior rights and privileges attaching to any other class of shares of NewCo, the right to receive the remaining property and assets of NewCo upon dissolution.

Convertible Securities

NewCo Options, NewCo RSUs and NewCo PSUs may be granted from time to time pursuant to the NewCo Stock Option Plan and the NewCo Incentive Security Plan, as applicable, and NewCo Shares will be issued on the settlement, exercise or vesting thereof, as the case may be. Upon completion of the Arrangement, an aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described herein, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. The number of NewCo Shares reserved for issuance under the NewCo Incentive Plans will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs issued to former holders of LPR Canada Incentive Awards, such settlement to occur 15 Business Days following Closing. It is anticipated that there will be up to a maximum of 887,055 NewCo Shares reserved for issuance under the NewCo Incentive Plans in respect of the 2016 NewCo Awards to be granted by the NewCo Board following completion of the Arrangement to former directors, officers and employees of Lone Pine. The 2016 NewCo Awards will be made pursuant to the NewCo Incentive Plan and therefore count against the reserve. For further information regarding the terms of the NewCo Incentive Plans and the securities issuable thereunder, see Appendix K to the Circular. For further information regarding the 2016 NewCo Awards, see "*Options and Other Rights to Purchase Securities*" in this Appendix I.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date hereof, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in the Circular. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based, security-based compensation plan or an equity-based compensation plan, subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements.

Subject to any modifications to the terms thereof in connection with the Arrangement, the Replacement Lone Pine RSUs granted to the former holders of Lone Pine Incentive Awards pursuant to the Arrangement will be governed by the terms of the Lone Pine Incentive Plan and, on the settlement, exercise or vesting thereof, such holders will receive NewCo Shares. For further information regarding the terms of the Replacement Lone Pine RSUs, see "*Part I – Arrangement Steps*" in the Circular and the full text of the Plan of Arrangement, attached as Schedule A to the Arrangement Agreement, a copy of which is attached as Appendix E to the Circular. See "*Executive Compensation – Summary Compensation Table*" in Appendix G to the Circular for details regarding the outstanding convertible securities of Lone Pine, including the Lone Pine Incentive Awards.

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

On completion of the Arrangement and the grant of the 2016 NewCo Awards, it is anticipated that all outstanding options and other rights to purchase NewCo Shares will be equal to the number of the outstanding options and other rights to purchase Lone Pine Shares that were issued immediately preceding the completion of the Arrangement, subject to adjustment in accordance with the Arrangement, including in accordance with the same exchange ratios at which Lone Pine Shares are exchanged for NewCo Shares pursuant to the Arrangement. Following completion of the Arrangement, it is anticipated that there will be approximately: (a) 1,165,294 NewCo Shares issuable following the Effective Time in respect of Replacement Lone Pine RSUs which will settle 15 Business Days following Closing; (b) 217,033 NewCo Shares issuable on January 31, 2017 in respect of Replacement Lone Pine RSUs that are expected to vest on such date; and (c) 887,055 NewCo Shares issuable on the exercise, vesting or settlement, as applicable, of 2016 NewCo Awards, comprising 770,629 NewCo Shares in respect of NewCo Options and 116,426 NewCo Shares in respect of NewCo PSUs, to be granted to current directors, officers and employees of Lone Pine who are each expected to continue in such capacities following the Effective Time.

It is anticipated that the 2016 NewCo Awards, which will be granted in connection with completion of the Arrangement in respect of the grantees' services during the 2016 financial year, all as permitted under the terms of the Arrangement, will be allocated as follows:

<u>Grantee(s)</u>	<u>Number of NewCo PSUs</u>	<u>Number of NewCo Options</u>
Tim S. Granger, President and Chief Executive Officer	55,440	110,882
Mimi Lai, Vice President, Finance, Chief Financial Officer and Corporate Secretary	30,493	63,757
Robert (Bob) Guy, Vice President, Operations	30,493	63,757
Current non-officer employees of Lone Pine (in aggregate)	Zero	437,983 in aggregate
Current non-executive directors of Lone Pine (in aggregate)	Zero	94,250 in aggregate
	116,426	770,629

The foregoing NewCo Options and NewCo PSUs are included in the calculation on a fully-diluted basis of the 77% proportionate interest in NewCo that will be held in aggregate by former Lone Pine Securityholders and certain additional persons following the completion of the Arrangement. See "*General – Corporate Overview*" in this Appendix I.

It is anticipated that the NewCo Options will be exercisable for NewCo Shares for a five-year term, at an exercise price per share equal to the volume-weighted average trading price of the NewCo Shares on the TSX for the five (5) trading days preceding the date of grant. The 2016 NewCo Awards are anticipated to be granted on the tenth trading

day following completion of the Arrangement. See *Appendix K – Description of the NewCo Incentive Plans – NewCo Stock Option Plan*.

See Appendix K to the Circular for information regarding the terms of the NewCo Incentive Plans governing the 2016 NewCo Awards. See "*LPR Canada Equity Incentive Plan*" in Appendix G to the Circular for details regarding the outstanding convertible securities of Lone Pine and "*Pro Forma Combined Consolidated Capitalization*" in this Appendix I for details regarding the securities anticipated to be outstanding following completion of the Arrangement.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets out the unaudited *pro forma* consolidated capitalization of NewCo as at March 31, 2016 (except as otherwise indicated) both before and after giving effect to the Arrangement. Share capital and security information: (a) with respect to Lone Pine and Arsenal, before giving effect to the Arrangement is as at the date hereof; and (b) with respect NewCo after giving effect to the Arrangement is as at the date hereof:

Designation	Lone Pine as at March 31, 2016 before giving effect to the Arrangement	Arsenal as at March 31, 2016 before giving effect to the Arrangement ⁽¹⁾	NewCo as at March 31, 2016 after giving effect to the Arrangement
	<i>(in '000s and Canadian dollars other than security amounts)</i>		
Total long-term liabilities	251,508	25,327	105,227
Total long-term debt	Nil	Nil	Nil
Total Shareholders' Equity	(70,700)	41,511	153,345
Shares			
Common Shares	24,985,757 LPR Canada Common Shares	19,422,976 Arsenal Common Shares	97,730,618 ⁽²⁾⁽³⁾ NewCo Shares
	24,985,757 LPRI Common Shares		
Preferred Shares	74,999,996 LPRI Preferred Shares	N/A	N/A
	74,999,996 LPR Canada Preferred Shares		
Convertible Securities	1,836,804 Lone Pine Incentive Awards	650,389 ⁽⁴⁾ Arsenal Share Awards	887,055 ⁽⁶⁾ 2016 NewCo Awards
		273,273 ⁽⁵⁾ Arsenal Stock Options	1,382,327 ⁽⁷⁾ Replacement Lone Pine RSUs
Total Liabilities and Shareholder Equity	195,542	78,352	289,406

Notes:

- (1) Adjusted for impact of the disposition of the Desan and U.S. properties sold by Arsenal in 2016 as well as the disposition of certain Canadian properties (as disclosed in Arsenal's May 27, 2016, June 2, 2016 and June 28, 2016 news releases available under Arsenal's profile on www.sedar.com).
- (2) Includes NewCo Shares issued in exchange for Arsenal Shares issued immediately prior to the Effective Time in settlement of Arsenal Share Awards.
- (3) The *pro forma* number of outstanding NewCo Shares will be reduced by the number of NewCo Shares that any Dissenting Shareholders would have received had they not exercised their Dissent Rights, to the extent that the fair market value of the shares held by Dissenting Shareholders is settled other than by the issuance of NewCo Shares.
- (4) Settled for 650,389 Arsenal Shares prior to the Effective Time.
- (5) Arsenal Stock Options are out-of-the money and anticipated to be terminated prior to the Effective Time.
- (6) Comprised of 770,629 NewCo Shares in respect of NewCo Options and 116,426 NewCo Shares in respect of NewCo PSUs.

- (7) Comprised of 1,165,294 Replacement Lone Pine RSUs granted to former holders of LPR Canada Incentive Awards have vested and will be settled the 15th Business Day following Closing. The remaining 217,033 Replacement Lone Pine RSUs will vest on January 31, 2017 and will subsequently be settled. An aggregate of 7,818,449 NewCo Shares will be reserved for issuance under the NewCo Incentive Plans, if such NewCo Incentive Plans are approved by the LPR Canada Shareholders and Arsenal Shareholders, as described in the Circular, and by the TSX, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on the completion of the Arrangement. The number of NewCo Shares reserved for issuance under the NewCo Incentive Plans will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs. The 2016 NewCo Awards will be made pursuant to the NewCo Incentive Plan and therefore count against the reserve.

PRO FORMA COMBINED FINANCIAL INFORMATION AND OPERATIONAL INFORMATION

Selected Pro Forma Financial Information

The unaudited *pro forma* consolidated financial statements of NewCo and accompanying notes are attached as Schedule "A" to this Appendix I. The following selected unaudited *pro forma* financial information (expressed in thousands of Canadian dollars) is based on assumptions described in the respective notes to the unaudited *pro forma* consolidated financial statements attached as Schedule "A" to this Appendix I.

	For the three months ended, March 31, 2016	For the year ended December 31, 2015
	(\$000's, except per share amounts)	
Statement of Income		
Oil and natural gas revenue, net of royalties	9,119	55,988
Loss before tax	(6,687)	(37,146)
Net loss	(6,673)	(35,569)
Loss per share (basic and diluted)	(0.07)	(0.36)
		As at March 31, 2016
		(\$000's)
Balance Sheet		
Total assets		289,406
Total long-term liabilities		105,277
Total shareholders' equity		153,345

Selected Pro Forma Operational Information

The following tables set out certain reserves data, in each case using both constant prices and costs and forecast prices and costs, for: (a) Lone Pine; (b) Arsenal (including the Disposed Assets); (c) Arsenal, after adjustments for the disposition of certain Disposed Assets; and (d) *pro forma* NewCo (after giving effect to the Arrangement and after adjustments for the disposition of certain Disposed Assets).

The following reserves data consists of estimates of oil, natural gas liquids and natural gas reserves and present value of related future net revenue, and is based on the evaluation report prepared by Sproule (the "**Sproule Report**") in respect of Lone Pine effective December 31, 2015 and dated April 12, 2016 and upon the evaluation report prepared by Deloitte (the "**Deloitte Report**") in respect of Arsenal effect December 31, 2015 and dated February 1, 2016. Please see "Statement of Reserves Information" contained in Arsenal's AIF filed under its profile on SEDAR (www.sedar.com) for additional information regarding the Deloitte Report.

The reserves data presented below for *pro forma* NewCo has been calculated by applying Sproule's forecast price deck as of January 1, 2016, see "*Information Concerning Lone Pine – Statement of Reserves Data and Other Oil and Gas Information*" in Appendix G to this Circular, to Arsenal's existing evaluation and adding the reserves data for Arsenal (after disposition of the Desan and U.S. properties sold by Arsenal in 2016 as well as the sale of certain Canadian

properties as set out in Arsenal's news releases dated June 2, 2016 and June 28, 2016 (collectively, the "**Disposed Assets**") to the reserves data for Lone Pine, without any other adjustment.

The reserves data conforms to the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Sproule and Deloitte LLP were each engaged to provide an evaluation of proved and proved plus probable reserves and, in respect of Lone Pine, no attempt was made to evaluate possible reserves.

All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as future income tax expenses, administrative, overhead and other miscellaneous expenses.

The estimated net present value of future net revenue set out in the following tables does not necessarily represent the fair market value of the reserves of Lone Pine, the Disposed Assets or NewCo. There is no assurance that the forecast price and cost assumptions contained in the Sproule Report or the Deloitte Report will be attained and variances could be material.

The recovery and reserves estimates on the Lone Pine and Arsenal properties are estimates only. Actual reserves on such properties may be greater or less than those calculated. In addition, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Deloitte, independent petroleum engineers, prepared the Deloitte Report evaluating the proved, proved plus probable and proved plus probable plus possible reserves attributable to Arsenal's interest in 100% of its properties and the net present value of estimated future cash flow from such reserves, based on forecast price and cost assumptions. The reserves information presented in the Deloitte Report was prepared and is presented in accordance with the requirements of NI 51-101.

In preparing the Deloitte Report, Deloitte obtained information from Arsenal, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the Deloitte Report is based, was obtained from public records, other operators and from Deloitte's non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Deloitte as represented.

All evaluations of the present value of estimated future net revenue in the Deloitte Report are stated after provision for estimated future capital expenditures, well abandonment and reclamation costs (including the offsetting salvage value of tangible equipment after abandonment) but prior to income taxes and indirect costs and do not necessarily represent the fair market value of the reserves. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumption will be attained and variances could be material. Actual reserves may be greater than or less than the estimates provided in the Deloitte Report. Please note that information relating to reserves are deemed to be forward-looking statements, as they involve the implicit assessment, based on certain estimates and assumptions, that the reserves described can be economically produced in the future. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Reference to oil, gas, natural gas liquids, coalbed methane, reserves (gross, net, proved, probable, possible, developed, developed producing, developed non-producing, undeveloped), forecast prices and costs, operating costs, development costs, future net revenue and future income tax expenses shall, unless expressly stated to be to the contrary, have the meaning attributed to such terms as set out in NI 51-101, the companion policy to NI 51-101 and all forms referenced therein.

Throughout the following summary, table differences may arise due to rounding.

Estimates of reserves and future net revenue have been made assuming that development of each property in respect of which the estimate is made will occur, without regard to the likely availability to Arsenal or Lone Pine of funding required for that development.

	Lone Pine as at December 31, 2015	Arsenal as at December 31, 2015	Arsenal, after adjustments for disposition of Disposed Assets ⁽³⁾	NewCo after giving effect to the Arrangement ⁽⁴⁾
Average Daily Production (for the twelve months ended December, 2015) ⁽¹⁾⁽²⁾				
Natural gas (Mcf/d)	4,577	4,856	1,148	5,725
Crude oil (Bbls/d)	1,820	2,817	1,270	3,090
<u>Natural gas liquids (Bbls/d)</u>	<u>69</u>	<u>81</u>	<u>12</u>	<u>81</u>
Combined (BOE/d)	2,652	3,707	1,474	4,125
Total Proved Reserves (on a forecast price basis as at December 31, 2015) ⁽¹⁾⁽²⁾				
Natural gas (MMcf)	12,144	10,628	3,889	16,033
Light and medium oil (Mbbls)	6,012	7,971	2,911	8,923
Heavy oil (Mbbls)	98	25	25	123
Natural gas liquids (Mbbls)	<u>320</u>	<u>176</u>	<u>20.4</u>	<u>340</u>
Combined (MBOE)	8,453	9,943	3,604	12,057
Total Proved plus Probable Reserves (on a forecast price basis as at December 31, 2015) ⁽¹⁾⁽²⁾				
Natural gas (MMcf)	18,437	18,521	8,226	26,663
Light and medium oil (Mbbls)	8,430	12,312	4,808	13,238
Heavy oil (Mbbls)	333	38	38	371
Natural gas liquids (Mbbls)	<u>469</u>	<u>385</u>	<u>147</u>	<u>616</u>
Combined (MBOE)	12,304	15,822	6,363	18,667
Net Present Value of Future Net Present Revenue Before Income Tax Discounted at 10% per year				
Proved Producing (\$000s)	80,311	83,010	28,289	108,600
Total Proved (\$000s)	107,137	106,369	44,969	152,106
Proved plus Probable Reserves (\$000s)	162,472	188,082	72,553	235,025
Net undeveloped land (acres as at December 31, 2015)	687,998	87,347	80,000	767,998

Summary of Net Present Value of Future Net Revenue of NewCo⁽⁴⁾ (after giving effect to the Arrangement)

**as of December 31, 2015
(Forecast Prices and Costs)**

Reserves Category	Before Income Taxes Discounted at (%/Year)					Unit Value Before Income Tax Discounted at 10%/Year (based on net reserves)
	0% (\$MM)	5% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)	\$/boe
Proved Reserves						
Developed Producing	162	130	109	94	79	\$17.99
Developed Non- Producing	30	24	20	17	13	\$13.43
Undeveloped	71	41	24	13	5	\$8.32
Total Proved Reserves	263	195	152	123	97	\$14.69
Probable Reserves	195	121	83	61	47	\$15.32
Total Proved Plus Probable Reserves	458	316	235	184	144	\$14.90

Notes:

- (1) With respect to Lone Pine, based on the Sproule Report prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook.
- (2) With respect to Arsenal, based on the Deloitte Report prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook. See "Statement of Reserves Data and Other Oil and Gas Information" in Arsenal's AIF (available on www.sedar.com) for further details.
- (3) Reflects impact of the disposition of the Desan and U.S. properties sold by Arsenal in 2016 as well as the disposition of certain Canadian properties (as disclosed in Arsenal's May 27, 2016, June 2, 2016 and June 28, 2016 news releases available on www.sedar.com).
- (4) The estimated *pro forma* reserves data of NewCo as at December 31, 2015 has been calculated by: (i) applying Sproule's forecast price deck as of January 1, 2016 to Arsenal's existing evaluation; (ii) deducting from Arsenal's estimated reserves data as at December 31, 2015 the portion thereof attributable to the Disposed Assets, being the Desan and U.S. properties sold by Arsenal in 2016 as well as the disposition of certain Canadian properties (as disclosed in Arsenal's June 2, 2016 and June 28, 2016 news releases available on www.sedar.com); and (iii) adding Lone Pine's estimated reserves data as at December 31, 2015 (from the Sproule Report, without adjustment) to Arsenal's estimated reserves data at December 31, 2015 (from the Deloitte Report, adjusted as described). Except as specifically described in clause (i) and clause (ii) above, the estimated *pro forma* reserves data of NewCo as at December 31, 2015 set out herein does not take into account any changes occurring in 2016.
- (5) Values reflect abandonment and reclamation costs for all existing wells assigned reserves and for all future locations assigned reserves as well as abandonment and reclamation costs for dedicated facilities required to produce the assigned reserves.

DIVIDENDS

It is expected that NewCo will retain all future earnings and other cash resources, if any, for the future operation and development of the business of NewCo. Payment of future dividends, if any, will be at the discretion of the NewCo Board after taking into account all relevant factors, including NewCo's operating results, financial condition and then current and anticipated cash requirements. Similar to the covenants under Lone Pine's current credit facility, there may also be restrictions on the payment of dividends under NewCo's credit facility to be established on completion of the Arrangement.

PRINCIPAL SECURITYHOLDERS

The following table sets out information pertaining to entities who are anticipated to beneficially own greater than 10% of the outstanding NewCo Shares on completion of the Arrangement, assuming no Dissent Rights are exercised.

<u>Name of Holder</u>	<u>Number and Class of Shares</u>	<u>Number of Votes Attached to Shares</u>	<u>Percentage of Total Voting Power⁽¹⁾</u>
Liberty Harbor PF LPR LLC ⁽²⁾	44,711,330 NewCo Shares	44,711,330	44.7%
Goldman Sachs & Co.	14,791,376 NewCo Shares	14,791,376	14.8%

Note:

- (1) The percentage of voting power was calculated on a fully-diluted basis.
- (2) Wholly-owned subsidiaries of Goldman Sachs Group, Inc. are the general partner and the investment manager of Liberty Harbor PF LPR LLC. Goldman Sachs Group, Inc. disclaims beneficial ownership of the shares owned by Liberty Harbor PF LPR LLC, except to the extent of its pecuniary interest therein, if any.

Liberty Harbor PF LPR LLC and Goldman Sachs & Co. will continue to have registration rights on substantially the same terms as are currently in place with Lone Pine. See *Appendix G – Shareholder Protections and Other Provisions – Registration Rights*.

DIRECTORS AND EXECUTIVE OFFICERS

On completion of the Arrangement, the NewCo Board will consist of seven (7) directors in total, comprising Patrick R. McDonald as Chair and Tim S. Granger, David M. Fitzpatrick, Terence (Tad) B. Flynn, Ajay Sabherwal and Rob B. Wonnacott, each current members of the Lone Pine Boards, and Derek Petrie, a current member of the Arsenal Board. In addition, Liberty Harbor PF LPR LLC and Goldman Sachs & Co. will have board observation rights at the meetings of the NewCo Board.

Biographical information pertaining to the current members of the Lone Pine Boards can be found under the heading "*Directors and Executive Officers*" in Appendix G to the Circular. Biographical information pertaining to the current members of the Arsenal Board can be found under the heading "*Particulars of matters to be acted upon at the Meeting*" in Arsenal's Annual AGM Circular.

On completion of the Arrangement, Tim S. Granger, the current President and Chief Executive Officer of Lone Pine, will serve as the President and Chief Executive Officer of NewCo, Mimi Lai, the current Vice President, Finance and Controller of Lone Pine, will serve as the Vice President, Finance, Chief Financial Officer and Corporate Secretary of NewCo, Robert (Bob) Guy, the current Vice President, Operations of Lone Pine, will serve as the Vice President, Operations of NewCo, and Tony van Winkoop, the current President and Chief Executive Officer of Arsenal, will serve as the Vice President, Exploration of NewCo. Biographical information pertaining to the current executive officers of Lone Pine can be found under the heading "*Directors and Executive Officers*" in Appendix G to the Circular. Biographical information pertaining to current executive officers of Arsenal can be found under the heading "*Particulars of matters to be acted upon at the Meeting*" in Arsenal's Annual AGM Circular.

Following completion of the Arrangement, it is anticipated that the directors and executive officers of NewCo and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 1,487,760 NewCo Shares (including the Replacement Lone Pine RSUs which will be settled the 15th Business Day following Closing, but excluding NewCo Options and NewCo PSUs underlying 2016 NewCo Awards), representing approximately 1.5% of the outstanding NewCo Shares (1.5% on a fully-diluted basis), assuming no Dissent Rights are exercised in respect of the Arrangement.

The NewCo Board may, following completion of the Arrangement, consider and, if determined advisable, adopt share ownership guidelines applicable to directors and executive officers of NewCo.

CORPORATE GOVERNANCE

General

It is anticipated that, following completion of the Arrangement, the NewCo Board will: (a) establish and approve the charters governing the following committees of the NewCo Board: (i) an audit committee (the "**Audit Committee**"); (ii) a reserves committee (the "**Reserves Committee**"); (iii) a compensation committee (the "**Compensation Committee**"); and (iv) a nominating and corporate governance committee (the "**N&CG Committee**"); (b) adopt a code of conduct and ethics (the "**Code of Conduct and Ethics**"); (c) adopt a board charter (the "**Board Charter**"); and (d) approve the following position descriptions: (i) President and Chief Executive Officer; (ii) Chair of the NewCo Board; (iii) Chair of the Audit Committee; (iv) Chair of the Reserves Committee; (v) Chair of the Compensation Committee; and (vi) Chair of the N&CG Committee. See "*Summary of Codes, Position Descriptions and Charters*" in this Appendix I for information regarding the expected terms of all such codes, position descriptions and charters.

It is anticipated that, once adopted following completion of the Arrangement, the Code of Conduct and Ethics will be available at NewCo's SEDAR profile at www.sedar.com. It is also anticipated that a copy of the Code of Conduct and Ethics may be obtained, free of charge, by writing to the Secretary of NewCo at its principal executive offices following completion of the Arrangement.

It is expected that the corporate governance practices to be adopted by NewCo following completion of the Arrangement will be consistent with the corporate governance practices of Lone Pine currently in place for the benefit of Lone Pine Shareholders, with necessary modifications with respect to the terms of the codes, position descriptions and charters expected to be adopted by the NewCo Board following completion of the Arrangement.

See "*Disclosure of Corporate Governance Practices*" in Appendix G to the Circular.

NewCo Board Committee Composition

It is anticipated that each member of the Audit Committee, Reserves Committee, Compensation Committee and N&CG Committee will be independent within the meaning of applicable securities laws and that each member of the Audit Committee will be "financially literate" and "independent" within the meaning of applicable securities laws.

It is further anticipated that the committees of the NewCo Board will have the following Chairs:

- Chair of the Audit Committee – Ajay Sabherwal
- Chair of the Reserves Committee – Rob B. Wonnacott
- Chair of the Compensation Committee – David M. Fitzpatrick
- Chair of the N&CG Committee – Terence (Tad) B. Flynn

Director Independence

Other than as set out below, neither Lone Pine nor Arsenal is aware of any fact that would cause the NewCo Board to determine that any of the members of the NewCo Board will be determined to be not independent within the meaning of applicable securities laws. For considerations related to the determination of independence of the anticipated directors of NewCo who are currently members of the Lone Pine Boards, see "*Disclosure of Corporate Governance Practices – Information about Lone Pine's Board of Directors and Committees – Independence of the Members of the Lone Pine Boards*" in Appendix G to the Circular.

It is expected that Tim S. Granger will not be determined by the NewCo board to be independent within the meaning of applicable securities laws by virtue of his service on completion of the Arrangement as the President and Chief Executive Officer of NewCo.

Summary of Codes, Position Descriptions and Charters

The following is a summary of the anticipated terms of each of the Code of Conduct and Ethics, Board Charter, position descriptions and charters of the Audit Committee, Reserves Committee, Compensation Committee and N&CG Committee anticipated to be approved by the NewCo Board following completion of the Merger.

Code of Conduct and Ethics

It is anticipated that the Code of Conduct and Ethics will provide that the failure by any officer, director or employee of NewCo to comply with its terms may be cause for disciplinary action, up to and including dismissal, and the consultants retained by NewCo will generally be required to abide by the Code of Conduct and Ethics.

The Code of Conduct and Ethics is anticipated to address, in respect of NewCo: (a) conflicts of interest; (b) full, fair and accurate disclosure; (c) compliance with laws, rules and regulations, including those related to bribery, tax matters, environmental and safety regulations and equal opportunity, non-discrimination and fair employment; (d) prohibited accounting practices; (e) reporting illegal or unethical behavior; (f) compliance and discipline; (g) corporate opportunities; (h) other employment; (i) fair dealing and moral and ethical standards; (j) confidentiality; (k) insider trading; (l) contributions, including corporate political contributions, individual political contributions and individual charitable contributions; (m) waiver; and (n) periodic review and supplementation of the Code of Conduct and Ethics.

Board Charter

The Board Charter is anticipated to promote the effective functioning of the NewCo Board and its committees, to promote the interests of NewCo Shareholders and to ensure a common set of expectations concerning how the NewCo Board, its committees and management should perform their respective functions.

The Board Charter is anticipated to address: (a) the role of the NewCo Board and management; (b) the functions of the NewCo Board; (c) the establishment of certain committees of the NewCo Board; (d) the selection of directors; (e) the qualifications of directors; (f) independence standards for directors; (g) the independence of the members of certain committees of the NewCo Board; (h) director responsibilities; (i) meetings of non-management directors and the role of the presiding director; (j) the setting of agendas by the NewCo Board or any of its committees; (k) ethics and conflicts of interest; (l) compensation of directors; (m) self-evaluation; (n) succession planning; (o) access to independent advisors; (p) director orientation and education; and (q) a majority voting policy.

Audit Committee Charter

The Audit Committee is anticipated to: (a) oversee the integrity of: (i) NewCo's financial statements; (ii) NewCo's financial reporting process, systems of internal accounting and financial controls and compliance with legal and regulatory requirements; (iii) the independent auditors' qualifications and independence; and (iv) the performance of NewCo's independent auditors; and (b) be responsible for maintaining free and open communication among the members of the Audit Committee, the directors, the independent auditors and management.

The Audit Committee Charter is anticipated to contemplate that the Audit Committee will, among other things: (a) be directly responsible for the appointment, termination, compensation and oversight of the independent auditors engaged to audit NewCo's financial statements; (b) approve all auditing engagements and all non-audit engagements of NewCo's independent auditors; (c) set clear hiring policies for employees or former employees of NewCo's independent auditors that satisfy applicable securities laws; (d) review the scope of and plans for the respective audits and timely quarterly reviews for the current year and the procedures to be used by NewCo's independent auditors and financial management; (e) review the annual audit directly with NewCo's independent auditors and report the results of such annual audit to the NewCo Board; (f) at least annually, review the adequacy and

effectiveness of NewCo's accounting and financial controls and elicit recommendations from NewCo's independent auditors and financial and accounting personnel for the improvement of such controls and procedures; (g) review related reports and analyses prepared by NewCo's independent auditors and management and review with such parties their judgments about the quality of accounting principles and the degree of aggressiveness or conservatism of NewCo's accounting principles and underlying estimates; (h) review reports received from regulators and legal, accounting and regulatory initiatives that may have a material effect on NewCo's financial statements or related compliance policies; (i) review the annual audited and quarterly financial statements with NewCo's independent auditors and management prior to filing such documents with applicable regulatory authorities; (j) periodically meet separately with management and with NewCo's independent auditors to discuss issues and concerns; (k) establish procedures for the receipt, retention and treatment of complaints received by NewCo regarding accounting, internal accounting controls, and the confidential, anonymous submission by employees of concerns about questionable accounting or auditing matters; (l) discuss with NewCo's management and independent auditors NewCo's major financial risk exposures and the steps management has taken to monitor and control such exposures; and (m) regularly review with NewCo any issues that arise with respect to the quality or integrity of NewCo's financial statements, compliance with legal or regulatory requirements, performance and independence of NewCo's independent auditors.

Reserves Committee Charter

It is anticipated that the charter governing the Reserves Committee will include the provisions noted below.

The primary responsibilities of the Reserves Committee will include: (a) reviewing the qualifications and appointment of the qualified reserves evaluator or auditor who reports on reserves data; (b) reviewing NewCo's procedures relating to the disclosure of information with respect to oil and gas reserves and valuation activities; (c) reviewing NewCo's procedures for providing information to the qualified reserves evaluator or auditor who reports on reserves data; (d) meeting with management and the qualified reserves evaluator or auditor who reports on reserves data to review the reserves and valuation data; (e) reviewing the value creation and capital investments associated with or relative to changes in reserves volumes; (f) reviewing and recommending to the NewCo Board for approval the content and filing of NewCo's Annual Statement of Reserves Data and Other Oil and Gas Information, and NewCo's Annual Report of Management and Directors on Oil and Gas Disclosure; and (g) obtain the full approval of the NewCo Board of the charter governing the Reserves Committee and review and assess such charter at least annually and otherwise as conditions require.

Compensation Committee Charter

It is anticipated that the charter governing the Compensation Committee will include the provisions noted below.

The Compensation Committee will meet on a regularly-scheduled basis at least once annually, and on such other occasions as its members may from time to time determine or as the Chief Executive Officer may request.

The Compensation Committee will discharge the responsibilities of the NewCo Board relating to executive compensation. In carrying out the foregoing, the Compensation Committee will: (a) assist the NewCo Board in identifying and evaluating potential candidates for executive positions and oversee the development of executive succession plans; (b) annually review and approve NewCo's goals and objectives relevant to compensation for the President and Chief Executive Officer and, based upon an evaluation of the Chief Executive Officer's performance in light of such goals and objectives, set the Chief Executive Officer's annual compensation; (c) annually review and approve the evaluation process and compensation structure for NewCo's executive officers and, based upon an evaluation of such corporate officers' performance, approve their annual compensation; (d) oversee management's decisions concerning the performance and compensation of NewCo's regional and division officers, and other employees, consultants and agents; (e) make recommendations to the NewCo Board concerning: (i) cash and equity-based compensation and benefits for non-management directors; and (ii) NewCo's incentive and equity based compensation plans; (f) approve the grant of incentive securities pursuant to equity-based compensation plans of NewCo in effect from time to time; (g) have authority, in its sole discretion, to retain or obtain the advice of, and terminate, a compensation consultant, legal counsel or other advisor, and be directly responsible for the appointment, determination of compensation and oversight of the work of any such compensation advisors retained thereby; and (h) review executive compensation disclosure.

N&CG Committee Charter

It is anticipated that the charter governing the N&CG Committee will include the provisions noted below.

The primary responsibilities of the N&CG Committee will include identifying qualified individuals to become members of the NewCo Board, selecting or recommending to the NewCo Board director nominees for each meeting of shareholders at which one (1) or more directors will be elected and for vacancies to be filled by the NewCo Board, and developing and recommending to the NewCo Board, and assisting the NewCo Board in implementing, NewCo's corporate governance principles.

In carrying out the foregoing, that the N&CG Committee will: (a) at least annually, consider the appropriate size of the NewCo Board, with a view to facilitating effective decision-making; (b) lead the search for individuals qualified to become members of the NewCo Board and select or recommend director nominees; (c) appoint or recommend to the NewCo Board the persons to serve on each other committee of the NewCo Board; (d) develop and recommend to the NewCo Board for its approval, and review on an annual or more frequent basis, the Board Charter and the Code of Conduct and Ethics; (e) subject to compliance with applicable laws and regulations, have the sole authority to waive provisions of the Code of Conduct and Ethics with respect to executive officers and directors; (f) review and evaluate, on an annual basis, the leadership structure of the NewCo Board in accordance with the Board Charter; (g) develop and recommend to the NewCo Board an annual self-evaluation process for itself and its committees, and oversee such annual self-evaluations as well as the evaluation of NewCo's management; (h) have sole authority to retain and terminate any search firm engaged to assist in identify director candidates; (i) maintain regular contact with NewCo's management without the presence in such meetings of other executive officers or non-independent directors; (j) have authority to retain outside counsel and any other advisors as the N&CG Committee deems appropriate in its sole discretion; (k) review and approve the participation by any officer or director on the NewCo Board of another for-profit company; and (l) review and approve any material transaction between NewCo and any director or executive officer or entity affiliated with such person.

Position Descriptions

It is anticipated that the NewCo Board will adopt the following position descriptions with the terms including those as summarized below.

- Chief Executive Officer – The Chief Executive Officer has overall business responsibility for NewCo, including responsibility for strategy and risk management, financial reporting and disclosure and compliance monitoring. The primary responsibilities of the Chief Executive Officer are expected to include: (a) providing overall leadership and vision in developing, in concert with the NewCo Board, NewCo's strategic direction and the tactics and business plans necessary to realize organizational objectives; and (b) managing the overall business of NewCo to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the NewCo Board, and financial and operational objectives are obtained.
- Chair of the NewCo Board – The Chair of the NewCo Board is responsible for facilitating interaction between the NewCo Board and management, working with and managing the NewCo Board, and managing relations with shareholders, other stakeholders and the public. The primary responsibilities of the Chair of the NewCo Board are expected to be to ensure that the NewCo Board is organized properly, functions effectively and meets its obligations and responsibilities in all aspects of its work, and to ensure effective relationships with directors, officers, securityholders, other stakeholders and the public.
- Chair of the Audit Committee – The Chair of the Audit Committee is responsible for: (a) coordinating the affairs of the Audit Committee; (b) acting as the main liaison between the Audit Committee and the NewCo Board; (c) providing independent, effective leadership to the Audit Committee, including with respect to matters related to: (i) committee governance; (ii) committee meetings; (iii) committee reporting; (iv) committee evaluation; (v) resource management; (vi) the retention, management, compensation and termination of independent advisors, including the external auditors; and (vii) managing relationships with

NewCo's management; and (d) fostering ethical and responsible decision making by the Audit Committee and its individual members.

- Chair of the Reserves Committee – The Chair of the Reserves Committee is responsible for: (a) coordinating the affairs of the Reserves Committee; (b) acting as the main liaison between the Reserves Committee and the NewCo Board; (c) providing independent, effective leadership to the Reserves Committee, including with respect to matters related to: (i) committee governance; (ii) committee meetings; (iii) committee reporting; (iv) committee evaluation; (v) resource management; and (vi) the retention, management, compensation and termination of independent advisors; and (viii) managing relationships with NewCo's management; and (d) fostering ethical and responsible decision making by the Reserves Committee and its individual members.
- Chair of the Compensation Committee – The Chair of the Compensation Committee is responsible for: (a) coordinating the affairs of the Compensation Committee; (b) acting as the main liaison between the Compensation Committee and the NewCo Board; (c) providing independent, effective leadership to the Compensation Committee, including with respect to matters related to: (i) committee governance; (ii) committee meetings; (iii) committee reporting; (iv) committee evaluation; (v) resource management; (vi) the retention, management, compensation and termination of independent advisors; and (vii) managing relationships with NewCo's management; and (d) fostering ethical and responsible decision making by the Compensation Committee and its individual members.
- Chair of the N&CG Committee – The Chair of the N&CG is responsible for: (a) coordinating the affairs of the N&CG Committee; (b) acting as the main liaison between the N&CG Committee and the NewCo Board; (c) providing independent, effective leadership to the N&CG Committee, including with respect to matters related to: (i) committee governance; (ii) committee meetings; (iii) committee reporting; (iv) committee evaluation; (v) resource management; (vi) the retention, management, compensation and termination of independent advisors; (vii) director orientation and education programs for the NewCo Board; and (viii) managing relationships with NewCo's management; and (d) fostering ethical and responsible decision making by the N&CG Committee and its individual members.

DIRECTOR AND EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

It is anticipated that the NewCo Board will, following completion of the Arrangement, meet to approve the director and executive compensation policies of NewCo. In anticipation of developing director and executive compensation policies for the NewCo Board to consider and approve, Lone Pine engaged Hugessen Consulting Inc., an independent consulting firm based in Canada that specializes in providing advice on director and executive compensation in Canada and the United States, as its independent advisor to review and provide advice regarding the long-term incentive compensation of the NewCo Board and the NewCo executive officers following completion of the Arrangement.

NewCo's compensation program is anticipated to be based on a "pay-for-performance" philosophy, which will support the creation of long-term value for NewCo Shareholders, and which will align directors' incentives and executive officers' incentives with NewCo Shareholders' interests, while also recognizing that NewCo's corporate performance will be dependent on retaining highly trained, experienced and committed directors, executive officers and employees who have the necessary skills, education, experience and personal qualities required to manage NewCo's business.

Executive Compensation Philosophy

It is anticipated that NewCo's executive compensation programs will be designed to attract, motivate and retain individuals of high caliber to serve as executive officers of NewCo, to achieve NewCo's anticipated strategic objectives, and to align the interests of NewCo's executive officers with the long-term interests of the NewCo Shareholders, as further described below:

- *Attract, motivate and retain:* Provide competitive compensation to attract, motivate and retain top talent as NewCo progresses its corporate objectives;
- *Pay for performance:* Target of median total direct compensation ("**TDC**") (cash + target short-term incentive plan + target long-term incentive plan) for median performance; incentive plans calibrated so that superior performance by NewCo and its directors, executive officers, employees and consultants, as applicable, results in above-market median compensation; conversely, performance below expectations results in below-market median compensation; and
- *Flexibility and risk management:* Sufficiently flexible to adapt to unexpected developments, ensuring continuity of operations and minimization of risk.

It is expected that NewCo will target TDC, specifically base salary and target short-term and long-term incentive awards (grant-date fair value), at the median relative to the pay comparator group, with above median pay realized for above median performance and below median pay realized for below median performance through incentive payouts.

Pay Comparator Group

NewCo is expected to use a pay comparator group in order to provide competitive market information to support pay level and pay mix decision-making, and to provide context regarding compensation design practices. It is expected that the comparator group will be based on the following selection criteria:

- *Issuers:* Oil & gas exploration and production companies;
- *Market Capitalization:* Between approximately 0.5x and 3x that of NewCo on a *pro forma* basis as at December 31, 2015;
- *Revenue (Last Twelve Months):* Between approximately 0.5x and 2x that of NewCo on a *pro forma* basis as at December 31, 2015;
- *Headquarters:* Headquartered in Canada with a focus on companies with producing assets; and
- *Operating Location:* Companies comprising the comparator group will have Canadian production.

Executive Compensation Design and Mix

It is expected that NewCo will incorporate three (3) major elements into its executive compensation program: (a) base salary; (b) a short-term incentive plan; and (c) long-term incentive plans in the form of the NewCo Incentive Plans; with a significant portion of executive compensation linked to performance against NewCo's operational, financial, and strategic objectives under the short-term incentive plan, and relative total shareholder return and share price performance under the NewCo Incentive Plans.

Base Salary

It is expected that, on completion of the Arrangement, the annual base salaries for the current year of the following individuals holding the executive offices of NewCo noted below will be as follows:

- Tim S. Granger (President and Chief Executive Officer) – \$300,000;
- Mimi Lai (Vice President, Finance, Chief Financial Officer and Corporate Secretary) – \$245,750;
- Robert (Bob) Guy (Vice President, Operations) – \$240,000; and

- Tony van Winkoop (Vice President, Exploration) – \$235,000.

The expected base salary of Tim S. Granger as President and Chief Executive Officer of NewCo represents a \$120,000, or 28.6%, reduction from his current base salary as the President and Chief Executive Officer of Lone Pine. Mr. Granger elected to reduce his salary to ensure that his TDC was commensurate with Chief Executive Officers having equivalent industry experience and aligned with comparable salaries of Presidents and Chief Executive Officers in NewCo's anticipated peer group.

Mr. van Winkoop's employment agreement with Arsenal currently provides for a 'change of control' severance payment of \$540,500 that would be payable to him on completion of the Arrangement. In connection with his anticipated appointment and service as Vice President, Exploration of NewCo following completion, however, and subject to mutual agreement on the definitive terms and conditions thereof, Mr. van Winkoop has confirmed a willingness to forego one-half of this payment to \$270,250. See "*Part I – Interests of Arsenal Directors and Executive Officers in the Arrangement*" in the Circular.

Short-Term Incentive Plan

It is expected that, following completion of the Arrangement, NewCo will adopt a short-term incentive plan (the "**NewCo STIP**") with the objectives of providing an annual incentive plan framework that is performance-driven and focused on objectives that would be critical to its success, to offer competitive cash compensation opportunities to all of its employees, and to incent and reward outstanding achievement. NewCo intends for the NewCo STIP to provide incentive awards largely determined on the basis of its consolidated results on financial and operating performance measures and achievement of strategic goals, as well as departmental objectives and individual performance goals that vary between participants. Each of the following executive officers of NewCo are expected to be eligible to receive a target bonus under the NewCo STIP based upon a percentage of their base salary, as follows:

- Tim S. Granger (President and Chief Executive Officer) – NewCo STIP target 70%;
- Mimi Lai (Vice President, Finance, Chief Financial Officer and Corporate Secretary) – NewCo STIP target 50%;
- Robert (Bob) Guy (Vice President, Operations) – NewCo STIP target 50%; and
- Tony van Winkoop (Vice President, Exploration) – NewCo STIP target 50%.

The Compensation Committee is expected to be generally responsible for administering the NewCo STIP. Actual performance goals, standards, award determinations and any modifications to the design of the NewCo STIP are expected to be approved by the Compensation Committee following the completion of the Arrangement.

It is expected that the Compensation Committee will establish the threshold (50% of payout), target (100% of payout), above target (150% of payout) and outstanding (maximum of 200% of payout) performance levels for each of the performance measures and appropriate weightings with respect thereto. Any results that fall below threshold levels are expected to result in no payment for that measure. Actual payouts are linearly interpolated between threshold and maximum based on actual performance.

NewCo Incentive Plans

LPR Canada Shareholders and Arsenal Shareholders will be asked to approve the NewCo Incentive Plans at the Lone Pine Meeting and the Arsenal Meeting, respectively. See "*NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*" in Appendix K to the Circular for a description of each NewCo Incentive Plan. In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based, security-based compensation plan or an equity-based compensation plan, subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements.

The adoption of each NewCo Incentive Plan is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date hereof, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in the Circular.

The NewCo Stock Option Plan limits the number of NewCo Shares that may be issued on exercise of NewCo Options to 8% of the issued and outstanding NewCo Shares less the number of NewCo Shares issuable pursuant to all other security-based compensation arrangements (as such term is referred to in the policies and notices of the TSX) of NewCo and any of its subsidiaries. Notwithstanding the foregoing, any NewCo Shares reserved for issuance as at the Effective Date with respect to Replacement Lone Pine RSUs will be excluded from the foregoing limit. See "*Description of the NewCo Incentive Plans – NewCo Stock Option Plan – Certain Restrictions*" in Appendix K to the Circular.

It is anticipated that there will be approximately 7,818,449 NewCo Shares reserved for issuance under the NewCo Incentive Plans on Closing, representing 8% of the 97,730,618 NewCo Shares issued and outstanding on completion of the Arrangement. The number of NewCo Shares reserved for issuance under the NewCo Incentive Plans will increase to 7,911,673 on the settlement of the 1,165,294 Replacement Lone Pine RSUs on the 15th Business Day following Closing. The 887,055 NewCo Shares issuable on the exercise, vesting or settlement, as applicable, of 2016 NewCo Awards, comprising 770,629 NewCo Shares in respect of NewCo Options and 116,426 NewCo Shares in respect of NewCo PSUs, to be granted to current directors, officers and employees of Lone Pine who are each expected to continue in such capacities following the Effective Time, will each be granted pursuant to the NewCo Incentive Plan and will therefore count against the reserve.

It is anticipated that there will be approximately 2,931,919 NewCo Shares initially reserved for issuance under the NewCo Incentive Security Plan, issuable on vesting of NewCo RSUs and NewCo PSUs to be granted from time to time thereunder, including the 116,426 NewCo Shares issuable on settlement and vesting of that portion of the 2016 NewCo Awards that comprise NewCo PSUs. The NewCo Incentive Security Plan provides that: (a) the number of NewCo Shares reserved for issuance from treasury pursuant to NewCo RSUs and NewCo PSUs credited under the NewCo Incentive Security Plan shall, in the aggregate, not exceed 3% of the issued and outstanding NewCo Shares from time to time (which, for greater certainty, is included in the 8% maximum of NewCo Shares that may be reserved for issuance under the NewCo Incentive Plans).

It is also anticipated that on completion of the Arrangement, there will be approximately 1,382,327 NewCo Shares issuable in respect of the Replacement Lone Pine RSUs issuable to former LPR Canada Incentive Award Holders, of which: (i) 1,165,294 Replacement Lone Pine RSUs granted to former holders of LPR Canada Incentive Awards have vested and will be settled the 15th Business Day following Closing; and (ii) the remaining 217,033 Replacement Lone Pine RSUs will vest on January 31, 2017 and will subsequently be settled. Notwithstanding the foregoing, the NewCo Shares issuable in respect of Replacement Lone Pine RSUs will be excluded from the foregoing limit. See "*Description of the NewCo Incentive Plans – NewCo Incentive Security Plan – Certain Restrictions*" in Appendix K to the Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Following completion of the Arrangement, it is expected that there will exist no indebtedness of the directors or executive officers of NewCo, or any of their associates, to NewCo, nor any indebtedness of any of such persons to another entity which will be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by NewCo.

CONFLICTS OF INTEREST

Certain proposed officers and directors of NewCo are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the duties of such directors and officers of NewCo conflict with their interests as directors and officers of other companies, as applicable. The resolution of such conflicts is governed by applicable corporate laws, which require that NewCo's officers and directors act honestly, in good faith and with a view to the best interests of NewCo. Conflicts, if any, will be handled in a manner

consistent with the procedures and remedies set out in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose such director's interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

LEGAL PROCEEDINGS

The legal proceedings of each of Lone Pine and Arsenal will be the legal proceedings of NewCo or its subsidiaries on completion of the Arrangement. See "*Risk Factors – Claims, Litigation, Administrative Proceedings and Regulatory Actions*" in Appendix G to the Circular and "*Legal Proceedings and Regulatory Actions*" in Arsenal's AIF.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Circular, none of the proposed directors or executive officers of NewCo, or any person or company that will be the direct or indirect owner of, or will exercise control or direction of, more than 10% of the NewCo Shares, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction within the three (3) years before the date of the Circular or any proposed transaction that will materially affect NewCo. See "*Part II – General Proxy Matters – Interest of Informed Persons in Material Transactions*" in the Circular.

MATERIAL CONTRACTS

Neither Lone Pine nor Arsenal is a party to any contracts entered into outside the ordinary course of business, that, on completion of the Arrangement, will be material to NewCo, other than:

- *Lease Acquisition Capital Commitment Agreement.* On June 30, 2015, LPR Canada entered into a lease acquisition agreement (the "**Lease Acquisition Agreement**") for certain mineral leases covering approximately 69,000 net acres of undeveloped lands in the Wheatland area in southeast Alberta. The mineral leases generally have a primary term of three-years, with a three-year extension option. LPR Canada paid \$9.3 million of cash consideration for the lease agreements. Future production from the acquired leases will be subject to a 17.5% flat-rate royalty. Pursuant to the Lease Acquisition Agreement, LPR Canada has committed to annual capital expenditures of \$10 million for the period ending July 1, 2016, \$15 million for the period ending July 1, 2017 and \$20 million for the period ending July 1, 2018. If the amount of capital expenditures incurred for any commitment period exceeds the minimal amount, such excess will be applied to satisfy capital commitment in the subsequent commitment period. On or before July 1, 2017, if LPR Canada fails to drill or to elect to drill one well in a specific formation on certain lands ("**Specific Formation**"), LPR Canada will be required to surrender the leases pertaining to the Specific Formation immediately. In the event that LPR Canada made the election but does not drill by July 1, 2018, \$250,000 will be payable to the vendor. As of December 31, 2015, Lone Pine had incurred \$7.7 million relating the lease acquisition capital commitment; and
- *Farm-in Arrangement Capital Commitment.* Effective December 8, 2015, Lone Pine entered into a farm-in and option agreement (the "**Farm-In Arrangement**") to farm-in certain lands in the Wheatland area ("**Farm-In Lands**"). Prior to December 31, 2016, a minimum of \$20 million of drilling and completion capital expenditures must be incurred on the Farm-In Lands (the "**Gross Capital Commitment**"). Dependent upon the farmor's participation level, Lone Pine's share of the Gross Capital Commitment may be between 50% and 100%. The Gross Capital Commitment may be met by drilling a test well (an "**Earning Well**") in a targeted formation ("**Initial Earned Land**") or an additional well (an "**Option Well**") in the same geological formation in the offsetting half section ("**Offsetting Land**") of the Initial Earned Land. All Option Wells must be drilled prior to December 31, 2017. In exchange for drilling an Earning Well, Lone Pine will earn up to a maximum of 95% of the working interest in the Initial Earned Land. Lone Pine may earn up to 100% of the working interest in the Offsetting Land. The farmor may participate up to a 50% of working interest in each Earning Well and share capital expenditures accordingly. The farmor's participation in each Option Well will vary based on its working interest in the

corresponding Earning Well. As at December 31, 2015, Lone Pine had incurred \$2.3 million relating to the Farm-In Arrangement capital commitment.

RISK FACTORS

Risk factors related to the businesses of Lone Pine and Arsenal will generally continue to apply to NewCo following completion of the Arrangement and will not be affected by the Arrangement. On completion of the Arrangement, the business and operations of, and investment in NewCo, and completion of the Arrangement, will be subject to various risk factors set out under the headings "*Part I – Risk Factors*" in the Circular, "*Risk Factors*" in Appendix G to the Circular and "*Risk Factors*" in Arsenal's AIF.

SCHEDULE "A"

***PRO FORMA* COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

Prairie Provident Resources Inc. (NewCo)

Pro forma Statement of Financial Position

As at March 31, 2016

(Unaudited) (000s, Cdn \$)

	Prairie Provident Resources Inc. (NewCo)	Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd.	Arsenal Energy Inc. note 2	Removal of assets not acquired note 3 (c)	Adjusted Arsenal Energy Inc.	Pro forma adjustments	Notes	Prairie Provident Resources Inc. (NewCo) pro forma consolidated
Assets								
Cash and cash equivalents	-	4,175	406	3,067	3,473	-		7,648
Accounts receivable	-	5,092	3,801	295	4,096	-		9,188
Inventory	-	334	458	(337)	121	-		455
Prepaid expenses and other assets	-	1,044	382	-	382	-		1,426
Derivative instruments - current	-	10,371	-	-	-	-		10,371
Total current assets	-	21,016	5,047	3,025	8,072	-		29,088
Exploration and evaluation	-	53,360	1,114	-	1,114	3,877	3(a)	58,351
Property and equipment	-	116,725	142,657	(73,491)	69,166	11,635	3(a), 3(d)	197,526
Derivative instruments	-	3,930	-	-	-	-		3,930
Other assets	-	511	195	(195)	-	-		511
Total Assets	-	195,542	149,013	(70,661)	78,352	15,512		289,406
Liabilities								
Accounts payable and accrued liabilities	-	11,304	6,170	4,747	10,917	4,466	3(b)	26,687
Bank loan	-	-	14,000	(14,000)	-	-		-
Current portion of decommissioning liability	-	3,500	300	-	300	-		3,800
Derivative instruments - current	-	-	297	-	297	-		297
Total current liabilities	-	14,804	20,767	(9,253)	11,514	4,466		30,784
Bank loan	-	-	37,746	(37,746)	-	-		-
Flow-through share premium	-	-	302	-	302	(302)	3(a)	-
Derivative instruments	-	-	250	-	250	-		250
Preferred shares	-	159,522	-	-	-	(159,522)	3(e)	-
Preferred shares - conversion liability	-	26,450	-	-	-	(26,450)	3(e)	-
Decommissioning liabilities	-	64,639	37,018	(12,243)	24,775	11,419	3(a), 3(d)	100,833
Provision	-	-	-	-	-	3,297	3(a)	3,297
Deferred taxes	-	-	3,230	(3,230)	-	-		-
Other liabilities	-	897	-	-	-	-		897
	-	266,312	99,313	(62,472)	36,841	(167,092)		136,061
Shareholders' Equity								
Share capital	-	73,912	155,988	-	155,988	(76,555)	3(a), 5	153,345
Contributed surplus	-	1,024,718	11,824	-	11,824	(1,036,542)	3(a), 3(f), 3(g)	-
Deficit	-	(1,169,687)	(126,739)	438	(126,301)	1,295,988	3(a), 3(b), 3(e), 3(f), 3(h)	-
Accumulated other comprehensive income (loss)	-	287	8,627	(8,627)	-	(287)	3(f)	-
Total Equity	-	(70,770)	49,700	(8,189)	41,511	182,604		153,345
Total Liabilities and Shareholders' Equity	-	195,542	149,013	(70,661)	78,352	15,512		289,406

See accompanying notes to the pro forma consolidated financial statements

Prairie Provident Resources Inc. (NewCo)

Pro forma Consolidated Statements of Income (Loss)

For the three months ending March 31, 2016

(Unaudited) (000s except per share amounts, Cdn \$)

	Prairie Provident Resources Inc. (NewCo)	Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd.	Arsenal Energy Inc. note 2	Removal of assets not acquired note 4 (f)	Adjusted Arsenal Energy Inc.	Pro forma adjustments	Notes	Prairie Provident Resources Inc. (NewCo) pro forma consolidated
Petroleum and natural gas revenue	-	7,203	7,570	(4,375)	3,195	-		10,398
Royalties	-	(649)	(1,667)	1,037	(630)	-		(1,279)
Oil and natural gas revenue, net of royalties	-	6,554	5,903	(3,338)	2,565	-		9,119
Unrealized gain (loss) derivative instruments	-	852	69	-	69	-		921
Realized gain (loss) on derivative instruments	-	3,585	(71)	-	(71)	-		3,514
	-	10,991	5,901	(3,338)	2,563	-		13,554
Expenses								
Operating	-	6,430	4,432	(2,413)	2,019	-		8,449
General and administration	-	2,704	1,359	-	1,359	-		4,063
Depletion and depreciation	-	4,658	4,469	(2,620)	1,849	233	4(a)	6,740
Exploration and evaluation	-	26	149	-	149	(23)	4(b)	152
Loss (gain) on sale of properties	-	-	(126)	126	-	-		-
Impairment loss (recovery)	-	(125)	-	-	-	-		(125)
Loss (gain) on foreign exchange	-	(10,648)	1,542	(1,542)	-	10,656	4(d)	8
Finance costs	-	4,473	853	(697)	156	(3,951)	4(c)	678
Reorganization	-	276	-	-	-	-		276
	-	7,794	12,678	(7,146)	5,532	6,915		20,241
Income (Loss) before tax	-	3,197	(6,777)	3,808	(2,969)	(6,915)		(6,687)
Taxes								
Current taxes (recovery)	-	-	-	-	-	-		-
Deferred taxes (recovery)	-	-	(998)	984	(14)	-	4(e)	(14)
Net income (loss)	-	3,197	(5,779)	2,824	(2,955)	(6,915)		(6,673)
Income (loss) per share:								
Basic and diluted								\$ (0.07)

See accompanying notes to the pro forma consolidated financial statements

Prairie Provident Resources Inc. (NewCo)

Pro forma Consolidated Statements of Income (Loss)

For the year ending December 31, 2015

(Unaudited) (000s except per share amounts, Cdn \$)

	Prairie Provident Resources Inc. (NewCo)	Lone Pine Resources Inc. and Lone Pine Resources Canada Ltd.	Arsenal Energy Inc. note 2	Removal of assets not acquired note 4 (f)	Adjusted Arsenal Energy Inc.	Pro forma adjustments	Notes	Prairie Provident Resources Inc. (NewCo) pro forma consolidated
Petroleum and natural gas revenue	-	39,335	55,082	(32,698)	22,384	-		61,719
Royalties	-	(2,190)	(11,501)	7,960	(3,541)	-		(5,731)
Oil and natural gas revenue, net of royalties	-	37,145	43,581	(24,738)	18,843	-		55,988
Unrealized gain (loss) derivative instruments	-	(6,843)	(12,366)	-	(12,366)	-		(19,209)
Realized gain (loss) on derivative instruments	-	16,785	14,825	-	14,825	-		31,610
	-	47,087	46,040	(24,738)	21,302	-		68,389
Expenses								
Operating	-	15,959	21,893	(10,865)	11,028	-		26,987
General and administration	-	12,430	3,405	-	3,405	-		15,835
Depletion and depreciation	-	21,436	26,707	(16,461)	10,246	1,046	4(a)	32,728
Exploration and evaluation	-	545	3,409	-	3,409	(2,856)	4(b)	1,098
Loss (gain) on sale of properties	-	197	1,467	-	1,467	-		1,664
Impairment loss (recovery)	-	13,298	57,841	(48,340)	9,501	-		22,799
Loss (gain) on foreign exchange	-	25,498	(6,698)	6,698	-	(25,579)	4(d)	(81)
Finance costs	-	16,145	3,267	(2,501)	766	(13,821)	4(c)	3,090
Reorganization	-	1,415	-	-	-	-		1,415
	-	106,923	111,291	(71,469)	39,822	(41,210)		105,535
Income (Loss) before tax	-	(59,836)	(65,251)	46,731	(18,520)	41,210		(37,146)
Taxes								
Current taxes	-	58	(168)	168	-	-		58
Deferred taxes (recovery)	-	-	(21,103)	19,468	(1,635)	-	4(e)	(1,635)
Net income (loss)	-	(59,894)	(43,980)	27,095	(16,885)	41,210		(35,569)
Income (loss) per share:								
Basic and diluted								\$ (0.36)

See accompanying notes to the pro forma consolidated financial statements

Prairie Provident Resources Inc. (NewCo)
Notes to the Pro forma Consolidated Financial Statements
As at and for the three months ended March 31, 2016 and for the year ended December 31, 2015
(Unaudited)

1. Basis of presentation

The accompanying unaudited pro forma consolidated statement of financial position of Prairie Provident Resources Inc. (“NewCo” or the “Company”), as at March 31, 2016 and the unaudited pro forma consolidated statements of income (loss) for the three months ended March 31, 2016 and the year ended December 31, 2015 (the “unaudited pro forma consolidated financial statements”) have been prepared by management to reflect the proposed plan of arrangement (the “Arrangement” or “Transaction”) involving the following key steps:

- Issuance of 13.9 million NewCo common shares (the “NewCo Shares”) to the shareholders of Lone Pine Resources Canada Ltd. (“LPR Canada”) in exchange for all LPR Canada common shares;
- Issuance of 60.9 million NewCo Shares in exchange for all LPR Canada preferred shares;
- Amalgamation of Lone Pine Resources Inc. (“Lone Pine Resources”, together with LPR Canada, “Lone Pine”) with a wholly-owned subsidiary of NewCo, whereby NewCo will become the sole owner of the amalgamated company. The outstanding Lone Pine Resources common shares will be cancelled without any consideration; and
- The acquisition (the “Acquisition”) of all of the issued and outstanding common voting shares (“Arsenal Shares”) of Arsenal Energy Inc. (“Arsenal”) with NewCo common shares pursuant to a plan of arrangement in accordance with the terms and conditions of an arrangement agreement dated June 23, 2016.

The Transaction is expected to close on or about September 12, 2016 (the “Effective Date”).

The exchange of NewCo common shares for LPR Canada preferred shares and LPR Canada common shares, and the amalgamation of NewCo’s wholly owned-subsiary with Lone Pine Resources are not considered business combinations as there is no change of economic substance and no change to the shareholder group resulting from the transaction. Accordingly, the consolidated financial statements of NewCo will be prepared as a continuation of LPR Canada and Lone Pine Resources’ consolidated and combined financial statements.

The Acquisition has been accounted for as a business combination using the acquisition method of accounting whereby NewCo is deemed to be the acquirer of the remaining Arsenal business and the assets and liabilities assumed are recorded at their fair values with the excess of the aggregate consideration, also recorded at fair value, over the fair value of the identifiable net assets allocated to goodwill or, in the case where the fair value of the identifiable net assets exceeds the consideration, recognition of a gain on acquisition. The fair values of the net assets acquired and liabilities assumed will be finalized subsequent to the closing of the Transaction. The consideration paid for Arsenal will be subject to further refinement as the value of the NewCo Shares issued is dependent on fair value estimation at the time of closing.

The unaudited pro forma consolidated financial statements also reflect the disposal of certain oil and natural gas assets of Arsenal prior to the Arrangement. The unaudited pro forma consolidated financial statements have been prepared from information derived from and should be read in conjunction with:

- The audited balance sheet of NewCo as at July 29, 2016;
- The audited combined and consolidated financial statements of Lone Pine, together with the accompanying notes thereto, as at and for the year ended December 31, 2015;
- The interim unaudited combined and consolidated financial statements of Lone Pine, together with the accompanying notes thereto, as at and for the three months ended March 31, 2016;

- The audited consolidated financial statements of Arsenal, together with the accompanying notes thereto, as at and for the year ended December 31, 2015; and
- The interim unaudited consolidated financial statements of Arsenal, together with the accompanying notes thereto, as at and for the three months ended March 31, 2016.

The line items in the unaudited pro forma consolidated financial statements have been prepared in all material respects using the accounting policies that are permitted by International Financial Reporting Standards (“IFRS”) as if those line items were presented as a part of a complete set of financial statements. Accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those disclosed in note 3 of Lone Pine’s audited annual combined and consolidated financial statements as at and for the year ended December 31, 2015.

The unaudited pro forma consolidated balance sheet gives effect to the Transaction and assumptions described herein as if they had occurred on March 31, 2016.

The unaudited pro forma consolidated statement of loss for the three months ended March 31, 2016 and the year ended December 31, 2015 give effect to the Transaction and assumptions as if they had occurred on January 1, 2015.

The unaudited pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the operating synergies and administrative cost savings that could result from the operations of the combined assets. Additionally, no adjustments have been made in the unaudited pro forma consolidated statements related to the anticipated issuance of options and performance share units under the NewCo incentive plan to be granted in connection and completion of the Arrangement.

The unaudited pro forma consolidated financial statements are presented in Canadian dollars.

2. Presentation adjustments:

The consolidated financial statements of Arsenal have been adjusted to conform to Lone Pine's presentation as follows:

Pro forma Statement of Financial Position
As at March 31, 2016
(Unaudited) (000s, Cdn \$)

	Arsenal Energy Inc.	Reclass	Arsenal Energy Inc. reclassified presentation
Assets			
Cash and cash equivalents	406	-	406
Accounts receivable	3,801	-	3,801
Inventory	458	-	458
Prepaid expenses and other assets	382	-	382
Derivative instruments - current	-	-	-
Total current assets	5,047	-	5,047
Reclamation deposit	195	(195)	-
Exploration and evaluation	1,114	-	1,114
Property and equipment	142,657	-	142,657
Derivative instruments	-	-	-
Other assets	-	195	195
Total Assets	149,013	-	149,013
Liabilities			
Accounts payable and accrued liabilities	6,077	93	6,170
Bank loan	14,000	-	14,000
Current portion of decommissioning liability	300	-	300
Incentive compensation liability	93	(93)	-
Derivative instruments - current	297	-	297
Total current liabilities	20,767	-	20,767
Bank loan	37,746	-	37,746
Flow-through share premium	302	-	302
Derivative instruments	250	-	250
Preferred shares	-	-	-
Preferred shares - conversion liability	-	-	-
Decommissioning liabilities	37,018	-	37,018
Deferred taxes	3,230	-	3,230
Other liabilities	-	-	-
	99,313	-	99,313
Shareholders' Equity			
Share capital	155,988	-	155,988
Contributed surplus	11,824	-	11,824
Deficit	(126,739)	-	(126,739)
Accumulated other comprehensive income (loss)	8,627	-	8,627
Total Equity	49,700	-	49,700
Total Liabilities and Shareholders' Equity	149,013	-	149,013

Pro forma Consolidated Statements of Income (Loss)
For the three months ending March 31, 2016
(Unaudited) (000s, Cdn \$)

	Arsenal Energy Inc.	Reclass	Arsenal Energy Inc. reclassified presentation
Petroleum and natural gas revenue	7,570	-	7,570
Royalties	(1,667)	-	(1,667)
Oil and natural gas revenue, net of royalties	5,903	-	5,903
Unrealized gain (loss) derivative instruments	69	-	69
Realized gain (loss) on derivative instruments	(71)	-	(71)
	5,901	-	5,901
Expenses			
Operating	4,432	-	4,432
General and administration	1,189	170	1,359
Depletion and depreciation	4,469	-	4,469
Exploration and evaluation	149	-	149
Loss (gain) on sale of properties	(126)	-	(126)
Impairment loss (recovery)	-	-	-
Loss (gain) on foreign exchange	1,542	-	1,542
Finance costs	612	241	853
Reorganization	-	-	-
Accretion of decommissioning obligations	241	(241)	-
Share-based compensation	170	(170)	-
	12,678	-	12,678
Income (Loss) before tax	(6,777)	-	(6,777)
Taxes			
Deferred taxes (recovery)	(998)	-	(998)
Net income (loss)	(5,779)	-	(5,779)

Pro forma Consolidated Statements of Income (Loss)
For the twelve months ending December 31, 2015
(Unaudited) (000s, Cdn \$)

	Arsenal Energy Inc.	Reclass	Arsenal Energy Inc. reclassified presentation
Petroleum and natural gas revenue	55,082	-	55,082
Royalties	(11,501)	-	(11,501)
Oil and natural gas revenue, net of royalties	43,581	-	43,581
Unrealized gain (loss) derivative instruments	(12,366)	-	(12,366)
Realized gain (loss) on derivative instruments	14,825	-	14,825
	46,040	-	46,040
Expenses			
Operating	21,893	-	21,893
General and administration	4,096	(691)	3,405
Depletion and depreciation	26,707	-	26,707
Exploration and evaluation	3,409	-	3,409
Loss (gain) on sale of properties	1,467	-	1,467
Exploration and evaluation impairment	2,025	(2,025)	-
Property, plant and equipment impairment	55,816	(55,816)	-
Impairment loss (recovery)	-	57,841	57,841
Loss (gain) on foreign exchange	(6,698)	-	(6,698)
Finance costs	2,159	1,108	3,267
Reorganization	-	-	-
Accretion of decommissioning obligations	1,108	(1,108)	-
Share-based compensation (recovery)	(691)	691	-
	111,291	-	111,291
Income (Loss) before tax	(65,251)	-	(65,251)
Taxes			
Current taxes (recovery)	(168)	-	(168)
Deferred taxes (recovery)	(21,103)	-	(21,103)
Net income (loss)	(43,980)	-	(44,148)

3. Pro forma assumptions and adjustments – consolidated statement of financial position:

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments:

- a. Under the terms of the Transaction, NewCo will acquire all of the issued and outstanding Arsenal Shares including common shares exchanged for vested equity settled share-based incentive awards. As consideration, NewCo will issue an aggregate of 23,000,000 common shares in exchange for all of the outstanding Arsenal Shares. Each Arsenal Share will be exchanged for 1.14 NewCo Share for an aggregate acquisition cost of \$39.3 million. The NewCo Shares are fair valued, estimated with reference to the enterprise value of NewCo, subsequent to the share exchange with LPR Canada and Lone Pine Resources, based on the underlying assets and liabilities and confirmed through market trading multiples.

The preliminary estimates of the fair values of assets acquired and liabilities assumed relating to the Acquisition are as follows:

Arsenal Energy Inc.	
<u>(000s)</u>	
Allocation:	
Property and equipment	\$ 65,747
Exploration and evaluation assets	4,991
Working capital (deficiency)	(6,146)
Derivative liability	(547)
Decommissioning obligations	(21,440)
Contingent liability	(3,297)
Deferred tax liability	-
	<u>\$ 39,308</u>
Consideration:	
Shares issued	<u>\$ 39,308</u>
Goodwill	<u>\$ -</u>

The above fair values of the acquired assets and liabilities and consideration paid have been determined by the management of Lone Pine for the Transaction and are based on the best information management currently has available. These fair values are preliminary and subject to change as more information is obtained.

- b. Included as an adjustment to accounts payable and accrued liabilities are transaction costs of \$4.5 million, including \$3.3 million to be incurred by Arsenal and \$1.2 million to be incurred by Lone Pine. These costs include incurred and accrued closing costs, advisory costs, retention costs and change in control costs. An adjustment for Lone Pine's transaction costs has been included in the pro forma adjustments to deficit. Transaction costs have not been included in the unaudited pro forma consolidated statement of loss as they do not have a continuing impact on NewCo.
- c. Subsequent to March 31, 2016 and prior to the closing of the Transaction, Arsenal reached three binding agreements for the sale of certain oil and natural gas assets for aggregate cash proceeds of \$54.8 million, subject to customary closing conditions and adjustments. As such, Arsenal's statement of financial position has been adjusted for the removal of the related asset and liability balances as at March 31, 2016.

Adjustments made to working capital relate to sales proceeds receivable of \$0.1 million, reclassification of reclamation bonds of \$0.2 million from non-current asset to current asset, certain sold working capital items including inventory of \$0.3 million and accounts payable of \$1.1 million and the recognition of current income taxes payable of \$5.8 million due to taxable gain from the dispositions. No adjustments were made to reflect any potential future reduction in working capital items relating to the sold production.

Adjustments were also made to apply cash proceeds from the dispositions against Arsenal's outstanding bank loans.

- d. The fair value of the decommissioning liabilities acquired of \$21.4 million is based on a credit-adjusted discount rate of 5.25% (see note 3(a)). In accordance with Lone Pine's accounting policy, decommissioning liabilities are estimated using risk-free rates. The revaluation of the acquired decommissioning obligations from the credit-adjusted discount rate to the risk-free rates of 0.7% - 2.2% resulted in an incremental increase to the carrying values of property and equipment and decommissioning liabilities of \$15.1 million.
- e. Pursuant to the Arrangement, LPR Canada's outstanding preferred shares will be exchanged for NewCo Shares at an exchange ratio of 0.81, whereby 60.9 million NewCo shares will be issued. The preferred shares are presented as financial liabilities on Lone Pine's financial statements, as such, the settlement of the preferred shares with NewCo Shares results in the extinguishment of financial liabilities. The NewCo Shares are treated as consideration paid and measured at the fair value at the date of extinguishment. The estimated fair value of the NewCo shares is calculated with reference to the enterprise value of NewCo, subsequent to the share exchange with LPR Canada and Lone Pine Resources, based on the underlying consolidated assets and liabilities and confirmed through market trading multiples. The estimated fair value of NewCo common shares is \$1.71 per share, resulting in a pro forma increase in share capital of \$103.8 million. The actual fair value of Lone Pine shares issued will be determined upon the closing of the Arrangement and as such, may differ materially from the results herein. The preferred share liability and the preferred share conversion liability of \$159.5 million and \$26.5 million, respectively, were removed with pro forma adjustments. The difference between the carrying value of the extinguished liabilities and the fair value of share capital issued results in a gain on extinguishment of financial liabilities which should be recorded in the consolidated statement of loss. The gain is estimated to be \$82.2 million, however, has not been included in the unaudited pro forma consolidated statement of loss because such gain does not have a continuing impact on NewCo.
- f. The details of the Arrangement allow for the reduction of share capital upon the closing of the Arrangement, whereby the Company intends to offset its contributed surplus, deficit and accumulated other comprehensive income against share capital. The Company's share capital will be reduced for accounting purposes, without payment or reduction to the Company's, or its subsidiaries, stated capital or paid up capital. As such, a pro forma adjustment has been made to offset contributed surplus of \$1.0 billion, deficit of \$1.1 billion and accumulated other comprehensive income of \$0.3 million against share capital, resulting in a net decrease to share capital of \$66.9 million (see note 5).

- g. The following summaries the changes to contributed surplus at March 31, 2016:

Contributed Surplus	
(000s)	
Removal of Arsenal contributed surplus	\$ (11,824)
LPR Canada shares issued for vested Restricted Share Units (note 5(a))	(3,198)
Reduction of share capital (note 3(f))	(1,021,520)
Change in Contributed Surplus	\$ (1,036,542)

- h. The following summaries the changes to deficit at March 31, 2016:

Deficit	
(000s)	
Removal of Arsenal deficit	\$ 126,301
Lone Pine transaction Costs (note 3(b))	(1,165)
Gain on extinguishment of preferred shares (note 3(e))	82,163
Reduction of share capital (note 3(f))	1,088,689
Change in Deficit	\$ 1,295,988

4. Pro forma assumptions and adjustments – consolidated statements of income (loss):

The unaudited pro forma consolidated statements of income (loss) give effect to the following assumptions and adjustments:

- a. Depletion expense has been adjusted by \$0.3 million and \$1.3 million respectively for residual values estimated by Lone Pine as if Arsenal had been consolidated for the three months ending March 31, 2016 and the year ending December 31, 2015. The expense has also been adjusted to reflect the reduced depletion of \$0.1 million and \$0.3 million respectively that would have been incurred over the same periods as a result of decreasing the carrying value of Arsenal's property and equipment to the fair value determined in the purchase price allocation in note 3(a).
- b. Exploration and evaluation expense has been adjusted to add back expenditures on seismic assets that were expensed by Arsenal of a nominal amount and \$2.9 million respectively in the three months ended March 31, 2016 and the year ending December 31, 2015. In accordance with Lone Pine's accounting policies, these amounts would have been capitalized as exploration and evaluation assets rather than expensed.
- c. As a result of the settlement of LPR Canada's preferred shares with NewCo Shares (see note 3(e)), accretion expense pertaining to LPR Canada's preferred shares were removed from finance costs in the unaudited pro forma consolidated statements of loss of \$4.0 million and \$14.0 million respectively for the three months ended March 31, 2016 and the year ended December 31, 2015. The remaining adjustments to finance costs for the three months ended March 31, 2016 and the year ended December 31, 2015 relate to changes in accretion expenses resulting from the pro forma adjustments to the carrying value of the decommissioning obligations as disclosed in notes 3(a) and 3(d) and the adjustment to accretion on other provisions acquired as presented in the purchase price allocation in note 3(a).
- d. As a result of the settlement of LPR Canada's preferred shares with NewCo Shares (see note 3(e)), the unrealized foreign exchange gains and losses pertaining to LPR Canada's preferred shares of \$10.7 million

gain and \$25.6 million loss were removed in the unaudited pro forma consolidated statements of loss for the three months ended March 31, 2016 and the year ended December 31, 2015, respectively.

- e. The provision for deferred income taxes for the three months ended March 31, 2016 and the year ended December 31, 2015 has been calculated for the impact of the pro forma adjustments on the unaudited pro forma consolidated statements of income (loss) and has been calculated using a 27% effective deferred tax rate. Pro forma adjustments related to the removal of accretion expense and unrealized gains and losses on preferred shares (see notes 4(c) and 4(d)) do not have any impact to the deferred income taxes provision because they are considered permanent differences. The calculated deferred tax recovery of \$0.1 million for the three months ended March 31, 2016 and the deferred tax expense of \$0.4 million for the year ended December 31, 2015 were not recognized in the pro forma adjustments due to the tax attributes of the combined entity, as provisions for unrecognized deferred tax assets are expected to increase or decrease to eliminate the deferred tax expense or recovery.
- f. All income and expenses relating to assets not acquired as described in note 3(c) have been removed from the Arsenal unaudited pro forma consolidated statements of income (loss) for the three months ended March 31, 2016 and for the year ended December 31, 2015. The loss on sale of properties of \$0.1 million incurred for the three months ended March 31, 2016 relates to property sales as described in note 3(c) and was removed under the assumption that the dispositions occurred as at January 1, 2015. Losses on foreign exchange of \$1.5 million and gains on foreign exchange of \$6.7 million respectively were eliminated from the three months ended March 31, 2016 and the year ended December 31, 2015 as they relate to US properties that were not acquired. Finance expense has been adjusted for the presumed repayment of outstanding debt using the cash proceeds from dispositions had the dispositions occurred on January 1, 2015.

5. Pro Forma Share capital and weighted average shares outstanding:

(000s)	Number of Shares	Amount
Common shares:		
NewCo Shares, inception	-	-
Lone Pine Resources common shares, March 31, 2016	99,986	-
LPR Canada common shares, March 31, 2016	24,986	73,912
Lone Pine Combined and Consolidated common shares	124,972	73,912
Cancellation of Lone Pine Resources common shares (note 1)	(99,986)	-
Exchange of NewCo shares for LPR Canada common shares	(11,133)	-
NewCo Shares issued in exchange for Lone Pine common shares (note 1)	13,853	73,912
NewCo Shares issued for vested Restricted Share Units (note 5(a))	1,165	3,198
NewCo Shares issued upon conversion of Preferred Shares (note 3(e))	60,878	103,809
NewCo Shares, prior to Arsenal acquisition	75,896	180,919
NewCo Shares issued in exchange for Arsenal shares (note 3(a))	23,000	39,308
Reduction of consolidated share capital (note 3(f))	-	(66,882)
Pro Forma NewCo Shares, March 31, 2016	98,896	153,345
	Three months ended March 31, 2016	Twelve months ended December 31, 2015
Net loss for the period	(6,673)	(35,569)
Weighted average number of common shares - basic and diluted	98,896	98,896
Basic and diluted net loss per share	\$ (0.07)	\$ (0.36)

- a. A reclassification of \$3.2 million has been made between share capital and contributed surplus for common shares to be issued related to vested 2014 Lone Pine restricted share awards upon completion of the Arrangement. The common shares to be issued relate to restricted share units were fully vested prior to the closing of the Arrangement in accordance with Lone Pine's Employee Incentive Plan.

APPENDIX J

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA) – DISSENT RIGHTS, AND SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW – APPRAISAL RIGHTS (EFFECTIVE AUGUST 1, 2016)

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA) – DISSENT RIGHTS

Pursuant to the ABCA and the Interim Order, LPR Canada Shareholders and Arsenal Shareholders have the right to dissent in respect of the Arrangement. Such right of dissent is described in the Circular. The full text of Section 191 of the ABCA is set out below.

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under section 184 or 187,
- (d) be continued under the laws of another jurisdiction under section 189, or
- (e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or

- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),
to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
- (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
- (a) be made on the same terms, and
- (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
- (a) is not required to give security for costs in respect of an application under subsection (6), and
- (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
- (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the *Alberta Rules of Court*,,
- (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
- (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
- (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
- (f) the service of documents, and
- (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order

- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
- (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
- (c) fixing the time within which the corporation must pay that amount to a shareholder, and
- (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

Pursuant to the DGCL, LPRI Shareholders have appraisal rights in respect of the Arrangement. Such appraisal rights are described in the Circular. The full text of Section 262 of the DGCL is set out below.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title and, subject to paragraph (b)(3) of this section, § 251(h) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that, except as expressly provided in § 363(b) of this title, no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

- a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;
- b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;
- c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or
- d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 251(h), § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) In the event of an amendment to a corporation's certificate of incorporation contemplated by § 363(a) of this title, appraisal rights shall be available as contemplated by § 363(b) of this title, and the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as practicable, with the word "amendment" substituted for the words "merger or consolidation," and the word "corporation" substituted for the words "constituent corporation" and/or "surviving or resulting corporation."

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the provisions of this section, including those set forth in subsections (d), (e), and (g) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 251(h), § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to § 251(h) of this title, later than the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the

record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder. If immediately before the merger or consolidation the shares of the class or series of stock of the constituent corporation as to which appraisal rights are available were listed on a national securities exchange, the Court shall dismiss the proceedings as to all holders of such shares who are otherwise entitled to appraisal rights unless (1) the total number of shares entitled to appraisal exceeds 1% of the outstanding shares of the class or series eligible for appraisal, (2) the value of the consideration provided in the merger or consolidation for such total number of shares exceeds \$1 million, or (3) the merger was approved pursuant to § 253 or § 267 of this title.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, and except as provided in this subsection, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. At any time before the entry of judgment in the proceedings, the surviving corporation may pay to each stockholder entitled to appraisal an amount in cash, in which case interest shall accrue

thereafter as provided herein only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Court, and (2) interest theretofore accrued, unless paid at that time. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

APPENDIX K

NEWCO INCENTIVE PLAN RESOLUTION AND DESCRIPTION OF THE NEWCO INCENTIVE PLANS

NEWCO INCENTIVE PLAN RESOLUTION

1. the adoption of the NewCo Stock Option Plan by NewCo, as more particularly described in the Circular, and the reservation for issuance under the NewCo Stock Option Plan of a maximum of 8% (including within such maximum those reserved for issuance under the NewCo Incentive Security Plan) of the issued and outstanding NewCo Shares from time to time, such adoption and reservation to take effect not earlier than immediately following the completion of the Arrangement, is hereby authorized and approved;
2. the adoption of the NewCo Incentive Security Plan by NewCo, as more particularly described in the Circular, and the reservation for issuance under the NewCo Incentive Security Plan of a maximum of 3% of the issued and outstanding NewCo Shares from time to time, such adoption and reservation to take effect not earlier than immediately following the completion of the Arrangement, is hereby authorized and approved;
3. any one director or officer of NewCo is authorized to amend each NewCo Incentive Plan should such amendments be required by applicable regulatory authorities including, but not limited to, the TSX; and
4. any one director or officer of NewCo is authorized and directed, for and on behalf of and in the name of NewCo, to execute, with or without corporate seal, and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other things, as in the opinion of such director or officer may be necessary or desirable to give full effect to this resolution and the matters authorized and approved hereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such thing.

DESCRIPTION OF THE NEWCO INCENTIVE PLANS

LPR Canada Shareholders and Arsenal Shareholders will be asked to approve the NewCo Incentive Plans at the LPR Canada Meeting and the Arsenal Meeting. The NewCo Incentive Plan Resolution will be deemed to be approved if passed by a bare majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders who cast their vote at the respective and applicable Meeting and, for determination of the majority required to pass the NewCo Incentive Plan Resolution, each shareholder's vote will have been deemed to have been cast as such number of votes attached to its NewCo Shares to be received in connection with the Arrangement.

In the event that the NewCo Incentive Plan Resolution is not approved by the requisite majority, the NewCo Board will consider alternative long term incentive plan arrangements which may include a cash-only plan, a market-based security-based compensation plan or (subject to NewCo Shareholder approval at a subsequent meeting of NewCo Shareholders in accordance with TSX requirements) a securities-based compensation plan.

The adoption of the NewCo Incentive Plans is conditional on completion of the Arrangement; however, approval of the NewCo Incentive Plan Resolution is not a condition precedent to the completion of the Arrangement. As of the date of this Circular, the TSX has neither reviewed nor approved the NewCo Stock Option Plan or the NewCo Incentive Security Plan and any approval by the TSX of the NewCo Incentive Plans may be conditioned on revising the terms of the NewCo Incentive Plans summarized in this Appendix K.

Although approval for the adoption of the NewCo Incentive Plans is being sought at the Meetings, the NewCo Incentive Plans will only be adopted by, and become effective at a date to be determined by, the NewCo Board, which, in any event, will be no earlier than immediately following the completion of the Arrangement.

NewCo Stock Option Plan

The material terms of the NewCo Stock Option Plan are summarized below.

Administration

The NewCo Stock Option Plan permits the granting from time to time of NewCo Options to acquire NewCo Shares to directors, officers and employees of, and consultants to (individually, a "**Service Provider**" and collectively "**Service Providers**"), NewCo and its subsidiaries (collectively, the "**Corporate Group**"). The NewCo Stock Option Plan is administered by the NewCo Board. The NewCo Board may, to the extent permitted by law, and subject to regulatory approval, delegate any or all of its administrative responsibilities under the NewCo Stock Option Plan to any committee of the NewCo Board or any other one or more persons.

Number of Common Shares Reserved Under the NewCo Stock Option Plan

The NewCo Stock Option Plan limits the number of NewCo Shares that may be issued on exercise of NewCo Options to 8% of the issued and outstanding NewCo Shares less the number of NewCo Shares issuable pursuant to all other security-based compensation arrangements (as such term is referred to in the policies and notices of the TSX) of the Corporate Group. Any NewCo Shares, the NewCo Options in respect of which have been exercised, or which have expired or been terminated for any reason without having been exercised in full, shall be available for issue pursuant to subsequently granted NewCo Options. Notwithstanding the foregoing, any NewCo Shares reserved for issuance as at the Effective Date with respect to Replacement Lone Pine RSUs and 2016 NewCo Awards will be excluded from the foregoing limit. Pursuant to the TSX rules, shareholder approval with respect to all unallocated NewCo Options under the NewCo Stock Option Plan is required to be sought by NewCo every three (3) years following the initial adoption of the NewCo Stock Option Plan.

Exercise Price

The exercise price of NewCo Options shall not be lower than the volume-weighted average trading price of the NewCo Shares traded through the facilities of the TSX for the five (5) trading days on which the NewCo Shares traded immediately preceding the grant date (the "**Market Price**"). In the event the NewCo Shares are not then listed and

posted for trading on the TSX, the exercise price shall not be lower than the volume-weighted average trading price of the NewCo Shares on such stock exchange in Canada on which the NewCo Shares are then listed and posted for trading (as may be selected for such purpose by the NewCo Board) for the five (5) trading days on which the NewCo Shares traded immediately preceding the grant date. In the event the NewCo Shares are not listed and posted for trading on any stock exchange in Canada, the exercise price shall not be lower than the fair market value of the NewCo Shares as determined by the NewCo Board in its discretion, acting reasonably and in good faith.

No holder of NewCo Options shall be entitled to, offered or provided by NewCo any financial assistance of any kind for the purpose of exercising any NewCo Options granted pursuant to the NewCo Stock Option Plan.

Term and Vesting

Unless otherwise determined by the NewCo Board and subject to any other provisions of the NewCo Stock Option Plan which operate to shorten the term within which NewCo Options may be exercised, NewCo Options may be exercised for a term not exceeding five (5) years from the date of grant. Upon expiration, unexercised NewCo Options become null and void. The NewCo Board will set the vesting schedule of NewCo Options at the date of grant. It is anticipated that NewCo Options will be scheduled to vest at a rate of one-third on or about each of the first three (3) anniversary dates of the grant. It is expected that no grants will be made for any NewCo Options which are scheduled to vest less than one (1) year from the date of the grant.

Early Termination

If a holder of NewCo Options ceases to be a Service Provider:

- by reason of death, then all outstanding unvested NewCo Options granted to such holder will immediately and automatically vest and all outstanding vested NewCo Options will immediately be exercisable at any time up to and including (but not after) the earlier of: (a) the date which is 90 days following the date the holder ceased to be a Service Provider; and (b) the expiry date of such NewCo Options. Only the person(s) to whom the holder's rights under the NewCo Options pass by the holder's will, applicable law or by beneficiary designation in accordance with the NewCo Stock Option Plan, will have the right to exercise the holder's outstanding and unvested and vested NewCo Options in accordance with the foregoing;
- by reason of permanent disability, then (a) all NewCo Options granted to such holder which are vested NewCo Options will remain outstanding and exercisable in accordance with their terms and (b) a pro-rated proportion of all NewCo Options granted to such holder which are not vested shall become vested based on a fraction, the numerator of which is the number of days between the grant date of the NewCo Options and the date the holder ceased to be a Service Provider; and the denominator of which is the number of days between the grant date and the date on which the NewCo Options would have otherwise vested;
- by reason of termination for cause, then all unvested NewCo Options held by such holder will be forfeited and rendered null and void and all vested NewCo Options shall immediately be exercisable at any time up to and including (but not after) the earlier of: (a) the date which is 90 days following the date the holder ceased to be a Service Provider; and (b) the expiry date of such NewCo Options; or
- by any reason other than the death, permanent disability or termination for cause, then all unvested NewCo Options held by such holder will be forfeited and rendered null and void (subject to the discretion of the NewCo Board to permit continued vesting of unvested NewCo Options over the applicable notice period), and such holder will have the right to exercise part or all of his or her outstanding vested NewCo Options at any time up to and including (but not after) the earlier of: (a) the date which is 90 days following the date that such holder ceased to be a Service Provider; and (b) the expiry date of the vested NewCo Options.

Transfers and Assignments

NewCo Options may not be transferred or assigned, other than for normal estate settlement purposes. Subject to the requirements of applicable law, a holder may designate in writing an individual who is a dependent or relation of the

holder as a beneficiary to receive the right, upon the death of such holder, to exercise part or all of the holder's outstanding and vested NewCo Options at any time up to and including (but not after) the expiry date of the NewCo Options. The holder may, subject to applicable laws, alter or revise such designation from time to time.

Adjustments in Connection with Share Capital Alterations

Appropriate adjustments in the number of NewCo Shares subject to the NewCo Stock Option Plan and, with respect to NewCo Options granted or to be granted, in the respective numbers of NewCo Shares optioned and in the respective exercise prices, will be made by the NewCo Board to give effect to adjustments in the number of NewCo Shares resulting from subdivisions or consolidations of the NewCo Shares or the payment of dividends in kind of NewCo Shares by NewCo (other than dividends in kind of NewCo Shares paid in lieu of cash dividends in the ordinary course) or to give effect to reclassifications or conversions of the NewCo Shares or any other relevant changes in the authorized or issued capital of NewCo or any other event in respect of which, in the opinion of the NewCo Board, such an adjustment would be necessary to preserve the holder's rights under the NewCo Stock Option Plan and the holder's NewCo Options; provided that no Option shall be adjusted to result in the issuance of a fractional Common Share and all fractions shall be rounded down.

Adjustment in Connection with Certain Corporate Events

Except in the case of a transaction that is, or if completed in accordance with its terms would result in, a Change of Control (as that term is defined under the heading "*Acceleration of Vesting on Change of Control*" below) of NewCo, if NewCo enters into any transaction or series of transactions whereby NewCo or all or substantially all of the assets of NewCo would become the property of any other trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction, then NewCo and the Successor will execute such instruments and do such things as the NewCo Board may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of NewCo under the NewCo Stock Option Plan and the related option agreements outstanding on consummation of such transaction. Any such Successor will succeed to, and be substituted for, and may exercise every right and power of NewCo under the NewCo Stock Option Plan and the related option agreements with the same effect as though the Successor had been named as NewCo in the NewCo Stock Option Plan and the related option agreements, and thereafter NewCo will be relieved of all obligations and covenants under the NewCo Stock Option Plan and such related option agreements and the obligations of NewCo to the holders of NewCo Options in respect of the NewCo Options shall terminate and such holders shall cease to have any further rights in respect thereof.

Acceleration of Vesting on Change of Control

Upon the occurrence of a Change of Control (defined below), the surviving or acquiring entity (the "**Continuing Entity**") shall, to the extent commercially reasonable, take all necessary steps to continue the NewCo Stock Option Plan and to continue the NewCo Options granted and outstanding thereunder or to substitute or replace similar options measurable in value to the securities in the Continuing Entity for the NewCo Options outstanding under the NewCo Stock Option Plan on substantially the same terms and conditions as the NewCo Stock Option Plan. In the event that: (a) the Continuing Entity does not (or, upon the occurrence of the Change of Control, will not) comply with the provisions of the NewCo Stock Option Plan; (b) the NewCo Board determines, acting reasonably, that compliance with the NewCo Stock Option Plan is not practicable; (c) the NewCo Board determines, acting reasonably, that compliance with the NewCo Stock Option Plan would give rise to adverse tax results under the Tax Act to holders of NewCo Options; or (d) the securities of the Continuing Entity are not (or, upon the occurrence of the Change of Control, will not be) listed and posted for trading on a recognizable stock exchange; then, unless otherwise determined by the NewCo Board prior to the date of the Change of Control, all outstanding NewCo Options, whether vested or not, shall, effective as of 11:59 p.m. on the Business Day preceding the Change of Control, immediately and automatically (but conditional on the completion of the Change of Control) be deemed to have been surrendered by the holder in consideration for the issuance from treasury of a whole number of NewCo Shares subject to the NewCo Option having a value equal to the difference between the exercise price of the NewCo Option and the fair market value of the NewCo Shares, as determined by the NewCo Board in good faith with reference to the deemed or implied per NewCo Share value of the NewCo Shares under the transaction constituting the Change of Control, less any applicable withholding taxes.

If a Change of Control occurs and a holder of options granted in respect of NewCo Options outstanding immediately prior to the occurrence of the Change of Control ceases to be a Service Provider by reason of constructive dismissal within 12 months of the occurrence of the Change of Control or by termination by any member of the Corporate Group or by the entity that has entered into a valid and binding agreement with NewCo and/or other members of the Corporate Group to effect the Change of Control at any time after such agreement is entered into or during the period commencing on the date of the Change of Control and ending 12 months after the date of the Change of Control and such termination was for any reason other than for cause, then: (a) all outstanding unvested options granted by the Continuing Entity in respect of NewCo Options held by such holder on the occurrence of the Change of Control shall immediately and automatically vest; and (b) all outstanding vested options granted by the Continuing Entity in respect of NewCo Options held by such holder on the occurrence of the Change of Control shall, immediately upon the date the holder ceases to be a Service Provider, be exercisable in accordance with their terms.

A "**Change of Control**" occurs upon the happening of any of the following: (a) the acceptance by NewCo Shareholders, representing more than 50% of the outstanding NewCo Shares, of any offer for any or all of the NewCo Shares; (b) the acquisition by whatever means by a person or persons acting jointly or in concert, directly or indirectly, of the beneficial ownership of, or control or direction over, together with such person's then owned NewCo Shares and rights to acquire NewCo Shares, if any, representing more than 50% in aggregate of all issued and outstanding NewCo Shares (other than pursuant to certain *bona fide* reorganizations); (c) the passing of a resolution by the NewCo Shareholders to substantially liquidate the assets or wind-up or significantly rearrange the affairs of NewCo (other than pursuant to certain *bona fide* reorganizations); (d) the sale by NewCo of all or substantially all of its assets (other than to an affiliate of NewCo); (e) individuals who were proposed as nominees to become directors of NewCo immediately prior to a meeting of the NewCo Shareholders involving a contest for, or an item of business relating to, the election of directors of NewCo, not constituting a majority of the directors of NewCo following such election; or (f) any other event which, in the opinion of the NewCo Board, reasonably constitutes a change of control of NewCo.

In the event that the NewCo Board passes a resolution approving, or NewCo enters into an agreement providing for a transaction which, if completed, would constitute a Change of Control, the NewCo Board may at its discretion resolve to permit holders of NewCo Options to exercise all unexercised vested and unvested NewCo Options, conditional upon the occurrence of the Change of Control, for the purpose of, as applicable, tendering the underlying NewCo Shares to the take-over bid or voting such NewCo Shares in respect of the resolution(s) pertaining to the transaction that would give rise to the Change of Control.

Blackout Period

In the event that a NewCo Option expires: (a) during the period within which the holder is prohibited from exercising or trading securities of NewCo due to trading restrictions imposed by NewCo on such holder (the "**Blackout Period**"); or (b) within three (3) business days after the expiry of the Blackout Period, then the expiry date for that NewCo Option will be the date that is the tenth business day after the expiry of the Blackout Period.

Amendments

The NewCo Stock Option Plan specifies that the NewCo Board shall have the power and authority to discontinue the NewCo Stock Option Plan and to approve amendments to the NewCo Stock Option Plan or to NewCo Options, without the approval of NewCo Shareholders including, without limitation, for any of the following types of amendments: (a) amendments for the purpose of curing any ambiguity, error or omission in the NewCo Stock Option Plan or to correct or supplement any provision of the NewCo Stock Option Plan that is inconsistent with any other provision of the NewCo Stock Option Plan; (b) amendments necessary to comply with applicable law or the requirements of any stock exchange on which the NewCo Shares are listed; (c) amendments respecting administration of the NewCo Stock Option Plan; (d) amendments of a "housekeeping" nature; (e) the addition of any form of financial assistance for holders of NewCo Options; (f) changes to the terms and conditions on which NewCo Options may be or have been held pursuant to the NewCo Stock Option Plan, including a change to, or acceleration of, the vesting provisions of NewCo Options; (g) amendments to the treatment of NewCo Options on ceasing to be a Service Provider; and (h) a change to the termination provisions of NewCo Options or the NewCo Stock Option Plan which does not entail an extension beyond the original expiry date.

The NewCo Stock Option Plan also specifies amendments that require shareholder approval, including: (a) increasing the maximum number of NewCo Shares issuable pursuant to the NewCo Stock Option Plan; (b) reducing the exercise price of any NewCo Option or cancelling a NewCo Option and subsequently issuing the holder of such NewCo Option a new NewCo Option in replacement thereof; (c) extending the term of a NewCo Option, (d) modifying or amending the NewCo Stock Option Plan to permit NewCo Options to be transferable or assignable, other than for normal estate settlement purposes; (e) adding to the categories of eligible Service Providers under the NewCo Stock Option Plan; (f) removing or amending the NewCo Stock Option Plan Insider Participation Restrictions; (g) amending the amendment provisions of the NewCo Stock Option Plan; and (h) any other amendment to the NewCo Stock Option Plan where shareholder approval is required by the TSX.

Subject to the above, the NewCo Board may add to, delete from, alter or otherwise amend the provisions of the NewCo Stock Option Plan or any NewCo Options held thereunder or terminate the NewCo Stock Option Plan, provided that: (a) no amendment may, without the written consent of the holder of a NewCo Option, materially and adversely impair, alter or amend any NewCo Option previously granted to such holder; and (b) a termination of the NewCo Stock Option Plan shall not derogate from the rights of holders of NewCo Options held prior to the date of such termination, unless otherwise consented to by such holders.

Clawback/Recoupment Policy

All NewCo Options granted under the NewCo Stock Option Plan shall be and remain subject to any incentive compensation clawback or recoupment policy as in effect from time to time.

Insider Participation Limits

The NewCo Stock Option Plan contains the following limitations: (a) the aggregate number of NewCo Shares issuable to insiders (as such term is referred to in the policies and notices of the TSX) under the NewCo Stock Option Plan and all other security-based compensation arrangements of the Corporate Group shall not exceed 10% of the issued and outstanding NewCo Shares; and (b) during any one-year period, the aggregate number of NewCo Shares issued to insiders under the NewCo Stock Option Plan and all other security-based compensation arrangements of the Corporate Group shall not exceed 10% of the aggregate of the issued and outstanding NewCo Shares. The restrictions referred to in (a) and (b) above are referred to as the "**NewCo Stock Option Insider Participation Restrictions**". The NewCo Stock Option Plan Insider Participation Restrictions do not in any way increase the number of NewCo Shares issuable under the NewCo Stock Option Plan.

NewCo Incentive Security Plan

The material terms of the NewCo Incentive Security Plan are summarized below.

Administration

The NewCo Incentive Security Plan is administered by the NewCo Board, which has the sole and complete authority, in its discretion, to: (a) interpret the NewCo Incentive Security Plan and the agreements (the "**Grant Agreements**") under which NewCo RSUs or NewCo PSUs are granted and prescribe, modify and rescind rules and regulations relating to the NewCo Incentive Security Plan and the Grant Agreements; (b) correct any defect or supply any omission or reconcile any inconsistency in the NewCo Incentive Security Plan in the manner and to the extent it considers necessary or advisable for the implementation and administration of the NewCo Incentive Security Plan; (c) exercise rights reserved to NewCo under the NewCo Incentive Security Plan; (d) determine whether and the extent to which any performance criteria or other conditions applicable to the vesting of NewCo PSUs have been satisfied or shall be waived or modified; (e) prescribe forms for notices to be prescribed by NewCo under the NewCo Incentive Security Plan; and (f) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the NewCo Incentive Security Plan.

The NewCo Board may, to the extent permitted by law, and subject to regulatory approval, delegate any or all of its administrative responsibilities under the NewCo Incentive Security Plan to any committee of the NewCo Board or any other one or more persons.

Certain Restrictions

The NewCo Incentive Security Plan provides that the number of NewCo Shares reserved for issuance from treasury pursuant to NewCo RSUs and NewCo PSUs (collectively, "**Awards**" and individually, an "**Award**") credited under the NewCo Incentive Security Plan shall, in the aggregate, not exceed 3% of the issued and outstanding NewCo Shares from time to time. Notwithstanding anything contained herein, the NewCo Shares issuable in respect of Replacement Lone Pine RSUs will be excluded from the foregoing limits. If any rights to acquire NewCo Shares held under any other security-based compensation arrangements of a member of the Corporate Group shall be exercised, or shall expire or terminate for any reason without having been exercised in full, any unpurchased NewCo Shares to which such securities relate shall be available for the purposes of granting further securities under the NewCo Incentive Security Plan.

Non-executive directors will only be eligible to receive grants of NewCo RSUs under the NewCo Incentive Security Plan, and will not be eligible to receive grants of NewCo PSUs.

Pursuant to the TSX rules, NewCo is required to seek shareholder approval with respect to all unallocated Awards under the NewCo Incentive Security Plan every three (3) years following the initial adoption of the NewCo Incentive Security Plan.

Grant of Awards and Vesting

NewCo may from time to time grant Awards to directors, officers or employees of a member of the Corporate Group (each, a "**Participant**") in such numbers, at such times (the "**Grant Date**") and on such terms and conditions, consistent with the NewCo Incentive Security Plan, as the NewCo Board may in its sole discretion determine; provided, however, that no Awards will be granted after December 15 of a given calendar year. For greater certainty, the NewCo Board shall, in its sole discretion, determine any and all conditions to the vesting of any Awards granted to a Participant, which vesting conditions may be based on either or both of: (a) the Participant's continued employment with, work as a director of or provision of consulting services to, one (1) or more members of the Corporate Group; or (b) such other terms and conditions including, without limitation, performance criteria, as the NewCo Board may determine.

Subject to the terms of the NewCo Incentive Security Plan, the NewCo Board may determine other terms or conditions of any Awards, and shall specify the material terms thereof in the applicable Grant Agreement, which shall be in such form as prescribed by the NewCo Board from time to time. Without limiting the generality of the foregoing, such additional terms and conditions may include terms or conditions relating to: (a) the market price of the NewCo Shares; (b) the return to NewCo Shareholders, with or without reference to other comparable companies; (c) the financial performance or results of NewCo or a subsidiary thereof; (d) the achievement of performance criteria relating to NewCo or a subsidiary thereof; (e) any other terms and conditions the NewCo Board may in its discretion determine with respect to vesting or the acceleration of vesting; and (f) the vesting date, each of which shall be set out in a Grant Agreement. The conditions may relate to all or a portion of the Awards in a grant and may be graduated such that different percentages (which may be greater or lesser than 100%) of the Awards in a grant will become vested depending on the extent of satisfaction of one (1) or more such conditions. The NewCo Board may, in its discretion, subsequent to the Grant Date of an Award, waive any such term or condition or determine that it has been satisfied subject to applicable law.

Except as otherwise provided in the NewCo Incentive Security Plan, the number of Awards subject to each grant, the Expiry Date (defined below) of each Award, the vesting dates with respect to each grant of Awards and other terms and conditions relating to each such Award shall be determined by the NewCo Board. The NewCo Board may, in its discretion, subsequent to the time of granting Awards, permit the vesting of all or any portion of unvested Awards then outstanding and granted to the Participant under the NewCo Incentive Security Plan, in which event all such unvested Awards then outstanding and granted to the Participant shall be deemed to be immediately vested.

Awards granted under the NewCo Incentive Security Plan will, unless otherwise determined by the NewCo Board, and as specifically set out in the Grant Agreement: (a) as to NewCo RSUs, vest as to $\frac{1}{3}$ on each of the first and second anniversaries of the Grant Date, and the remaining $\frac{1}{3}$ shall vest on the earlier of: (a) the third anniversary of the Grant Date; and (b) December 15 of the third calendar year following the calendar year in respect of which the Awards are

granted (the "**Service Year**"); and (b) as to NewCo PSUs, vest in their entirety (subject to the performance conditions set out in the applicable Grant Agreement) on the earlier of: (i) the third anniversary of the Grant Date; and (ii) December 15 of the third calendar year following the Service Year in respect of which the Awards were granted.

Terms of Awards

The "**Expiry Date**" means, with respect to any Award, the date specified in an applicable Grant Agreement, if any, as the date on which the Award will be terminated and cancelled or, if later or no such date is specified in the Grant Agreement, December 15 of the third calendar year following the end of the applicable Service Year.

The "**Termination Date**" means, in respect of a Participant, the date that the Participant ceases to be any of: (a) a director of a member of the Corporate Group; or (b) actively employed by any member of the Corporate Group for any reason, without regard to any statutory, contractual or common law notice period that may be required by law following the termination of the Participant's employment or consulting relationship with any one (1) or more members of the Corporate Group. The NewCo Board will have sole discretion to determine whether a Participant has ceased to be a director, ceased active employment and the effective date on which the Participant ceased to be a director, or ceased active employment. A Participant that is a director or an employee of any member of the Corporate Group will be deemed not to have ceased to be a director an employee of any member of the Corporate Group in the case of a transfer of his or her directorship or employment relationship between members of the Corporate Group or if the Participant is on a leave of absence.

Subject to the paragraphs below, on a Participant's Termination Date, any Awards granted to such Participant which have not vested prior to the Participant's Termination Date will terminate and become null and void as of such date.

Where a Participant's Termination Date occurs for any reason other than death or permanent disability, or for cause, then all unvested Awards held by such Participant will be forfeited and rendered null and void (subject to the discretion of the NewCo Board to permit continued vesting of Awards over the applicable notice period).

Where a Participant's Termination Date occurs by reason of the death of the Participant, then all outstanding NewCo RSUs granted to such Participant which are not vested Awards shall immediately and automatically vest and all outstanding NewCo PSUs granted to such Participant which are not vested Awards shall become Vested Awards and be paid out assuming performance at the "target" level in respect of the performance criteria in respect of the Award. Where a Participant's Termination Date occurs by reason of death of the Participant, then only a beneficiary of the Participant shall have the right to be paid out in accordance with the NewCo Incentive Security Plan at any time up to and including (but not after) the Expiry Date of the Award.

Where a Participant's Termination Date occurs by reason of the permanent disability of the Participant, then: (a) a pro-rated proportion of the NewCo RSUs granted to such Participant which are not vested Awards shall become vested Awards, based on a fraction, the numerator of which is the number of days between the grant date of the NewCo RSUs and the Participant's Termination Date, and the denominator of which is the number of days between the grant date and the date on which the NewCo RSUs would have otherwise vested; and (b) all NewCo PSUs granted to such Participant that are not vested Awards shall remain outstanding until such time as NewCo can assess whether or not and to what degree the performance criteria set out in the applicable Grant Agreement have been satisfied, at which time, a pro-rated proportion of the maximum number of NewCo PSUs that would have become vested Awards had the Participant's termination not occurred will become vested Awards, based on a fraction, the numerator of which is the number of days between the grant date of the NewCo PSUs and the date the Participant's Termination Date, and the denominator of which is the number of days between the grant date and the date on which the NewCo PSUs would have otherwise vested.

Transfers and Assignments

Awards may not be transferred or assigned, other than for normal estate settlement purposes. Subject to the requirements of applicable law and a legally enforceable testamentary will of the holder, a Participant may designate in writing an individual who is a dependent or relation of the Participant as a beneficiary to receive any benefits that are payable under the NewCo Incentive Security Plan upon the death of the Participant. The Participant may, subject

to applicable laws and a legally enforceable testamentary will of the holder, alter or revise such designation from time to time. The original designation or any change thereto shall be in the form as the NewCo Board may from time to time determine.

Delivery of NewCo Shares

The "**Award Payment Date**" means such date selected by the NewCo Board on or after the vesting date of an Award, provided that such date shall not, in any event, extend beyond December 15th of the third year following the Service Year for any particular Award and shall always be within the same calendar year that an Award has become a vested Award.

On the applicable Award Payment Date but in any case on or before December 31 of the third calendar year commencing immediately following the Service Year in respect of the particular Award, NewCo will make to a Participant a cash payment payable to the Participant pursuant to the applicable vested Award, less applicable withholding taxes, or, in lieu of such cash payment, either issue (or, subject to the consent of NewCo and the NewCo Board which may be withheld in its sole discretion, cause to be issued) to the Participant or, through a broker designated by the Participant and retained by NewCo (the "**Designated Broker**"), acquire on behalf of such Participant, the number of whole NewCo Shares that is equal to the number of whole vested Awards recorded in the Participant's account on the Award Payment Date (less any amounts in respect of any applicable withholding taxes). If NewCo or a subsidiary thereof elects to arrange for the purchase of NewCo Shares by a Designated Broker on behalf of the Participant, NewCo or such subsidiary will contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of NewCo Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those NewCo Shares, on behalf of such Participant, on the TSX (or any other stock exchange on which the NewCo Shares are then listed and posted for trading).

Adjustments in Connection with Share Capital Alterations

If the number of outstanding NewCo Shares is increased or decreased as a result of a subdivision, consolidation, reclassification or recapitalization and not as a result of the issuance of NewCo Shares for additional consideration or by way of a dividend in the ordinary course, the NewCo Board shall make appropriate adjustments to the number of Awards outstanding under the NewCo Incentive Securities Plan provided that the dollar value of Awards credited to a Participant's account immediately after such an adjustment does not exceed the dollar value of the Awards credited to such Participant's account immediately prior thereto.

Adjustments for Dividends

Unless otherwise determined by the NewCo Board in its sole discretion or as may otherwise be set out in the Grant Agreement, on the payment date for cash dividends paid on NewCo Shares (the "**Dividend Payment Date**"), the account of each Participant shall be credited with additional Awards in respect of Awards credited to the Participant's account as of the record date for payment of such dividends (the "**Dividend Record Date**"). The number of such additional Awards to be credited to the Participant's account will be calculated by dividing the total amount of the dividends that would have been paid to such Participant if the Awards in the Participant's account, as of the Dividend Record Date, were NewCo Shares, by the fair market value of the NewCo Shares on the Dividend Payment Date. However, no Awards will be credited to a Participant's account in respect of dividends paid on NewCo Shares where the Dividend Record Date relating to such dividends falls after such Participant's Termination Date, except where vesting of Awards beyond a Participant's Termination Date is contemplated pursuant to the NewCo Incentive Security Plan, in which case such Participant's account shall be credited in respect of dividends paid on NewCo Shares where the Dividend Record Date relating to such dividends falls on a date that is on or prior to the date upon which vesting in respect of the Participant's Awards ceases. The proportion of Awards credited to a Participant's account as described in this paragraph relating to vested Awards shall, unless otherwise determined by the NewCo Board in its sole discretion, also be vested Awards. The proportion of Awards credited to a Participant's account as described in this paragraph relating to existing Awards that had not yet vested shall, unless otherwise determined by the NewCo Board in its sole discretion, vest in the same manner as the existing unvested Awards.

Adjustments for Certain Corporate Events

Upon the occurrence of a Change of Control, the Continuing Entity shall, to the extent commercially reasonable, take all necessary steps to continue the NewCo Incentive Security Plan and to continue the Awards granted thereunder or to substitute or replace similar Awards measurable in value to the securities in the Continuing Entity for the Awards outstanding under the NewCo Incentive Security Plan on substantially the same terms and conditions as the NewCo Incentive Security Plan. Any such adjustment, substitution or replacement shall, at all times, be such that the NewCo Incentive Security Plan and any Awards granted thereunder comply with the exception to the definition of "salary deferral arrangement" contained in paragraph (k) of Section 248(1) of the Tax Act or any successor provision thereto. In the event that: (a) the Continuing Entity does not (or, upon the occurrence of the Change of Control, will not) comply with the provisions of the NewCo Incentive Security Plan; (b) the NewCo Board determines, acting reasonably, that compliance with the NewCo Incentive Security Plan is not practicable; (c) the NewCo Board determines, acting reasonably, that compliance with the NewCo Incentive Security Plan would give rise to adverse tax results under the Tax Act to Participants; or (d) the securities of the Continuing Entity are not (or, upon the occurrence of the Change of Control, will not be) listed and posted for trading on a recognizable stock exchange; then, unless otherwise determined by the NewCo Board prior to the date of the Change of Control, (x) all outstanding Awards which are not vested Awards shall, effective as of the date of the Change of Control, immediately and automatically become vested Awards and shall be paid out to Participants in accordance with the NewCo Incentive Security Plan, and (y) all outstanding Awards which are vested Awards shall, effective as of the Change of Control, immediately and automatically be paid at the transaction price.

If a Change of Control occurs and a Participant's Termination Date occurs by reason of constructive dismissal within 12 months of the occurrence of the Change of Control or termination by NewCo or a subsidiary thereof or by the entity that has entered into a valid and binding agreement with NewCo and/or other members of the Corporate Group to effect the Change of Control at any time after such agreement is entered into or during the period commencing on the date of the Change of Control and ending 12 months after the date of the Change of Control and such termination was for any reason other than for cause, then all outstanding Awards granted to such Participant which are not vested Awards at the Participant's Termination Date shall immediately and automatically become vested Awards on the Participant's Termination Date and shall be paid out in accordance with the NewCo Incentive Security Plan.

Amendment or Discontinuance of the NewCo Incentive Security Plan and Awards

The NewCo Incentive Security Plan may be amended, suspended or terminated at any time by the NewCo Board in whole or in part, provided that no amendment shall be made which would cause the NewCo Incentive Security Plan, or any Awards granted, to cease to comply with paragraph (k) of the definition of "salary deferral arrangement" in Section 248(1) of the Tax Act or any successor provision thereto. Upon termination of the NewCo Incentive Security Plan, subject to a resolution of the NewCo Board to the contrary, all unvested Awards shall remain outstanding and in effect and continue to vest and be paid out in accordance with the terms of the NewCo Incentive Security Plan existing at the time of its termination and any applicable Grant Agreement, provided that no further Awards will be credited to the account of any Participant. The NewCo Incentive Security Plan will terminate on the date upon which no further Awards remain outstanding.

Subject to the policies, rules and regulations of any lawful authority having jurisdiction over NewCo (including any exchange on which the NewCo Shares are then listed and posted for trading), the NewCo Board may at any time, without further action by, or approval of, the NewCo Shareholders, amend the NewCo Incentive Security Plan or any Award granted under the NewCo Incentive Security Plan in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to: (a) ensure that Awards granted under the NewCo Incentive Security Plan will comply with any provisions respecting restricted share units or other security-based compensation arrangements in the Tax Act or other laws in force in any country or jurisdiction of which a Participant to whom an Award has been granted may from time to time perform services or be resident; (b) cure any ambiguity, error or omission in the NewCo Incentive Security Plan or Award or to correct or supplement any provision of the NewCo Incentive Security Plan that is inconsistent with any other provision of the NewCo Incentive Security Plan; (c) comply with applicable law or the requirements of any stock exchange on which the NewCo Shares are listed; (d) amend the provisions of the NewCo Incentive Security Plan respecting administration or eligibility for participation under the NewCo Incentive Security Plan; (e) make amendments of a "housekeeping" nature to the NewCo Incentive Security Plan; (f) change the terms and conditions on which Awards may be or have been granted pursuant to the NewCo

Incentive Security Plan, including a change to, or acceleration of, the vesting provisions of Awards; (g) amend the treatment of Awards on a Participant ceasing to be a director, officer or employee; and (h) change the termination provisions of Awards or the NewCo Incentive Security Plan which do not entail an extension beyond the original expiry date. Any such amendments shall, if made, become effective on the date selected by the NewCo Board. The NewCo Board may not, however, without the consent of the Participants, or as otherwise required by law, alter or impair any of the rights or obligations under any Awards theretofore granted.

Notwithstanding the above paragraph, approval of the NewCo Shareholders will be required in order to: (a) increase the maximum number of NewCo Shares issuable pursuant to the NewCo Incentive Security Plan; (b) amend the determination of fair market value under the NewCo Incentive Security Plan in respect of any Award; (c) extend the Expiry Date of any Award; (d) modify or amend the provisions of the NewCo Incentive Security Plan in any manner which would permit Awards, including those previously granted, to be transferable or assignable, other than for normal estate settlement purposes; (e) add to the categories of eligible Participants under the NewCo Incentive Security Plan; (f) remove or amend the NewCo Incentive Security Plan Insider and Independent Director Participation Restrictions; (g) amend the provisions requiring NewCo Shareholder approval; or (h) make any other amendment to the NewCo Incentive Security Plan where shareholder approval is required by the TSX.

Notwithstanding the above provisions, should changes be required to the NewCo Incentive Security Plan by any securities commission, stock exchange or other governmental or regulatory body of any jurisdiction to which the NewCo Incentive Security Plan or NewCo now is or hereafter becomes subject, such changes shall be made to the NewCo Incentive Security Plan as are necessary to conform with such requirements and, if such changes are approved by the NewCo Board, the NewCo Incentive Security Plan, as amended, will be filed with the records of NewCo and will remain in full force and effect in its amended form as of and from the date of its adoption by the NewCo Board.

NewCo Adjustments and the Incentive Security Plan

The existence of any Awards will not affect in any way the right or power of NewCo or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or business, or to create or issue any bonds, debentures, shares or other securities of NewCo or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of NewCo, or any amalgamation, combination, merger or consolidation involving NewCo or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

Insider Participation Limits

The NewCo Incentive Security Plan contains the following limitations: (a) the aggregate number of NewCo Shares issuable from treasury to insiders (as such term is referred to in the policies and notices of the TSX) under the NewCo Incentive Security Plan and all other security-based compensation arrangements of the Corporate Group shall not exceed 10% of the aggregate number of NewCo Shares, and (b) during any one-year period, the aggregate number of NewCo Shares issued from treasury to insiders under the NewCo Incentive Security Plan and all other security-based compensation arrangements of the Corporate Group shall not exceed 10% of the issued and outstanding NewCo Shares, (the "**NewCo Incentive Security Plan Insider Participation Restrictions**"). The NewCo Incentive Security Plan Insider Participation Restrictions do not in any way increase the number of NewCo Shares issuable under the NewCo Stock Option Plan.

Clawback/Recoupment Policy

All NewCo RSUs and NewCo PSUs granted under the NewCo Incentive Security Plan shall be and remain subject to any incentive compensation clawback or recoupment policy as in effect from time to time.

APPENDIX L
AGREEMENT AND PLAN OF ARRANGEMENT

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "*Merger Agreement*"), dated August 5, 2016, is entered into by and among Prairie Provident Resources Inc., an Alberta corporation ("*Newco*"), PPRI Subco Inc., a Delaware corporation ("*Subco*"), and Lone Pine Resources Inc., a Delaware corporation ("*LPRI*").

RECITALS:

A. LPRI is the controlling shareholder of Lone Pine Resources Canada Ltd., an Alberta corporation ("*LPR Canada*"), through ownership of a single Class C multiple voting common share of LPR Canada ("*LPR Canada Class C Share*") carrying a 75% voting interest.

B. Prior to January 31, 2014, LPR Canada was a wholly-owned subsidiary of LPRI.

C. On January 31, 2014, LPRI, LPR Canada and their affiliates at the time (collectively, the "*Lone Pine Group*") completed a comprehensive recapitalization pursuant to restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("*CCAA*") and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code (collectively, the "*Restructuring Proceedings*").

D. Pursuant to the Restructuring Proceedings and implementation on January 31, 2014 of a CCAA plan of compromise and arrangement sanctioned and recognized thereunder (the "*Restructuring Plan*"), among other things:

- (1) former unsecured creditors of the Lone Pine Group were issued common equity of the restructured enterprise, consisting of Class A voting common shares of LPR Canada ("*LPR Canada Common Shares*") and shares of Class A common stock, \$0.01 par value, of LPRI ("*Class A Stock*"), in connection with the compromise of their claims, with one share of Class A Stock issued for every LPR Canada Common Share issued; and
- (2) certain former unsecured creditors of the Lone Pine Group who elected and were qualified to do so subscribed for and purchased USD \$100,000,000 of new preferred equity in the restructured enterprise, consisting of Series 1 preferred shares of LPR Canada ("*LPR Canada Preferred Shares*") and shares of Class B common stock, \$0.01 par value, of LPRI ("*Class B Stock*"), with one share of Class B Stock issued for every LPR Canada Preferred Share issued; and
- (3) LPRI was issued the LPR Canada Class C Share through which it retains voting control over LPR Canada.

E. To the knowledge of LPRI: (a) all current holders of Class A Stock and Class B Stock received their LPRI shares pursuant to implementation of the Restructuring Plan; and (b) each such holder (or, in certain cases, an affiliated or related party of such holder) also holds, for every share of Class A Stock or Class B Stock held, one LPRC Canada Common Share (a "*Corresponding Common Share*") or one LPR Canada Preferred Share (a "*Corresponding Preferred Share*"), as applicable.

F. LPRI does not hold any material assets other than the LPR Canada Class C Share, and LPR Canada owns and operates significant oil and gas properties.

G. The LPR Canada Class C Share confers upon the holder a majority of the voting power in LPR Canada with respect to the election of directors and other matters requiring shareholder approval

generally, but with economic rights that are commensurate with being one (1) share out of the equivalent of over 120 million shares currently outstanding.

H. The LPR Canada Class C Share is redeemable by the holder at a redemption price of Ten Canadian Dollars (Cdn. \$10.00).

I. In light of the foregoing, LPRI and, accordingly, the Class A Stock and Class B Stock (together, "**LPRI Common Stock**"), is considered to be of nominal value in relation to the Corresponding Common Shares and Corresponding Preferred Shares (together "**Corresponding Shares**"). Accordingly, it is expected that the holders of LPRI Common Stock will realize economic returns not through dealings in their LPRI Common Stock but rather through dealings in their Corresponding Shares.

J. LPR Canada has entered into an Amended and Restated Arrangement Agreement, amended August 2, 2016 and effective June 23, 2016, with Arsenal Energy Inc., an Alberta corporation ("**Arsenal**"), pursuant to which LPR Canada and Arsenal agreed, subject to various conditions including approval by the requisite majorities of LPR Canada and Arsenal securityholders, to effect a business combination by way of a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Arrangement**").

K. LPRI, as controlling shareholder of LPR Canada, supports the Arrangement.

L. The Arrangement will, if approved by the requisite majorities of relevant securityholders and by the Court of Queen's Bench of Alberta, and if completed in accordance with its terms, result in: (a) a reorganization of the existing share ownership structure in both LPR Canada and LPRI by causing Newco to acquire, directly and indirectly, the outstanding share capital of both LPR Canada and LPRI; and (b) the subsequent acquisition by Newco of the outstanding Arsenal shares.

M. More particularly, the Arrangement provides that: (a) the Corresponding Shares be converted or exchanged for common shares of Newco ("**Newco Common Shares**"); (b) the shares of LPRI Common Stock be cancelled in accordance with this Merger Agreement, with Newco thereafter being the sole stockholder of LPRI (as surviving corporation); and (c) the Arsenal shares be exchanged for common shares of Newco.

N. Accordingly, upon completion of the Arrangement: (a) Newco will be the parent company of the corporate group that includes LPRI, LPR Canada and Arsenal; (b) the former shareholders of LPR Canada and Arsenal (other than LPRI) will be shareholders of Newco with a proportionate interest, indirect through ownership of Newco Common Shares, in the combined enterprise of LPRI, LPR Canada and Arsenal; and (c) LPRI will be a wholly-owned subsidiary of Newco with a controlling voting interest in LPR Canada (or its amalgamation successor).

O. Cancellation of the LPRI Common Stock as proposed is, in the context of the broader transaction contemplated by the Arrangement, a corollary of the nominal value of the LPRI Common Stock in relation to the Corresponding Shares. Any issuance of Newco Common Shares in respect of the LPRI Common Stock that was based on a proportionate value attribution would involve fractional interests that would, under the Arrangement terms, be cancelled.

P. Notwithstanding that the Arrangement contemplates cancellation of the LPRI Common Stock pursuant to the merger provided for in this Merger Agreement (the merger forming an integral part of the Arrangement), it is expected that the holders thereof (or their affiliates or related parties, as applicable) will nevertheless realize value, in their respective capacities as holders of Corresponding

Shares, through the conversion or exchange of the Corresponding Shares for Newco Common Shares pursuant to the other steps of the Arrangement.

Q. Having regard to the foregoing, Newco and Subco (a wholly-owned subsidiary of Newco) desire that Subco merge with and into LPRI, and LPRI desires to merge Subco with and into itself.

R. The terms and conditions of such merger (the "**Merger**"), the mode of carrying the same into effect, and the manner and basis of (a) cancelling the shares of LPRI Common Stock, and (b) converting the outstanding shares of common stock, par value \$0.01 per share of Subco ("**Subco Common Stock**") into shares of Surviving Common Stock (defined below), and such other facts, details or provisions as may be required or permitted to be stated in this Agreement, are set forth below.

S. Section 251 of the Delaware General Corporation Law ("**DGCL**") permits Delaware corporations to merge in the manner contemplated by this Merger Agreement.

T. The respective Boards of Directors of Newco, Subco and LPRI deem the Arrangement (including the Merger as an integral part thereof) desirable and in the best interests of Newco, Subco and LPRI, respectively, and by duly adopted resolution have approved the terms and conditions of this Merger Agreement and the mode of carrying them into effect, including the manner and basis of (a) cancelling the outstanding shares of LPRI Common Stock, and (b) converting the outstanding shares of Subco Common Stock into shares of Surviving Common Stock (defined below).

AGREEMENTS:

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions herein contained, the parties hereto agree as follows:

ARTICLE I THE MERGER

1.1. Merger. At the Effective Time (as defined in Section 1.2), Subco shall be merged with and into LPRI, the separate existence of Subco shall cease, and LPRI as the surviving corporation shall continue to exist by virtue of and shall be governed by the laws of the State of Delaware.

1.2. Effective Time of Merger. Subject to the provisions of this Agreement, including satisfaction of the conditions set forth in Sections 1.5 and 1.6 hereof, the parties shall prepare, and pursuant to completion of the Arrangement the parties shall, on the effective date thereof, cause to be filed with the Secretary of State of the State of Delaware, a certificate of merger (the "**Certificate of Merger**") in such form as is required by Section 251 and other relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall be consummated and shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as is established by Newco, Subco and LPRI and set forth in the Certificate of Merger (the "**Effective Time**"). Notwithstanding the foregoing, any of Newco, Subco or LPRI, by action of its Board of Directors, may terminate this Agreement at any time prior to the filing of this Agreement or the Certificate of Merger with the Secretary of State of the State of Delaware.

1.3. Effect of Merger. At the Effective Time, LPRI, without further action, as provided by the laws of the State of Delaware, shall succeed to and possess all the rights, privileges, powers, and franchises, of a public as well as of a private nature, of Subco; and all property, real, personal, and mixed, and all debts due on whatsoever account, including subscriptions to shares, and all other choses in action,

and all and every other interest, of or belonging to or due to Subco, shall be deemed to be vested in LPRI without further act or deed; and the title to any real estate, or any interest therein, vested in Subco or LPRI shall not revert or be in any way impaired by reason of the Merger. Such transfer to and vesting in LPRI shall be deemed to occur by operation of law, and no consent or approval of any other person shall be required in connection with any such transfer or vesting unless such consent or approval is specifically required in the event of merger or consolidation by law or express provision in any contract, agreement, decree, order or other instrument to which Subco or LPRI is a party or by which either of them is bound. LPRI shall thenceforth be responsible and liable for all debts, liabilities, and duties of Subco, which may be enforced against LPRI to the same extent as if said debts, liabilities, and duties had been incurred or contracted by it. Neither the rights of creditors nor any liens upon the property of LPRI or Subco shall be impaired by the Merger.

1.4. Certificate of Incorporation; By-laws.

(a) The Certificate of Incorporation of LPRI shall automatically be amended and restated at the Effective Time to conform to the Certificate of Incorporation of Subco, until the same shall thereafter be amended as provided by law. From and after the Effective Time, said Certificate of Incorporation, as so amended and restated and as the same may be further amended from time to time as provided by law, separate and apart from this Agreement, shall be, and may be separately certified as, the Certificate of Incorporation of LPRI as the surviving corporation. As a result of the Merger and pursuant to the Certificate of Incorporation:

(i) The name of LPRI, as the surviving corporation, will continue to be "Lone Pine Resources Inc.";

(ii) The total number of shares of common stock that LPRI, as the surviving corporation, will be authorized to issue will be changed from 75,000,000 shares of Class A Stock, 225,000,000 shares of Class B Stock and 15,000,000 shares of preferred stock, par value \$0.01 per share, to 1,000 shares of common stock, par value \$0.01 per share ("**Surviving Common Stock**"); and

(b) The By-laws of LPRI shall automatically be amended and restated at the Effective Time to conform to the By-laws of Subco, and shall be and remain the By-laws of LPRI, as the surviving corporation, until the same shall thereafter be altered, amended, or repealed in accordance with law, LPRI's Certificate of Incorporation, or such By-laws.

1.5. Plan of Arrangement. This Merger is an integral part of the Arrangement under the *Business Corporations Act* (Alberta) involving (among others) Newco, LPR Canada, Arsenal, LPRI and the respective securityholders of LPR Canada, Arsenal and LPRI, and is conditioned on the Arrangement becoming effective.

1.6 Stockholder Approval.

(a) As promptly as practicable following the date hereof, LPRI shall call a special meeting of its stockholders (the "**Stockholders Meeting**") to be held as promptly as practicable for the purpose of voting upon (i) the adoption of this Agreement and (ii) any related matters. This Agreement shall be submitted for adoption to the stockholders of LPRI at such special meeting. LPRI shall deliver to LPRI's stockholders the proxy statement in definitive form in connection with the Stockholders Meeting at the time and in the manner provided by the applicable provisions of the DGCL and its charter and bylaws and shall conduct the Stockholders Meeting and the solicitation of proxies in connection therewith in compliance with the DGCL and its charter and bylaws.

(b) Subject to its fiduciary duty under applicable law, the Board of Directors of LPRI shall recommend that LPRI's stockholders adopt this Agreement and approve the transactions contemplated hereby, and such recommendations shall be set forth in the proxy statement.

(c) The respective obligations of Subco and LPRI to consummate the Merger shall be subject to approval at the Stockholders Meeting, at or prior to the Effective Time, by a majority of the votes entitled to be cast on the Merger.

ARTICLE II SHARE CONVERSION AND CANCELLATION

2.1. Subco Capital Stock. At the Effective Time, each then outstanding share of Subco Common Stock shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and shall become one (1) share of Surviving Common Stock.

2.2. Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding shares of LPRI Common Stock held by a person (a "***Dissenting Stockholder***") who shall not have voted or consented in writing to adopt this Agreement and who properly demands appraisal for such shares ("***Dissenting Shares***") in accordance with Section 262 of the DGCL shall not be converted as described in Section 2.1, but shall be converted into the right to receive such consideration as may be determined to be due to such Dissenting Stockholder pursuant to the DGCL, unless such holder fails to perfect or withdraws or otherwise loses his right to appraisal. If, after the Effective Time, such Dissenting Stockholder fails to perfect or withdraws or loses his right to appraisal, such Dissenting Stockholder's shares of LPRI Common Stock shall no longer be considered Dissenting Shares for the purposes of this Agreement and such holder's shares of LPRI Common Stock shall thereupon be deemed to have been cancelled, at the Effective Time, as set forth in Section 2.3.

2.3. LPRI Capital Stock. At the Effective Time, each then outstanding share of LPRI Common Stock shall, by virtue of the Merger and without any action on the part of the holders thereof, be cancelled.

2.4. Share Certificates. From and after the Effective Time, a certificate representing shares of Subco Common Stock that are converted to shares of Surviving Common Stock hereunder shall be deemed for all purposes to evidence the ownership of such shares of Surviving Common Stock into which such shares of Subco Common Stock have been so converted.

ARTICLE III DIRECTORS AND OFFICERS

3.1. Directors. Each person serving as a director of LPRI immediately prior to the Effective Time shall continue to serve in such capacity at and after the Effective Time.

3.2. Officers. Each person serving as an officer of LPRI immediately prior to the Effective Time shall continue to serve in such capacity at and after the Effective Time.

3.3. Vacancies. If as of the Effective Time a vacancy shall exist in the Board of Directors or in any of the offices of LPRI, such vacancy may thereafter be filled in accordance with law or in the manner provided by the Certificate of Incorporation or By-laws of LPRI.

ARTICLE IV
MISCELLANEOUS

4.1. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which collectively shall constitute one and the same instrument.

4.2. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

4.3. Section Headings. The section headings contained in this Merger Agreement are inserted for convenience of reference only, and shall not affect the meaning or interpretation of this Merger Agreement.

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IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement and Plan of Merger as of the date first set forth above.

PRAIRIE PROVIDENT RESOURCES INC.

By: (signed) "Tim Granger"
Tim Granger
President and Chief Executive Officer

PPRI SUBCO INC.

By: (signed) "Tim Granger"
Tim Granger
President and Chief Executive Officer

LONE PINE RESOURCES INC.

By: (signed) "Tim Granger"
Tim Granger
President and Chief Executive Officer

APPENDIX M

GLOSSARY OF TERMS

The following is a glossary of certain terms used in the Circular, including in "*Summary Information*", *Appendix G – Information Concerning Lone Pine*, *Appendix I – Information Concerning NewCo Following Completion of the Arrangement* and *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*.

"**2015 Plan**" has the meaning ascribed thereto under the heading "*Executive Compensation – Compensation Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**2016 NewCo Awards**" has the meaning ascribed thereto under the heading "*Summary Information – The Arrangement – Effect of the Arrangement – General*";

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**ABSub**" means 1984745 Alberta Ltd.;

"**Accretion Rate**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPRI*" in *Appendix G – Information Concerning Lone Pine*;

"**Acquisition Proposal**" means any inquiry or the making of any proposal or offer by or from any person or group of persons acting jointly or in concert within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* (other than Lone Pine or any person or persons with whom Lone Pine is acting jointly or in concert), whether or not subject to due diligence or any other conditions and whether or not in writing, to Arsenal or the Arsenal Shareholders or by public announcement, which constitutes, relates to or could reasonably be expected to lead to:

- (a) an acquisition, in any manner, directly or indirectly, of 10% or more of the consolidated assets of Arsenal;
- (b) an acquisition, in any manner (including by way of issuance of new securities by Arsenal), directly or indirectly, of beneficial ownership of or control or direction over securities of Arsenal that, when taken together with the securities of Arsenal owned or controlled or directed by the prospective acquirer and any person acting jointly or in concert with the prospective acquirer (assuming conversion, exercise or exchange of all securities that are convertible, exercisable or exchangeable for Arsenal Shares or other voting securities, if any), would constitute 20% or more of the voting securities of Arsenal;
- (c) any amalgamation, merger, consolidation, combination, partnership, joint venture, arrangement, reorganization, take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, share exchange, spin-off or similar transaction involving Arsenal or any subsidiary of Arsenal; or
- (d) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement, or materially reduce the benefits to Lone Pine under the Arrangement Agreement or the Arrangement;

whether in one (1) transaction or a series of transactions; provided, however, that the Excluded Dispositions shall not constitute an Acquisition Proposal; and provided, further, that for the purpose of the definition of "Superior Proposal" in subsection 1.1(nnnn) of the Arrangement Agreement, the reference in this definition of "Acquisition Proposal" to "a substantial part of the assets of Arsenal or any subsidiary of Arsenal" shall be deemed to be a reference to "all or substantially all of the consolidated assets of Arsenal", and the reference in this definition of "Acquisition Proposal" to "20% or more of the voting securities of Arsenal" shall be deemed to be a reference to "all of the outstanding Arsenal Shares (and all other voting and participating securities of Arsenal, if any)";

"**Administrator**" has the meaning ascribed thereto under the heading "*Lone Pine Equity Plan – Administration*" in *Appendix G – Information Concerning Lone Pine*;

"**AEP**" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"**AER**" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"**affiliate**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"**Alliance**" means Alliance Trust Company;

"**allowable capital loss**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*";

"**Applicable Laws**", in the context that refers to one (1) or more Persons, means the Laws that apply to such Person or Persons or its or their business, activities, undertakings, property, assets or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, activities, undertakings, property, assets or securities;

"**Arrangement**" means the arrangement under Section 193 of the ABCA on the terms and conditions set out in the Plan of Arrangement (including the completion of the Arrangements contemplated by the Merger Agreement as an integral part thereof), subject to any amendment or supplement thereto made in accordance therewith or at the direction of the Court in the Final Order;

"**Arrangement Agreement**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular – Introduction*";

"**Arsenal**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular*";

"**Arsenal Arrangement Resolution**" means the special resolution approving the Arrangement to be considered and voted upon by the Arsenal Securityholders of record at the Arsenal Meeting, substantially in the form set out in Appendix C to the Circular;

"**Arsenal Board**" means the board of directors of Arsenal as it may be constituted from time to time, and "Arsenal Directors" means the directors comprising the Arsenal Board from time to time;

"**Arsenal Damages Event**" has the meaning ascribed to under the heading "*Material Terms of the Arrangement Agreement – Payment of Break Fees – Lone Pine Damages Event*";

"**Arsenal Disclosure Letter**" means the disclosure letter dated June 23, 2016 delivered by Arsenal to Lone Pine, and accepted by Lone Pine, contemporaneous with the execution and delivery of the Arrangement Agreement;

"**Arsenal Fairness Opinion**" means the opinion of NBF to the Arsenal Board, dated June 23, 2016, a copy of which is attached as Appendix F to the Circular;

"**Arsenal Financial Statements**" means the audited annual consolidated financial statements of Arsenal as at and for the fiscal years ended December 31, 2015 and December 31, 2014, including the notes thereto and auditor's reports thereon, and the unaudited interim consolidated financial statements of Arsenal as at and for the three-month period ended March 31, 2016, including the notes thereto;

"**Arsenal Governing Documents**" means the certificate and articles of amalgamation and by-laws of Arsenal, and all amendments thereto;

"Arsenal Incentive Awards" means, collectively, the Arsenal Share Awards and the Arsenal Options;

"Arsenal Incentive Plans" means, collectively, the Arsenal Share Award Plan and the Arsenal Stock Option Plan;

"Arsenal Meeting" means the special meeting of Arsenal Securityholders to be held to consider the Arsenal Arrangement Resolution and the NewCo Incentive Plan Resolution, and any adjournments thereof;

"Arsenal Options" means, collectively, options to acquire Arsenal Shares granted and outstanding under the Arsenal Stock Option Plan, whether or not vested in accordance with their terms;

"Arsenal Record Date" has the meaning ascribed thereto under the heading *"Joint Management Information Circular – Notice to Non-Registered Objecting Beneficial Owners of Lone Pine Shares and Arsenal Shares"*;

"Arsenal Reserves Report" means the report prepared by Deloitte dated February 1, 2016 evaluating the oil, natural gas liquids and natural gas reserves of Arsenal as at December 31, 2015;

"Arsenal Rights Plan" means the second amended and restated rights agreement dated as of June 18, 2015 between Arsenal and Alliance Trust Company, as rights agent;

"Arsenal Securities" means, collectively, the Arsenal Shares, the Arsenal Options and the Arsenal Share Awards;

"Arsenal Securityholders" means, collectively, the Arsenal Shareholders, the holders of Arsenal Options, the holders of Arsenal Share Awards and any person to whom Arsenal (or any subsidiary of Arsenal) may have committed to grant Arsenal Options, Arsenal Share Awards or any other right to acquire any shares in the capital of Arsenal;

"Arsenal Share Award Plan" means the share award incentive plan of Arsenal approved by the Arsenal Shareholders on June 19, 2014;

"Arsenal Share Awards" means, collectively, share awards granted and outstanding under the Arsenal Share Award Plan (including any such awards granted after June 23, 2016 but prior to the effective time specified in the Plan of Arrangement), whether or not vested in accordance with their terms;

"Arsenal Shareholders" means, collectively, the holders of Arsenal Shares;

"Arsenal Shares" means the common shares in the capital of Arsenal;

"Arsenal Stock Option Plan" means the incentive stock option plan of Arsenal dated July 13, 2007, as amended;

"Arsenal's AIF" means the annual information form for the year ended December 31, 2015 dated March 24, 2016 in respect of Arsenal, as filed on SEDAR;

"Arsenal Support Agreements" means the support agreements entered into with LPR Canada and Arsenal and by each director and officer of Arsenal, respectively, concurrently with the execution and delivery of the Arrangement Agreement, pursuant to which such holders have agreed, among other things, to vote or cause to be voted their respective Arsenal Shares in favour of the Arsenal Arrangement Resolution at the Arsenal Meeting;

"Arsenal Termination Fee" has the meaning ascribed thereto in under the heading *"Material Terms of the Arrangement Agreement – Payment of Break Fees – Lone Pine Damages Events"*;

"Articles of Arrangement" means the articles of arrangement in respect of the Arrangement required under Section 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, in order to give effect to the Arrangement;

"Audit Committee" has the meaning ascribed thereto under the heading *"Corporate Governance – General"* in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**Aventine**" has the meaning ascribed thereto under the heading "*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*" in *Appendix G – Information Concerning Lone Pine*;

"**Award Payment Date**" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Cash Payment or Delivery of NewCo Shares*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Awards**", (a) in respect of the Lone Pine Incentive Plan, has the meaning ascribed thereto under the heading "*Lone Pine Equity Plan – Types of Awards, Eligibility and Terms of Awards*" in *Appendix G – Information Concerning Lone Pine*; and (b) in respect of the NewCo Incentive Security Plan, has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Certain Restrictions*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Bank**" means has the meaning ascribed thereto under the heading "*Part I – The Arsenal Meeting – Arsenal Fairness Opinion – Relationship with Interested Parties*";

"**Beneficial Arsenal Shareholders**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular – Use of Notice and Access to Deliver Arsenal Meeting Materials*";

"**Beneficial Holder**" means Shareholders who do not hold their Shares in their own name;

"**Blackout Period**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Blackout Period*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Board Charter**" has the meaning ascribed thereto under the heading "*Corporate Governance – General*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**Broadridge**" means Broadridge Financial Solutions, Inc.;

"**Business Day**" means any day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;

"**Canadian Holder**" means an LPR Canada Shareholder who is, and who certifies in its duly completed Letter of Transmittal that it is, a resident of Canada for the purposes of the Tax Act;

"**Cap and Trade Act**" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"**CCAA**" has the meaning ascribed thereto under the heading "*Lone Pine – Corporate Overview*" in *Appendix G – Information Concerning Lone Pine*;

"**Certificate of Merger**" means the certificate or proof of filing to be filed with the Secretary of State for the State of Delaware, giving effect to the transactions contemplated by the Merger Agreement;

"**Change of Control**" (a) in respect of the NewCo Incentive Plans, has the meaning ascribed thereto under the heading in *Appendix K - Description of the NewCo Incentive Plans*; and (b) in respect of the description of the share capital of LPR Canada, has the meaning ascribed thereto under the heading in *Appendix I - Description of Share Capital – LPR Canada*;

"**Change of Control Price**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**Choice One**" has the meaning ascribed thereto under the heading "*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*" in *Appendix G – Information Concerning Lone Pine*;

"**Circular**" means this joint management information circular prepared and sent to the LPR Canada Securityholders in connection with the LPR Canada Meeting, to the LPRI Shareholders in connection with the LPRI Meeting and to the Arsenal Securityholders in connection with the Arsenal Meeting;

"**Class A Put Right**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**Class C Event**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**Closing**" means the completion of the Arrangement;

"**Code of Conduct and Ethics**" has the meaning ascribed thereto under the heading "*Corporate Governance – General*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**Compensation Committee**" has the meaning ascribed thereto under the heading "*Corporate Governance – General*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**Computershare**" means Computershare Trust Company of Canada;

"**Continuing Entity**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Acceleration of Vesting on Change of Control*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Corporate Group**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Administration*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Counsel**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations*";

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency or any successor agency thereto;

"**Creditor Protection Proceedings**" has the meaning ascribed thereto under the heading "*Lone Pine – Corporate Overview*" in *Appendix G – Information Concerning Lone Pine*;

"**CRO**" has the meaning ascribed thereto under the heading "*Part I – The Arrangement – Background to the Arrangement – Background in respect of Arsenal*";

"**Deloitte**" means Deloitte LLP, independent petroleum engineers of Calgary, Alberta;

"**Deloitte Report**" has the meaning ascribed thereto under the heading "*Pro Forma Combined Financial Information and Operational Information – Selected Pro Forma Operational Information*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**Depositary**" means Alliance or such other Person as may be designated by Lone Pine, NewCo and Arsenal;

"**Designated Broker**" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Cash Payment or Delivery of NewCo Shares*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**DESub**" means PPRI Subco Inc., a Delaware corporation;

"Developed non-producing reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Developed producing reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Developed reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Development costs" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Development well" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"DGCL" means the Delaware General Corporation Law of the State of Delaware;

"Disposed Assets" has the meaning ascribed thereto under the heading "*Pro Forma Combined Financial Information and Operational Information – Selected Pro Forma Operational Information*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"Dissenting Arsenal Shareholder" means a registered Arsenal Shareholder (including, for certainty, a person who becomes a registered Arsenal Shareholder before the Effective Time on the exercise or settlement of Arsenal Incentive Awards) who is entitled to and does validly exercise its Dissent Right, and who has not withdrawn or been deemed to have withdrawn such exercise (but only with respect to the Arsenal Shares in respect of which the Dissent Right is validly exercised);

"Dissenting LPR Canada Shareholder" means a registered LPR Canada Shareholder who is entitled to and does validly exercise its Dissent Right, and who has not withdrawn or been deemed to have withdrawn such exercise (but only with respect to the LPR Canada Shares in respect of which the Dissent Right is validly exercised);

"Dissenting LPRI Shareholder" means a registered LPRI Shareholder who validly exercises, and does not, prior to the Effective Date, withdraw or otherwise relinquish, Dissent Rights;

"Dissenting Shareholder" means a Dissenting Arsenal Shareholder, Dissenting LPR Canada Shareholder or a Dissenting LPRI Shareholder;

"Dissent Rights" means the right of dissent or appraisal, as applicable, available to a Shareholder in respect of the Arrangement pursuant to the ABCA, the DGCL, the Interim Order and the Plan of Arrangement;

"Dividend Payment Date" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Adjustments for Dividends*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"Dividend Record Date" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Adjustments for Dividends*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"DRS" means direct registration system;

"DRS Advice Statement" means a direct registration system advice statement;

"Effective Date" means the effective date of the Arrangement, being the date shown on the certificate or proof of filing to be issued by the Registrar pursuant to Section 193(11) or Section 193(12) of the ABCA, giving effect to the Arrangement;

"Effective Time" means 12:01 a.m. (Calgary time) on the Effective Date or such other time on the Effective Date as may be agreed to in writing by the parties to the Arrangement Agreement;

"EMA" has the meaning ascribed thereto under the heading "*General Description of the Business – Environmental Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"environmental regulation" has the meaning ascribed thereto under the heading "*Risk Factors – Environmental Risks*" in *Appendix G – Information Concerning Lone Pine*;

"EOR Program" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"Excluded Dispositions" means the sale by Arsenal of certain Canadian properties for total proceeds of approximately \$12 million, as referred to in the news release of Arsenal dated June 2, 2016, on the terms and conditions described in the Arsenal Disclosure Letter;

"Executive Employment Agreements" has the meaning ascribed thereto under the heading "*Executive Compensation – Termination and Change of Control*" in *Appendix G – Information Concerning Lone Pine*;

"Expiry Date" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Term of Awards*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"Exploration costs" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Exploratory well" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"FairPoint" has the meaning ascribed thereto under the heading "*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*" in *Appendix G – Information Concerning Lone Pine*;

"Final Order" means the final order of the Court approving the Arrangement pursuant to Section 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"Forecast prices and costs" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Future income taxes" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"GHG" has the meaning ascribed thereto under the heading "*General Description of the Business – Environmental Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"Governance Guidelines" has the meaning ascribed thereto under the heading "*Disclosure of Corporate Governance Practices – Board of Directors' Charter*" in *Appendix G – Information Concerning Lone Pine*;

"Governmental Authority" means any domestic or foreign: (a) government or governmental, regulatory or public authority, department, agency, commission, board, bureau, branch, official, panel, tribunal or arbitral body; (b) court or private arbitrator or arbitral tribunal having jurisdiction; or (c) other person exercising or entitled to exercise any

legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing, expropriation or taxing authority or power, and includes the TSX;

"**Grant Agreements**" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Administration*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Grant Date**" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Grant of Awards and Vesting*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**GSP**" has the meaning ascribed thereto under the heading "*Executive Compensation – Compensation Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Holder**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations*";

"**IETP**" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"**IFP**" has the meaning ascribed thereto under the heading "*Legal Proceedings and Regulatory Actions*" in *Appendix G – Information Concerning Lone Pine*;

"**IFRS**" means International Financial Reporting Standards;

"**Interim Order**" means the interim order of the Court under Section 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**intermediary**" means a broker, custodian, nominee or other Intermediary through which a Shareholder purchased shares (or purchased shares in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.)), of which the Intermediary is a participant;

"**IPO**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**IT**" has the meaning ascribed thereto under the heading "*Risk Factors – Information Systems*" in *Appendix G – Information Concerning Lone Pine*;

"**Laws**" means all laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices, directions, and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity, statutory body or self-regulatory authority (including the TSX);

"**Letter of Transmittal**" means the Letter of Transmittal (green for LPR Canada Shares and yellow for Arsenal Shares) accompanying the Circular sent to Arsenal Shareholders and Lone Pine Shareholders pursuant to which such Shareholders are required to deliver certificates representing their Arsenal Shares or Lone Pine Shares, as applicable, in order to receive the NewCo Shares issuable to them pursuant to the Arrangement;

"**Liquidation Event**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**Liquidity Event**" means a Corporate Change that: (a) directly or indirectly ascribes a value to LPR Canada Shares; and (b) provides liquidity to the holders of LPR Canada Shares and, for the purposes of this definition, "Corporate Change" means the occurrence of any of the following events:

- (a) a person or group of persons acting jointly or in concert becomes the beneficial owner of, or acquires control or direction (including voting power) over, securities of LPR Canada constituting 50% or

more of the voting power of all outstanding voting securities of LPR Canada, except as a consequence of the redemption or other acquisition by LPR Canada of securities of its issue;

- (b) any transaction in respect of which the "drag-along " or "tag-along" rights, as provided for under the articles of incorporation of LPR Canada as of the January 31, 2014, may be exercised;
- (c) an amalgamation, merger, consolidation, arrangement or other business combination of LPR Canada with or into another entity following which securities of the combined entity constituting less than 50% of the voting power of all outstanding voting securities of the combined entity are held by former securityholders of LPR Canada and are attributable to securities of LPR Canada held immediately prior to the amalgamation, merger, consolidation, arrangement or other business combination becoming effective;
- (d) approval by the LPR Canada Shareholders of the liquidation or winding-up of LPR Canada; or
- (e) the sale, lease or exchange of all or substantially all of LPR Canada's assets (other than a transfer to an affiliate of LPR Canada);

"LNG" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular*";

"**Lone Pine Annual Financial Statements**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Annual MD&A**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Board**" means, collectively, the LPR Canada Board and LPRI Board;

"**Lone Pine Change of Control**" means:

- (i) in respect of Tim S. Granger, the occurrence of any one (1) of the following events:
 - a. the acquisition by any individual, entity or group (within the meaning of section 13(d) or 14(d)(2) of the United States Securities Exchange Act of 1934, as amended) (the "**Acquiring Person**") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the United States Securities Exchange Act of 1934, as amended) of 50% or more of either: (A) the then outstanding LPRI Class A Stock; or (B) the combined voting power of the then outstanding LPRI Shares; provided, however, that for the purposes of this clause (i) any acquisition by an Acquiring Person pursuant to a transaction which complies with clause (iii)(A) of the definition of "Lone Pine Change of Control" shall not constitute a Lone Pine Change of Control;
 - b. individuals, who on the date immediately following the commencement date, are members of the LPRI Board (the "**Incumbent Directors**"), cease for any reason to constitute at least a majority of the LPRI Board; provided, however, that any individual becoming a LPRI Director subsequent to the commencement date whose election, or nomination for election by LPRI Shareholders, was approved by a vote of at least a majority of the Incumbent Directors shall be deemed for purposes of the definition of "Lone Pine Change of Control" to thereafter be an Incumbent Director, but excluding, for these purposes, any such individual whose initial assumption of office as a LPRI Director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Acquiring Person other than the LPRI Board; or

- c. the consummation of a reorganization, merger, consolidation, amalgamation or other business combination of LPRI or any of its subsidiaries, or the sale, lease or other disposition of all or substantially all of the assets of LPRI and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by LPRI) or the liquidation or dissolution of LPRI (any of the foregoing being a "**Corporate Transaction**"), unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding LPRI Class A Stock and outstanding LPRI Shares immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of the directors, as the case may be, of LPRI (if it be the ultimate parent entity following such Corporate Transaction) or the corporation resulting from such Corporate Transaction (or ultimate parent entity which as a result of such transaction owns LPRI or all or substantially all of LPRI's assets either directly or through one (1) or more subsidiaries), and (B) at least a majority of the members of the board of directors of the ultimate parent entity resulting from such Corporate Transaction were members of the LPRI Board at the time of the execution of the initial agreement, or of the action of the LPRI Board, providing for such Corporate Transaction. For purposes of the foregoing sentence, only (A) shares of common stock and voting securities of LPRI, assuming LPRI is the ultimately parent entity following such Corporate Transaction, held by a beneficial owner immediately prior to such Corporate Transaction and any additional shares of common stock and voting securities of LPRI issuable to such beneficial owner in connection with such Corporate Transaction in respect of the shares of common stock and voting securities of LPRI held by such beneficial owner immediately prior to such Corporate Transaction, or (B) shares of common stock and voting securities of the ultimate parent entity following such Corporate Transaction, assuming LPRI is not the ultimate parent entity following such Corporate Transaction, issuable to a beneficial owner in respect of the shares of common stock and voting securities of LPRI held by such beneficial owner immediately prior to such Corporate Transaction, in either case shall be included in determining whether or not the 50% ownership test in this clause (iii) has been satisfied; and
 - (i) in respect of Mimi Lai, Douglas W. Axani and Shona F. Mackenzie:
 - a. a person or group of persons acting jointly or in concert becomes the beneficial owner of, or acquires control or direction (including voting power) over, securities of LPR Canada constituting 50% or more of the voting power of all outstanding voting securities of LPR Canada, except as a consequence of the redemption or other acquisition by LPR Canada of securities of its issue;
 - b. any transaction in respect of which the "drag-along" or "tag-along rights" may be exercised, as provided for under the articles of incorporation of LPR Canada as of the effective date of employment;
 - c. an amalgamation, merger, consolidation, arrangement or other business combination of LPR Canada with or into another entity following which securities of the combined entity constituting less than 50% of the voting power of all outstanding voting securities of the combined entity are held by former securityholders of LPR Canada and are attributable to securities of LPR Canada held immediately prior to the amalgamation, merger, consolidation, arrangement or other business combination becoming effective;
 - d. approval by LPR Canada's shareholders of the liquidation or winding-up of LPR Canada; or
 - e. the sale, lease or exchange of all or substantially all of LPR Canada's assets (other than a transfer to an affiliate of LPR Canada);

"Lone Pine Damages Event" has the meaning ascribed thereto in under the heading "*Material Terms of Arrangement Agreement – Payment of Break Fees – Arsenal Damages Events*";

"**Lone Pine Entity**" has the meaning ascribed thereto under the heading "*Description of Share Capital – Shareholder Protections and Other Provisions*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Financial Statements**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Incentive Awards**" means the Lone Pine restricted share units issued pursuant to the Lone Pine Incentive Plan;

"**Lone Pine Incentive Plan**" means the 2014 equity incentive plan of LPR Canada dated January 31, 2014;

"**Lone Pine Interim Financial Statements**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Interim MD&A**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine MD&A**" has the meaning ascribed thereto under the heading "*Financial Statement Disclosure & Management Discussion and Analysis*" in *Appendix G – Information Concerning Lone Pine*;

"**Lone Pine Meetings**" means, collectively, the LPR Canada Meeting and the LPRI Meeting, and "**Lone Pine Meeting**" means, as applicable, the LPR Canada Meeting or the LPRI Meeting;

"**Lone Pine Record Date**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular – Notice to Non-Registered Objecting Beneficial Owners of Lone Pine Shares and Arsenal Shares*";

"**Lone Pine Securities**" means, collectively, the LPR Canada Common Shares, LPR Canada Incentive Awards and LPRI Shares;

"**Lone Pine Securityholders**" means, collectively, the Lone Pine Shareholders and the holders of LPR Canada Incentive Awards (including Replacement Lone Pine RSUs issued in respect thereof);

"**Lone Pine Shareholders**" means, collectively, the LPR Shareholders and the LPRI Shareholders;

"**Lone Pine Shares**" means, collectively, the LPR Canada Shares and the LPRI Shares;

"**Lone Pine Support Agreements**" means the support agreements entered into with LPR Canada and Arsenal and by each director and officer of LPR Canada, respectively, concurrently with the execution and delivery of the Arrangement Agreement, pursuant to which such holders have agreed, among other things, to vote or cause to be voted their respective LPR Canada Shares in favour of the LPR Canada Arrangement Resolution at the LPR Canada Meeting;

"**Lone Pine Termination Fee**" means: (a) in the event of a Lone Pine Damages Event specified in any of Sections 6.1(a), 6.1(b), 6.1(c) or 6.1(d) of the Arrangement Agreement, the sum of \$2.75 million; or (b) in the event of a Lone Pine Damages Event specified in either Section 6.1(e) or Section 6.1(f) of the Arrangement Agreement (and provided that no other Lone Pine Damages Event shall have occurred), the sum of \$1.5 million;

"**LPR AmalCo**" has the meaning ascribed thereto under the heading "*Part I – Arrangement Steps*";

"**LPR Canada**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular*";

"**LPR Canada Arrangement Resolution**" means the special resolution approving the Arrangement to be considered and voted upon by the LPR Canada Securityholders of record at the LPR Canada Meeting, substantially in the form set out in Appendix A to the Circular;

"**LPR Canada Board**" means the board of directors of LPR Canada as it may be constituted from time to time, and "**LPR Canada Directors**" means the directors comprising the LPR Canada Board from time to time;

"**LPR Canada Class B Non-Voting Common Shares**" means the Class B non-voting common shares in the capital of LPR Canada;

"**LPR Canada Class C Multiple Voting Share**" has the meaning ascribed thereto under the heading "*Summary Information – Parties to the Arrangement – Lone Pine*";

"**LPR Canada Common Shares**" means the Class A voting common shares in the capital of LPR Canada;

"**LPR Canada Incentive Awards**" means the restricted share units granted and outstanding under the Lone Pine Incentive Plan (including any such awards granted after the effective date of the Arrangement Agreement but prior to the effective time specified in the Plan of Arrangement), whether or not vested in accordance with their terms;

"**LPR Canada Meeting**" means the special meeting of LPR Canada Shareholders and holders of LPR Canada Incentive Awards (including any adjournment or postponement thereof) held in accordance with the Interim Order to consider, among other things, the LPR Canada Resolution;

"**LPR Canada Preferred Shares**" means the Series 1 preferred shares in the capital of LPR Canada;

"**LPR Canada Securities**" means, collectively, the issued and outstanding LPR Canada Shares and LPR Canada Incentive Awards;

"**LPR Canada Securityholders**" means, collectively, the holders of LPR Canada Securities;

"**LPR Canada Shareholders**" means, collectively, the holders of LPR Canada Shares;

"**LPR Canada Shares**" means, collectively, the issued and outstanding LPR Canada Common Shares and LPR Canada Preferred Shares;

"**LPRI**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular*";

"**LPRI Arrangement Resolution**" means the ordinary resolution approving the Merger Agreement to be considered and voted upon by the LPRI Shareholders of record at the LPRI Meeting, substantially in the form set out in Appendix B to the Circular;

"**LPRI Board**" means the board of directors of LPRI as it may be constituted from time to time, and "**LPRI Directors**" means the directors comprising the LPRI Board from time to time;

"**LPRI Class A Stock**" means the shares of Class A common stock in the capital of LPRI, designated as Class A Common Shares;

"**LPRI Class B Stock**" means the shares of Class B common stock in the capital of LPRI, designated as Class B Multiple Voting Shares;

"**LPRI Dissent Payment**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Dissent Rights – Dissenting LPRI Shareholders*";

"**LPRI Meeting**" means the special meeting of LPRI Shareholders to be convened to consider and, if so determined, approve the LPRI Arrangement Resolution and any adjournments thereof;

"**LPRI Shareholders**" means, collectively, the holders of LPRI Shares;

"**LPRI Shares**" means, collectively, the issued and outstanding LPRI Class A Stock and LPRI Class B Stock;

"**Majority Actions**" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"**Market Price**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Exercise Price*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Material Adverse Change**" or "**Material Adverse Effect**" has the meaning ascribed thereto in the Arrangement Agreement;

"**Meetings**" means, collectively, the LPR Canada Meeting, the LPRI Meeting and the Arsenal Meeting to consider, among other things, the LPR Canada Arrangement Resolution, the NewCo Incentive Plan Resolution, the Arsenal Arrangement Resolution, as applicable, and any adjournment(s) thereof, and "**Meeting**" means, as applicable, the LPR Canada Meeting, the LPRI Meeting or the Arsenal Meeting;

"**Merger**" means the merger of LPRI and DESub pursuant to section 251 of the DGCL on terms resulting in (i) the merger of DESub with and into LPRI such that the separate corporate existence of DESub ceases and LPRI, as the surviving corporation, continues to exist, (ii) cancellation of the outstanding LPRI Shares, and (iii) NewCo becoming the sole stockholder of LPRI, all as contemplated by the Plan of Arrangement and in accordance with the laws of the State of Delaware;

"**Merger Agreement**" means the agreement and plan of merger dated August 5, 2016 among NewCo, LPRI and DESub providing for the Merger, a copy of which is attached as Schedule F to the Arrangement Agreement;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*;

"**Modernized Framework**" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"**N&A Notice**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular - Use of Notice and Access to Deliver Arsenal Meeting Materials*";

"**N&CG Committee**" has the meaning ascribed thereto under the heading "*Corporate Governance – General*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**NBF**" means National Bank Financial Inc., financial advisor to Arsenal;

"**NewCo**" means Prairie Provident Resources Inc., a newly incorporated Alberta corporation incorporated by LPRI for the purpose of participating in the Arrangement, which, on completion of the Arrangement, will be the ultimate parent company of the OpCos and will carry on business as a public corporation;

"**NewCo Board**" means the board of directors of NewCo;

"**NewCo Dissent Payment**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Dissent Rights – Dissenting LPR Canada Shareholders and Dissenting Arsenal Shareholders*";

"**NewCo Incentive Plan Resolution**" means the resolution of Lone Pine Shareholders and Arsenal Shareholders, as the case may be, approving the NewCo Incentive Plan, to be considered at the LPR Canada Meeting and the Arsenal Meeting, in substantially the form set out in Appendix K to the Circular, which resolution will be deemed to be approved if passed by a majority of votes cast by LPR Canada Shareholders and Arsenal Shareholders combined, with each shareholders' vote deemed to have been cast as such number of votes attached to their NewCo Shares to be received in connection with the Arrangement;

"**NewCo Incentive Plans**" means, collectively, the NewCo Stock Option Plan and the NewCo Incentive Security Plan;

"**NewCo Incentive Security Plan**" means the incentive security plan of NewCo to be adopted by NewCo on the Effective Date, which provides for the issuance of NewCo PSUs and NewCo RSUs from time to time;

"**NewCo Incentive Security Plan Insider and Independent Director Participation Restrictions**" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Certain Restrictions*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**NewCo Options**" means options to purchase NewCo Shares;

"**NewCo PSUs**" means performance share units of NewCo to be granted pursuant to the NewCo Incentive Security Plan;

"**NewCo RSUs**" means restricted share units of NewCo to be granted pursuant to the NewCo Incentive Security Plan;

"**NewCo Share Consideration**" means: (a) with respect to each LPR Canada Common Share, 0.5544092 NewCo Share; (b) with respect to each LPR Canada Preferred Share, 0.8117105 NewCo Share; and (c) with respect to each Arsenal Share, 1.1417218 NewCo Shares;

"**NewCo Shareholders**" means holders of NewCo Shares;

"**NewCo Shares**" means the common shares of NewCo;

"**NewCo STIP**" has the meaning ascribed thereto under the heading "*Director and Executive Compensation – Compensation Discussion and Analysis*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"**NewCo Stock Option Plan**" means the stock option plan of NewCo to be adopted by NewCo on the Effective Date;

"**NewCo Stock Option Plan Insider Participation Restrictions**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Certain Restrictions*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**NI 54-101**" means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"**NP 46-201**" means National Policy 46-201 - *Escrow for Initial Public Offerings*;

"**Non-Resident Holder**" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*";

"**Notice and Access**" has the meaning ascribed thereto under the heading "*Joint Management Information Circular – Use of Notice and Access to deliver Arsenal Meeting Materials*";

"**Notice of Meeting**" means, as applicable, the Notice of Special Meeting of LPR Canada Securityholders, the Notice of Special Meeting of LPRI Shareholders or the Notice of Special Meeting of Arsenal Securityholders, accompanying the Circular;

"**NWRR**" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"**Old Framework**" has the meaning ascribed thereto under the heading "*General Description of the Business – Royalties*" in *Appendix G – Information Concerning Lone Pine*;

"OpCos" means, collectively: (a) LPR AmalCo, which will, following completion of the Arrangement, be a direct and indirect wholly-owned subsidiary of NewCo; and (b) Arsenal, which will, following completion of the Arrangement, be a direct wholly-owned subsidiary of NewCo;

"Option Termination and Share Award Settlement Agreements" means an agreement between Arsenal and a holder of Arsenal Incentive Awards, in form mutually satisfactory to LPR Canada and Arsenal, acting reasonably, pursuant to which the holder, among other things, consents to: (i) the termination of their Arsenal Options pursuant to the Arrangement; (ii) the accelerated vesting and settlement of their Arsenal Share Awards immediately prior to the Effective Time, including the payout multiplier applicable to any performance awards comprising the Arsenal Share Awards;

"Originating Application" means the originating application to the Court for the Final Order accompanying the Circular;

"Paris Agreement" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"Participants", (a) in respect of the Lone Pine Incentive Plan, has the meaning ascribed thereto under the heading "*Lone Pine Equity Plan – Purpose*" in *Appendix G – Information Concerning Lone Pine*; and (b) in respect of the NewCo Incentive Security Plan, has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Grant of Awards and Vesting*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"Person" means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

"Plan" has the meaning ascribed thereto under the heading "*Lone Pine – Corporate Overview*" in *Appendix G – Information Concerning Lone Pine*;

"Plan of Arrangement" means the plan of arrangement attached as Schedule A to the Arrangement Agreement;

"Preferred Share Liquidation Preference" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"Probable reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Proposed Amendments" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations*";

"Proved reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"PubCo" has the meaning ascribed thereto under the heading "Part I – The Arrangement – Background to the Arrangement – Background to the Arrangement";

"PUC" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Dissent Rights – Dissenting LPR Canada Shareholders and Dissenting Arsenal Shareholders*";

"Québec Climate Plan" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"Registered Holder" means, as applicable, a Person whose name appears on the register of LPR Canada as the owner of LPR Canada Securities, the register of LPRI as the owner of LPRI Shares or the register of Arsenal as the owner of Arsenal Securities;

"Registrar" means the Registrar of Corporations or a Deputy Registrar of Corporations appointed pursuant to Section 263 of the ABCA;

"Regulation S" means Regulation S under the U.S. Securities Act;

"Replacement Lone Pine RSU" has the meaning ascribed thereto under heading "*Part I – The Arrangement – Effect of the Arrangement – Effect on Lone Pine Securityholders*";

"Reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Reserves Committee" has the meaning ascribed thereto under the heading "*Corporate Governance – General*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"Resident Holder" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*";

"RRIF" has the meaning ascribed thereto under the heading "*Part I – Eligibility for Investment*";

"RRSP" has the meaning ascribed thereto under the heading "*Part I – Eligibility for Investment*";

"Sanction Order" has the meaning ascribed thereto under the heading "*General Description of the Business – History*" in *Appendix G – Information Concerning Lone Pine*;

"SEA" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Date and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Securities" means, collectively, the LPR Canada Securities, the LPRI Shares and the Arsenal Securities;

"Securities Laws" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as in effect and may be amended from time to time prior to the Effective Date;

"Securityholders" means, collectively, Lone Pine Securityholders and/or Arsenal Securityholders, as the context requires;

"SEDAR" means the System for Electronic Document Analysis and Retrieval administered by the Canadian Securities Administrators;

"Service Provider" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Administration*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"Service well" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"Service Year" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Grant of Awards and Vesting*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"SGER" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"**SGRR**" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"**Shareholders**" means, collectively, Lone Pine Shareholders and/or Arsenal Shareholders, as the context requires;

"**Shares**" means, collectively, the LPR Canada Shares, the LPRI Shares and the Arsenal Shares;

"**Sproule**" means Sproule Associates Ltd.;

"**Sproule Report**" has the meaning ascribed thereto under the heading "*Pro Forma Combined Financial Information and Operational Information – Selected Pro Forma Operational Information*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement* and under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"**Stratigraphic test well**" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"**subsidiary**" means, with respect to any person, any issuer that would constitute a subsidiary of that person for purposes of either the *Securities Act* (Alberta) or National Instrument 45-106 – *Prospectus Exemptions* made as a rule thereunder;

"**Successor**" has the meaning ascribed thereto under the heading "*NewCo Stock Option Plan – Adjustment in Connection with Certain Corporate Events*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"**Superior Proposal**" means an unsolicited, *bona fide* Acquisition Proposal in writing made after the date of the Arrangement Agreement to acquire all of the outstanding Arsenal Shares or all or substantially all of the consolidated assets of Arsenal: (a) that does not constitute a breach of Section 3.9 of the Arrangement Agreement or any agreement between Arsenal and the person or persons making the Acquisition Proposal; (b) that is not subject to a financing condition, and in respect of which the funds (or other consideration) necessary to consummate the Acquisition Proposal have been demonstrated to the satisfaction of the Arsenal Board, acting reasonably and in good faith and after receipt of advice from an independent financial advisor of nationally recognized reputation and outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), to be fully committed and available to the prospective acquirer at the time and on the basis set out in the Acquisition Proposal; (c) that is not subject to a due diligence condition, or any term or condition that would allow greater access to the books, records or personnel of Arsenal or its subsidiaries than was made available to Lone Pine prior to the date of the Arrangement Agreement; (d) that, in the opinion of the Arsenal Board, acting reasonably and in good faith and after receipt of advice from an independent financial advisor of nationally recognized reputation and outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), confirmation of which shall be immediately delivered to Lone Pine: (i) is a commercially feasible transaction that Arsenal and the prospective acquirer can consummate immediately, subject only to receipt of applicable regulatory and shareholder approvals (which in such opinion of the Arsenal Board are likely to be obtained without undue delay), and in any event within a time frame that is reasonable in the circumstances; and (ii) if consummated, would be superior, from a financial point of view, for the Arsenal Shareholders to the transactions contemplated by the Arrangement Agreement (including any adjustment to the terms and conditions of the Arrangement proposed pursuant to Section 3.4 of the Arrangement Agreement); and (e) in respect of which the Arsenal Board has determined, acting reasonably and in good faith and after advice from outside legal counsel (as reflected in the minutes of the Arsenal Board proceedings), that failure to recommend such Acquisition Proposal to the Arsenal Shareholders would be inconsistent with its fiduciary duties under Applicable Laws;

"**Supplemental Facility**" has the meaning ascribed thereto under the heading "*Part I – The Arrangement – Background to the Arrangement – Background in respect of Arsenal*";

"Support Agreement" means, collectively, the Arsenal Support Agreements and the Lone Pine Support Agreements, as the context requires;

"Tax" or **"Taxes"** means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof or in lieu of or for non-collection or non-remittance of such taxes, imposed by any federal, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include all income or profits taxes (including federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, *ad valorem* taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, capital taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Lone Pine or its subsidiaries or Arsenal, as the case may be, is required to pay, withhold, remit or collect;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereto;

"TDC" has the meaning ascribed thereto under the heading "*Director and Executive Compensation – Compensation Discussion and Analysis*" in *Appendix I – Information Concerning NewCo Following Completion of the Arrangement*;

"Termination Date" has the meaning ascribed thereto under the heading "*NewCo Incentive Security Plan – Term of Awards*" in *Appendix K – NewCo Incentive Plan Resolution and Description of the NewCo Incentive Plans*;

"TFSA" has the meaning ascribed thereto under the heading "*Part I – Eligibility for Investment*";

"TSX" means the Toronto Stock Exchange;

"Underlying Shares" has the meaning ascribed thereto under the heading "*Description of Share Capital – LPR Canada*" in *Appendix G – Information Concerning Lone Pine*;

"Undeveloped reserves" has the meaning ascribed thereto under the heading "*General Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" in *Appendix G – Information Concerning Lone Pine*;

"UNFCCC" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*;

"United States" or **"U.S."** means the United States, as defined in Rule 902(1) under Regulation S;

"U.S. Bankruptcy Court" has the meaning ascribed thereto under the heading "*General Description of the Business – History*" in *Appendix G – Information Concerning Lone Pine*;

"U.S. Exchange Act" means the *United States Securities Exchange Act of 1934*, as amended, and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"U.S. Securities Act" means the *United States Securities Act of 1933*, as amended, and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"U.S. Securities Laws" means the federal and state securities legislation of the United States, including the U.S. Exchange Act and U.S. Securities Act, and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"U.S. Treaty" has the meaning ascribed thereto under the heading "*Part I – Certain Canadian Federal Income Tax Considerations – Dividends on NewCo Shares (Post-Arrangement)*";

"Voting Instruction Form" means the voting instruction form provided by Broadridge to Beneficial Holders; and

"WCI" has the meaning ascribed thereto under the heading "*General Description of the Business – Climate Change Regulation*" in *Appendix G – Information Concerning Lone Pine*.