

LONE PINE RESOURCES CANADA LTD.

- and -

ARSENAL ENERGY INC.

ARRANGEMENT AGREEMENT

June 23, 2016

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT made as of June 23, 2016 among:

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 Amalco, as successor to 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 Amalco, and Amalco will own the combined assets of Lone Pine and Arsenal;

AND WHEREAS in connection with completion of the Arrangement, Newco will 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 Amalco;

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% of 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 arrangement agreement, as the same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;
- (d) "**Amalco**" means the amalgamated corporation that is the ultimate successor to Lone Pine and Arsenal pursuant to completion of the Arrangement, and will thereupon be a direct or indirect wholly-owned subsidiary of Newco;
- (e) "**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;
- (f) "**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;
- (g) "**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;
- (h) "**Arsenal Board**" means the board of directors of Arsenal;
- (i) "**Arsenal Damages Event**" has the meaning ascribed thereto in section 6.2;
- (j) "**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;
- (k) "**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;
- (l) "**Arsenal Governing Documents**" means the certificate and articles of amalgamation and by-laws of Arsenal, and all amendments thereto;
- (m) "**Arsenal Incentive Plans**" means, collectively, the Arsenal Share Award Plan and the Arsenal Stock Option Plan;
- (n) "**Arsenal Information**" means the information relating solely to Arsenal that is contained in the Circular;

- (o) "**Arsenal Meeting**" means the special meeting of Arsenal Shareholders to be convened to consider and, if so determined, approve the Arrangement and related matters, and includes any adjournments thereof;
- (p) "**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;
- (q) "**Arsenal Proportionate Interest**" has the meaning ascribed thereto in clause 2.2(a)(ii);
- (r) "**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;
- (s) "**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;
- (t) "**Arsenal Resolution**" means the special resolution approving the Arrangement to be considered and voted upon by the Arsenal Shareholders of record at the Arsenal Meeting, substantially in the form set forth in Schedule A hereto;
- (u) "**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;
- (v) "**Arsenal Share Award Plan**" means the share award incentive plan of Arsenal approved by the Arsenal Shareholders on June 19, 2014;
- (w) "**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;
- (x) "**Arsenal Shareholders**" means, collectively, the holders of Arsenal Shares;
- (y) "**Arsenal Shares**" means, collectively, the common shares in the capital of Arsenal;
- (z) "**Arsenal Stock Option Plan**" means the incentive stock option plan of Arsenal dated July 13, 2007, as amended;
- (aa) "**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;
- (bb) "**Arsenal Termination Fee**" means the sum of \$1.5 million;

- (cc) "**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;
- (dd) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta;
- (ee) "**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;
- (ff) "**Circular**" means the joint information circular to be prepared and disseminated to Lone Pine Shareholders and Arsenal Shareholders in connection with the Lone Pine Meeting and the Arsenal Meeting, together with the accompanying notice of the Lone Pine Meeting and notice of the Arsenal Meeting, and including any amendments thereof or supplements thereto;
- (gg) "**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);
- (hh) "**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;
- (ii) "**Competition Act**" means the *Competition Act* (Canada), R.S.C. 1985, c. C-34, as amended;
- (jj) "**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;
- (kk) "**Confidentiality Agreement**" means the confidentiality agreement between Lone Pine and Arsenal dated April 28, 2016;

- (ll) "**Court**" means the Court of Queen's Bench of Alberta;
- (mm) "**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;
- (nn) "**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;
- (oo) "**Effective Date**" means the date the Arrangement becomes effective pursuant to the ABCA and the terms of the Final Order;
- (pp) "**Effective Time**" means the time on the Effective Date at which the first step of the Plan of Arrangement becomes effective pursuant to the ABCA and the terms of the Final Order;
- (qq) "**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);
- (rr) "**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;
- (ss) "**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;
- (tt) "**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;
- (uu) "**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;
- (vv) "**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;

- (ww) "**Income Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.), c. 1, as amended, including the regulations promulgated thereunder;
- (xx) "**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;
- (yy) "**Lone Pine Resolution**" means the special resolution approving the Arrangement to be considered and voted upon by the Lone Pine Shareholders of record at the Lone Pine Meeting, substantially in the form set forth in Schedule A hereto;
- (zz) "**Lone Pine Board**" means the board of directors of Lone Pine;
- (aaa) "**Lone Pine Common Shares**" means, collectively, the Class A voting common shares in the capital of Lone Pine;
- (bbb) "**Lone Pine Common Shareholders**" means, collectively, the holders of the Lone Pine Common Shares;
- (ccc) "**Lone Pine Damages Event**" has the meaning ascribed thereto in section 6.1;
- (ddd) "**Lone Pine Delaware**" mean Lone Pine Resources Inc., a Delaware corporation;
- (eee) "**Lone Pine Delaware Agreement**" means the agreement or agreements to be entered into among Newco and a requisite majority of Lone Pine Delaware Shareholders providing for the direct or indirect acquisition by Newco of all of the issued and outstanding shares in the capital stock of Lone Pine Delaware (or a merger successor thereto);
- (fff) "**Lone Pine Delaware Shareholders**" means, collectively, the holders of Class A common shares and Class B multiple voting shares in the capital stock of Lone Pine Delaware;
- (ggg) "**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;
- (hhh) "**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;
- (iii) "**Lone Pine Governing Documents**" means the certificate and articles of amalgamation and by-laws of Lone Pine, and all amendments thereto;

- (jjj) "**Lone Pine Holdings**" means Lone Pine Resources (Holdings) Inc., an Alberta corporation;
- (kkk) "**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;
- (lll) "**Lone Pine Incentive Plan**" means the 2014 equity incentive plan of Lone Pine dated January 31, 2014;
- (mmm) "**Lone Pine Information**" means the information relating solely to Lone Pine that is contained in the Circular;
- (nnn) "**Lone Pine Meeting**" means the special meeting of Lone Pine Shareholders to be convened to consider and, if so determined, approve the Arrangement and related matters, and includes any adjournments thereof;
- (ooo) "**Lone Pine Multiple Voting Share**" means one (1) Class C multiple voting share in the capital of Lone Pine;
- (ppp) "**Lone Pine Preferred Shares**" means, collectively, the Series 1 preferred shares in the capital of Lone Pine;
- (qqq) "**Lone Pine Preferred Shareholders**" means, collectively, the holders of the Lone Pine Preferred Shares;
- (rrr) "**Lone Pine Proportionate Interest**" has the meaning ascribed thereto in clause 2.2(a)(i);
- (sss) "**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;
- (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 Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine;
- (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 Amalco and the corporation of which the Lone Pine Shareholder and Arsenal Shareholders are continuing shareholders;
- (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, which plan of arrangement shall be in form mutually satisfactory to Lone Pine and Arsenal, acting reasonably, as may be amended or supplemented from time to time as provided herein;
- (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(e);
- (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.

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 - Arrangement Resolutions

Schedule B - Form of News Release

Schedule C - Representations and Warranties of Arsenal

Schedule D - Representations and Warranties of Lone Pine

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 the Plan of Arrangement and with any necessary 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) Lone Pine and Arsenal (or an amalgamation successor thereto, as applicable) shall amalgamate to form Amalco, which shall be a direct and indirect wholly-owned subsidiary of Newco;
- (d) 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;

- (e) 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
- (f) each Arsenal Option and each Arsenal Share Award that is outstanding at the Effective Time 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, shall be 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 (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 the Lone Pine Common Shares, on the one hand, and the Lone Pine Preferred 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) as of the Effective Date; and
- (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).

Unless otherwise agreed by the parties, the Total Newco Share Capital shall (subject to the effects of rounding to whole numbers) be 50,000,000 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 38,500,000 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 11,500,000 Newco Shares.

Each party shall deliver to the other party, in writing, not later than July 8, 2016, 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 Lone Pine Incentive Awards or any other right to acquire shares in the capital of Lone Pine.

2.3 Interim Order

As soon as practicable following the date hereof, and in any event by July 25, 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;
- (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 the requisite majority for approval of the Arsenal Resolution shall be:
 - (A) two-thirds of the votes cast by the Arsenal Shareholders present in person or represented by proxy at the Arsenal Meeting, voting together as a single class; and
 - (B) 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*;
- (e) 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 and the Lone Pine Preferred Shares;
- (f) 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;
- (g) 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;
- (h) that the requisite majority for approval of the Lone Pine Resolution shall be:
 - (A) two-thirds of the votes cast by the Lone Pine Common Shareholders present in person or represented by proxy at the Lone Pine Meeting, voting together as a single class; and
 - (B) two-thirds of the votes cast by the Lone Pine Preferred Shareholders present in person or represented by proxy at the Lone Pine Meeting, voting together as a single class;
- (i) 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;
- (j) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (k) 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 B 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, Amalco 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, Larch, Amalco 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 Amalco or 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, Arsenal and Amalco (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, Arsenal or Amalco (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, Arsenal and Amalco, 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, Arsenal and Amalco, as applicable, to enable it to comply with any such requirement to deduct or withhold, and Newco, Lone Pine, Arsenal or Amalco, 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 August 29, 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 August 29, 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 and the Lone Pine Shareholders as soon as practicable, and in any event not later than July 29, 2016;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) promptly notify the other party of any communication from or with any Governmental Authority regarding this Agreement or the Arrangement; and
- (i) 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, Amalco will 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 C, 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 D, 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 July 26, 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 on or before July 15, 2016 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 1, 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 and Amalco 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, Amalco 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: [Redacted]
Facsimile No.: [Redacted]
Email: [Redacted]

with a copy to (which shall not constitute notice)

Bennett Jones LLP
4500, 855 - 2nd Street S.W.
Calgary, AB T2P 4K7

Attention: [Redacted]
Facsimile No.: [Redacted]
Email: [Redacted]

(b) if to Arsenal:

Arsenal Energy Inc.
1900, 639 - 5th Avenue S.W.
Calgary, AB T2P 0M9

Attention: [Redacted]
Facsimile No.: [Redacted]
Email: [Redacted]

and to:

Whitewater Inc.
Chief Restructuring Officer
Arsenal Energy Inc.
First Canadian Centre
3600, 350 - 7th Avenue S.W.
Calgary, AB T2P 3N7

Attention: [Redacted]
Email: [Redacted]

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: [Redacted]
Facsimile No.: [Redacted]
Email: [Redacted]

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 Granger"
Tim Granger
President and Chief Executive Officer

ARSENAL ENERGY INC.

By: (signed) "Tony van Winkoop"
Tony van Winkoop
President and Chief Executive Officer

SCHEDULE A

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 shareholders, 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 July [●], 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 arrangement agreement between Lone Pine and Arsenal dated 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 shareholders, 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 July [●], 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 arrangement agreement between Lone Pine and Arsenal dated 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 B
FORM OF NEWS RELEASE

SCHEDULE C

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 or Amalco, as applicable, 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 D

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 or Amalco, as applicable, 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.