This is Exhibit I referred to in the Affidavit of Peter D. Scott sworn before me this 12th day of July, 2016

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A Commissioner for Oaths in and for Alberta

KELLY J. BOURASSA
Barrister and Solicitor

MANAGEMENT'S REPORT

Management is responsible for the integrity and objectivity of the information contained in this report and for the consistency between the consolidated financial statements and other financial and operating data contained elsewhere in this report. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards using estimates and careful judgment, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying consolidated financial statements have been prepared using policies and procedures established by management and fairly reflect the Company's financial position, results of operations and changes in cash flow, within International Financial Reporting Standards. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Company's external auditors, Deloitte LLP, have examined the consolidated financial statements. Their examination provides an independent view as to management's discharge of its responsibilities insofar as they relate to the fairness of reported financial results and the financial condition of the Company.

The Audit Committee of the Board of Directors has reviewed in detail the consolidated financial statements with management and the external auditors. The Audit Committee has reported its findings to the Board of Directors who have approved the consolidated financial statements.

John D. Wright
President and Chief Executive Officer

Peter D. Scott
Senior Vice President & Chief Financial Officer

Calgary, Canada
March 3, 2016

Deloitte.

Deloitte LLP
Suite 700
850 2nd Street S.W.
Calgary AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of Lightstream Resources Ltd.:

We have audited the accompanying consolidated financial statements of Lightstream Resources Ltd., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and the consolidated statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lightstream Resources Ltd. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
March 3, 2016
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS
(Thousands of Canadian dollars)

As at,	Note	December 31, 2015	December 31, 2014
Assets			
Current assets			
Accounts receivable		$ 53,858	$ 105,333
Prepaid expenses		5,563	7,861
Risk management assets	16	9,732	66,712
		69,153	179,906
Long-term investments		344	1,328
Exploration and evaluation	5	271,970	335,837
Property, plant and equipment	6	2,217,405	3,276,141
Total assets		$ 2,558,872	$ 3,793,212
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 86,040	$ 253,320
Convertible debentures	9	6,164	—
		92,204	253,320
Secured termed credit facility	7	340,832	568,668
Secured notes	8	899,600	—
Senior unsecured notes	10	345,565	909,402
Convertible debentures	9	—	7,172
Other long-term liabilities		6,335	8,344
Decommissioning liabilities	11	220,306	198,387
Deferred tax liabilities	12	197,377	451,448
		2,102,219	2,396,741
Shareholders' equity			
Shareholders' capital	13	2,368,272	2,358,361
Contributed surplus	13	160,905	164,619
Deficit		(2,072,524)	(1,126,509)
Total shareholders' equity		456,653	1,396,471
Total liabilities and equity		$ 2,558,872	$ 3,793,212

Commitments (Note 18) Subsequent events (Note 20)
See accompanying notes to these consolidated financial statements.

Approved by the Board of Directors

Kenneth McKinnon
Chairman of the Board of Directors

Corey C. Ruttan
Director

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(Thousands of Canadian dollars, except per share amounts)

	Note	Year ended December 31, 2015	2014
Revenues			
Oil and natural gas sales		$ 460,576	$ 1,107,824
Royalties		(51,511)	(163,224)
Oil and natural gas revenues		409,065	944,600
Gain on risk management contracts	16	39,996	75,058
		449,061	1,019,658
Expenses			
Production		144,280	208,600
Transportation		3,296	6,449
General and administrative		39,985	43,055
Share-based compensation	13	6,146	11,889
Loss (gain) on dispositions	6	2,735	(68,564)
Long-term investments loss		612	4,318
(Gain) on repurchase of unsecured notes	10	(102,791)	(4,002)
Interest and other	4	127,563	127,832
Foreign exchange loss		193,491	81,454
Depletion and depreciation expense	6	328,830	467,897
Impairments	5,6	905,000	700,000
		1,649,147	1,578,928
(Loss) before taxes		(1,200,086)	(559,270)
Income tax (recovery)	12	(254,071)	(113,198)
Net (loss) and comprehensive (loss)		$ (946,015)	$ (446,072)
Basic (loss) per share	14	$ (4.79)	$ (2.23)
Diluted (loss) per share	14	$ (4.79)	$ (2.23)

See accompanying notes to these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Thousands of Canadian dollars)

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
January 1, 2015	$ 2,358,361	$ 164,619	$ (1,126,509)	$ 1,396,471
Net loss	—	—	(946,015)	(946,015)
Issued under employee incentive plan	51	—	—	51
Share-based compensation	—	6,146	—	6,146
Share-based settlements	9,860	(9,860)	—	—
December 31, 2015	**$ 2,368,272**	**$ 160,905**	**$ (2,072,524)**	**$ 456,653**

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
January 1, 2014	$ 2,386,052	$ 134,923	$ (588,171)	$ 1,932,804
Net loss	—	—	(446,072)	(446,072)
Issued under employee incentive plan	133	—	—	133
Share repurchases	(41,779)	31,762	—	(10,017)
Share-based compensation	—	11,889	—	11,889
Share-based settlements	13,955	(13,955)	—	—
Dividends	—	—	(92,266)	(92,266)
December 31, 2014	**$ 2,358,361**	**$ 164,619**	**$ (1,126,509)**	**$ 1,396,471**

See accompanying notes to these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOW

(Thousands of Canadian dollars)

	Note	Year ended December 31, 2015	2014
Operating Activities			
Net (loss)		$ (946,015)	$ (446,072)
Adjusted for:			
Impairments	5,6	905,000	700,000
Depletion and depreciation	6	328,830	467,897
Income tax (recovery)	12	(254,071)	(113,198)
Unrealized loss (gain) on risk management contracts	16	56,980	(64,779)
Unrealized foreign exchange loss		189,143	79,791
Share-based compensation	13	6,146	11,889
Loss (gain) on dispositions	6	2,735	(68,564)
Unrealized loss on long-term investments		612	4,318
(Gain) on repurchase of unsecured notes	10	(102,791)	(4,002)
Non-cash interest and other	4	9,131	9,627
Decommissioning liabilities settled	11	(2,077)	(4,675)
		193,623	572,232
Changes in non-cash working capital	17	(11,747)	3,751
		181,876	575,983
Investing Activities			
Expenditures on property, plant, and equipment	6	(106,803)	(471,206)
Exploration and evaluation expenditures	5	(385)	(4,425)
Proceeds from dispositions, net of adjustments	6	12,143	716,267
Proceeds from disposition of long-term investments		372	—
Changes in non-cash working capital	17	(99,775)	(16,394)
		(194,448)	224,242
Financing Activities			
Issuance (repurchase) of shares		51	(9,884)
(Repayment) of secured termed credit facility, net of costs		(229,871)	(588,853)
Issuance of secured notes	8	255,297	—
Transaction costs associated with repurchase of unsecured notes	10	(6,904)	—
Repurchase of unsecured notes	10	—	(103,847)
Repurchase of convertible debentures		(2,007)	—
Dividends paid		—	(92,266)
Changes in non-cash working capital	17	(3,994)	(5,375)
		12,572	(800,225)
Net change in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of period		—	—
Cash and cash equivalents, end of period		$ —	$ —
Other cash flow information			
Cash interest paid	4	$ 120,250	$ 118,205

See accompanying notes to these consolidated financial statements.

Note 1 – Corporate Information and Basis of Presentation

Corporate Information

Lightstream Resources Ltd. ("Lightstream" or the "Company") is an Alberta corporation with shares listed on the Toronto Stock Exchange ("TSX"). The records office and principal address are located at 2800, 525 -8th Avenue SW, Calgary, Alberta T2P 1G1.

The Company is principally engaged in the exploration and development of oil and natural gas in western Canada. The annual audited consolidated financial statements of the Company as at and for the year ended December 31, 2015 comprise of the Company and its subsidiaries. Refer to Note 19 for details.

As at December 31, 2015 and 2014, the Company was comprised of one operating segment, therefore no segmented information has been provided.

These financial statements were authorized for issue by the Board of Directors on March 3, 2016.

Basis of Presentation and Statement of Compliance

The consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Note 2 - Significant Accounting Policies

a) *Use of Estimates and Judgments*

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities, amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from estimated amounts. Management reviews estimates and underlying assumptions on an ongoing basis.

Amounts recorded for depletion and depreciation and amounts used for property, plant and equipment impairment calculations are based on a number of factors including estimates of oil and natural gas reserves and future costs required to develop those reserves. To test impairment, costs are allocated into cash generating units ("CGU's") based on their ability to generate largely independent cash flows. The determination of CGU's is subject to judgment. The transfer of exploration and evaluation assets to property, plant and equipment is based on management's judgment of technical feasibility and commercial viability.

Share-based compensation is subject to the estimation of what the ultimate payout will be using pricing models such as Black-Scholes, which is based on significant assumptions such as expected volatility, dividend yield and expected term.

Amounts recorded for decommissioning liabilities and the related accretion expense requires the use of estimates with respect to the amount and timing of abandonment costs, inflation and interest rates.

The derivative financial liability related to the convertible debenture and the gain or loss on derivative financial liability is based on estimated fair value using the Black-Scholes model. The fair value of derivative instruments resulting in risk management assets and liabilities is subject to measurement uncertainty.

Oil and natural gas assets are accumulated by CGU. Costs are depleted using the unit-of-production method based upon estimated proved plus probable reserves before royalties. Costs subject to depletion include estimated costs to develop proved plus probable reserves. Reserve and production volumes of oil and natural gas are converted to common units on the equivalency basis of six Mcf to one barrel of oil, reflecting the approximate relative energy content.

Proved reserves are those reserves claimed to have a reasonable certainty (normally at least 90% confidence) of being recoverable under existing economic and political conditions, with existing technology. Probable reserves are attributed to known accumulations, with an estimated 50% confidence level of recovery. Reserves are determined pursuant to National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities.*

The difference between the proceeds from the disposition of oil and natural gas properties and the accumulated costs of the properties sold will be recorded as gain or loss in the consolidated statement of operations and comprehensive income/loss in the period in which the disposition occurred.

Depreciation of corporate and other fixed assets is calculated using the declining balance method at a rate of 30 percent.

e) *Impairment*

An impairment test will be performed whenever events and circumstances indicate that the carrying value of the asset or CGU may exceed the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Exploration and evaluation assets are allocated to the CGU they relate to for purposes of impairment testing. If there is indication of an impairment loss, the costs carried on the consolidated balance sheet in excess of the recoverable amount are charged to the consolidated statement of operations and comprehensive income/loss.

Impairment losses from prior periods are assessed at each reporting date for indications that the impairment loss no longer exists or has decreased. Impairment losses, other than those related to goodwill, can be reversed if there is a change in the estimates used to determine the recoverable amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depreciation and depletion that would have been taken if no impairment was recognized.

f) *Decommissioning Liabilities*

The Company recognizes the estimated fair value of future decommissioning liabilities associated with property, plant, and equipment as a liability in the period in which they are incurred, normally when the asset is purchased or developed. The liability is based on the estimated costs to abandon and reclaim the net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods.

This estimate is evaluated on a quarterly basis and any adjustments are made to the carrying amount. The change in net present value of the future decommissioning liabilities due to the passage of time is expensed as accretion and included in interest and other expense on the statement of operations and comprehensive income/loss. The decommissioning cost, which is the fair value of the decommissioning liabilities at the inception of the assets, is capitalized as part of the cost of the related long-lived asset and amortized using the unit-of production method. Actual decommissioning liabilities settled during the period reduce the decommissioning liability.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Note 6 – Property, Plant and Equipment

	Oil and Natural Gas Assets	Other (1)	Total
Balance as at December 31, 2013	**$ 4,410,115**	**$ 13,112**	**$ 4,423,227**
Cost			
As at January 1, 2014	$ 6,626,790	$ 42,513	$ 6,669,303
Additions(2)	503,835	1,123	504,958
Dispositions (2)	(946,087)	—	(946,087)
Transfers from exploration and evaluation assets	65,516	—	65,516
As at December 31, 2014	$ 6,250,054	$ 43,636	$ 6,293,690
Depletion and Depreciation			
As at January 1, 2014	$ 2,216,675	$ 29,401	$ 2,246,076
Charge for the period	462,510	5,387	467,897
Dispositions	(396,424)	—	(396,424)
Impairment	700,000	—	700,000
As at December 31, 2014	$ 2,982,761	$ 34,788	$ 3,017,549
Balance as at December 31, 2014	**$ 3,267,293**	**$ 8,848**	**$ 3,276,141**

(1) Other fixed assets are mainly comprised of office furniture and fixtures, and computer equipment.
(2) Includes $6.7 million of non-cash consideration and $27.1 million of asset retirement costs for total cash expenditures of $471.2 million.

	Oil and Natural Gas Assets	Other (1)	Total
Balance as at December 31, 2014	**$ 3,267,293**	**$ 8,848**	**$ 3,276,141**
Cost			
As at January 1, 2015	$ 6,250,054	$ 43,636	$ 6,293,690
Additions (2)	125,788	—	125,788
Dispositions	(4,799)	—	(4,799)
Transfers from exploration and evaluation assets	47,007	—	47,007
As at December 31, 2015	$ 6,418,050	$ 43,636	$ 6,461,686
Depletion and Depreciation			
As at January 1, 2015	$ 2,982,761	$ 34,788	$ 3,017,549
Charge for the period	324,833	3,997	328,830
Dispositions	(1,648)	—	(1,648)
Impairment	899,550	—	899,550
As at December 31, 2015	$ 4,205,496	$ 38,785	$ 4,244,281
Balance as at December 31, 2015	**$ 2,212,554**	**$ 4,851**	**$ 2,217,405**

(1) Other fixed assets are mainly comprised of office furniture and fixtures, and computer equipment.
(2) Includes $18.9 million of asset retirement costs.

Asset dispositions

During the year ended December 31, 2015, the Company disposed of non-core assets for net proceeds of $12.1 million (2014 - $724.5 million) and recognized a loss on dispositions of $2.7 million (2014 - $68.6 million gain), inclusive of adjustments. Non-cash consideration relating to the dispositions was nil (2014 - $8.2 million).

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Impairment

The Company performs impairment tests when events and/or circumstances indicate that the carrying value of an asset or cash generating unit ("CGU") may exceed the recoverable amount. At December 31, 2015, impairment tests were performed for each CGU due to declining current and forecasted commodity prices for crude oil and natural gas.

The estimated recoverable amounts were based on fair value less costs to sell calculations, which are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data but rather management's best estimates. Refer to Note 16 for information on fair value hierarchy classifications.

In estimating the recoverable amount of each CGU, the Company incorporated the net present value of the before-tax cash flows from proved plus probable ("2P") oil and gas reserves estimated by the Company's external reserve evaluator, internally generated valuations of unbooked locations not included in the Company's external reserve evaluator's reserve report and valuation of undeveloped land. These amounts were aggregated for each CGU and compared to the total carrying value of PP&E and E&E associated with that CGU. If the combined carrying value of PP&E and E&E exceeded the recoverable amount, an impairment expense was recognized.

The key assumptions in determining the estimated recoverable amounts and future net cash flows for the Bakken CGU and Cardium CGU were the following:

Commodity Prices
In its assessment of commodity prices, the Company utilized benchmark pricing forecasts from its external reserve evaluator, which are outlined below:

Year	WTI Crude Oil (US$/bbl) (1)	AECO Natural Gas ($/MMbtu) (1)	US$/CDN$
2016	$45.00	$2.25	0.75
2017	$60.00	$3.00	0.80
2018	$70.00	$3.50	0.83
2019	$80.00	$4.00	0.85
2020	$81.20	$4.25	0.85
Thereafter % change	1.5%	1.5%	NIL

(1) Actual prices used in the impairment test were adjusted for crude oil quality differentials, natural gas heat content, transportation and marketing costs specific to the Company's operations.

Discount rate - Future net cash flows of 2P reserves and unbooked locations were estimated based on a discount rate ranging from 12% - 13% for each CGU (December 31, 2014 - 10% - 12%).

Inventory of unbooked locations - The Company utilized internally identified unbooked locations in estimating the recoverable amount attributable to these future drilling locations. The Company's timing estimate to drill these locations is between the years 2021 to 2035, once all the locations identified by the external reserve evaluator have been drilled.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The following table depicts the effect of changes in discount rates and forecasted commodity prices for crude oil and natural gas on the impairment expense:

	Increase in discount rate of 1%	Decrease in discount rate of 1%	Increase in commodity prices of 5%	Decrease in commodity prices of 5%
Bakken CGU	$ 78,000	$ (86,000)	$ (132,500)	$ 132,000
Cardium CGU	69,000	(77,000)	(102,500)	100,000
Other Alberta CGU	7,000	(8,000)	(18,000)	17,000
Increase (decrease) in impairment	**$ 154,000**	**$ (171,000)**	**$ (253,000)**	**$ 249,000**

Further declines or recoveries to commodity prices for crude oil and natural gas could result in additional impairment charges or impairment reversals in future periods.

Note 7 – Secured Termed Credit Facility

The Company has a secured termed credit facility ("Credit Facility") which provides for a borrowing base in the amount of $550 million (December 31, 2014 - $1.15 billion), maturing on June 2, 2017, subject to further extension. The lending amount available under the Credit Facility is subject to semi-annual borrowing base re-determinations on October 31 and April 30 of each year. During the term of the Credit Facility, the Company will not pay cash dividends without the unanimous consent of the lenders.

The Credit Facility has a single financial covenant that limits the ratio of facility borrowing to trailing twelve months earnings before interest, taxes and other non-cash items ("Adjusted EBITDA") to:

January 1, 2015 - September 30, 2015 - 3.0x
October 1, 2015 - June 30, 2016 - 3.75x
July 1, 2016 - December 31, 2016 - 4.25x
January 1, 2017 - June 2, 2017 - 4.0x

The Company is in compliance with the financial covenant on the Credit Facility at December 31, 2015. Refer to Note 15 for details.

As at,	December 31, 2015	December 31, 2014
Secured termed credit facility outstanding	$ 344,188	$ 572,495
Deferred financing costs	(3,356)	(3,827)
Secured termed credit facility	**$ 340,832**	$ 568,668

The Company had letters of credit issued to third parties totaling $11.1 million (December 31, 2014 - $5.5 million), which reduce the borrowing capacity under the Credit Facility.

Note 8 – Secured Notes

During the year ended December 31, 2015, the Company issued US$650 million of Second Lien Notes ("Secured Notes"). The Company issued US$450 million of Secured Notes in exchange for US$546 million of outstanding Unsecured Notes which were cancelled, and US$200 million of Secured Notes for cash proceeds which were used to reduce the outstanding borrowing under the Credit Facility.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The Secured Notes include the following terms:

Interest is payable semi-annually on June 15 and December 15, at an annual rate of 9.875%. The Secured Notes are secured by second priority liens on all of the Company's assets and are subordinate to the Credit Facility.

The Secured Notes mature on June 15, 2019. Subject to certain exceptions, Lightstream has the option to redeem the Secured Notes beginning on June 15, 2016 at the following redemption prices (expressed as a percentage of the principal amount plus accrued and unpaid interest):

June 15, 2016 - June 14, 2017 - 107.410%

June 15, 2017 - June 14, 2018 - 104.940%

June 15, 2018 and thereafter - 100%

The U.S. denominated Secured Notes were translated into Canadian dollars at the exchange rate on the date of issuance and are revalued at the end of each applicable reporting period.

The Company has certain restrictive financial covenants on its Secured Notes. There are no maintenance financial covenants on these notes. Refer to Note 15 for details.

As at,	December 31, 2015	December 31, 2014
Secured Notes, beginning of year	$ —	$ —
Issuance of senior secured notes (1)	823,513	—
Changes in exchange rate	76,087	—
Secured Notes, end of year	$ 899,600	$ —

(1) Includes issuance of $255,297 for cash proceeds and $568,216 in exchange for Unsecured Notes, excluding transaction costs, which were cancelled.

Note 9 - Convertible Debentures

At December 31, 2015, Lightstream had US$4.5 million (December 31, 2014 - US$6.5 million) of unsecured convertible debentures outstanding, which matured on February 8, 2016.

During the year ended December 31, 2015, the Company repurchased $2.4 million (US$2.0 million) principal amount of the convertible debentures outstanding for an aggregate purchase price of $2.0 million (US$1.6 million).

Upon conversion, based on the adjusted conversion price of US$26.49 at December 31, 2015, a minimum of 169,907 common shares may be issued. The Company has certain restrictive financial covenants on its convertible debentures. There are no maintenance financial covenants on these debentures. Refer to Note 15 for details.

The US$4.5 million of convertible debentures matured February 8, 2016 and were settled in cash.

Note 10 – Senior Unsecured Notes

The Company had US$254 million of Senior Unsecured Notes ("Unsecured Notes") outstanding at December 31, 2015 (December 31, 2014 - US$800 million). The Unsecured Notes bear interest at a rate of 8.625% per annum payable semi-annually on August 1 and February 1, and mature on February 1, 2020. The Unsecured Notes are subordinate to Lightstream's Credit Facility and Secured Notes.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

During the year ended December 31, 2015, the Company repurchased and cancelled a total of US$546 million of Unsecured Notes in exchange for the issuance of US$450 in Secured Notes. The Company recognized a net gain on repurchase of $103 million (December 31, 2014 - gain on repurchase of $4 million).

The net gain associated with the transaction is comprised of the following:

	Year ended December 31, 2015
Discount associated with the transaction	$ 122,415
Acceleration of unaccreted transaction costs and initial discount (1)	(12,720)
Transaction costs	(6,904)
Gain on repurchase of unsecured notes	**$ 102,791**

(1) The Unsecured Notes were classified as a liability and have been carried at amortized cost, net of $20.8 million in transaction costs and a $4.5 million initial discount on principal proceeds. The transaction costs and initial discount are accreted up to the principal balance at maturity using the effective interest method.

The Company has certain restrictive financial covenants on its Unsecured Notes. There are no maintenance financial covenants on these notes. Refer to Note 15 for details.

The following table summarizes the Unsecured Notes:

As at,	December 31, 2015	December 31, 2014
Unsecured Notes, beginning of year	$ 909,402	$ 935,191
Repurchase of unsecured notes, inclusive of costs (1)	(575,120)	(103,847)
Gain on repurchase	(102,791)	(4,002)
Accretion	2,174	2,855
Changes in exchange rate	111,900	79,205
Unsecured Notes, end of year	**$ 345,565**	**$ 909,402**

(1) Repurchase inclusive of $6.9 million of transaction costs.

Note 11 – Decommissioning Liabilities

The total future decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, gathering lines and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred.

Changes to decommissioning liabilities were as follows:

	December 31, 2015	December 31, 2014
Balance, beginning of year	$ 198,387	$ 234,511
Change in estimate	17,130	16,508
Obligations incurred	1,855	9,666
Obligations acquired	—	895
Obligations disposed	(68)	(63,386)
Obligations settled	(2,077)	(4,675)
Accretion	5,079	4,868
Balance, end of year	**$ 220,306**	**$ 198,387**

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The decommissioning liabilities have been calculated using an inflation rate of 2.0% and discounted using a risk free rate of 2.25% per annum (December 31, 2014 – inflation rate of 2.0% and risk free rate of 2.5%). Most of these obligations are not expected to be paid for several years extending up to 45 years in the future and are expected to be funded from the general resources of the Company at the settlement date. The change in estimate primarily relates to changes in the risk free rate and estimated costs to abandon the wells.

The undiscounted amount of estimated cash flows required to settle the liabilities at December 31, 2015 is $298.4 million before inflation (December 31, 2014 - $210.6 million).

Note 12- Income Taxes

Income tax expense is comprised of the following amounts:

Years ended December 31,	2015	2014
Current income tax expense	$ —	$ —
Deferred income tax (recovery) expense:		
Origination of temporary differences in current year	(254,071)	(113,365)
Adjustment in respect of prior years	—	167
Income tax (recovery) expense	$ (254,071)	$ (113,198)

Income tax expense differs from the amount that would have been expected by applying the statutory tax rate to income (loss) before taxes. The principal reasons for this difference are as follows:

Years ended December 31,	2015	2014
Loss from continuing operations before taxes	$ (1,200,086)	$ (559,270)
Statutory tax rate	26.34%	25.68%
Expected tax recovery	(316,103)	(143,621)
Increase (decrease) in tax expense resulting from:		
Non-deductible foreign exchange losses	49,812	10,244
Valuation of temporary differences at deferred tax rates	14,971	(499)
Share-based compensation	1,619	3,053
Reversal of previously recognized (unrecognized) tax attributes	(1,720)	18,092
Settlement of convertible debentures and senior unsecured notes	(3,570)	(1,475)
Other (1)	920	1,008
Income tax (recovery) expense	**$ (254,071)**	**$ (113,198)**

(1) Other includes accretion on convertible debentures and senior unsecured notes of $0.6M (2014 - $0.8M).

The increase in the Company's effective statutory tax rate to 26.34% for the year ended December 31, 2015 (2014 - 25.68%) is attributable to the increase in the Alberta provincial corporate tax rate from 10% to 12% effective July 1, 2015.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The components of the Company's net deferred tax liabilities arising from temporary differences and loss carry-forwards are as follows:

	Balance Dec. 31, 2013 asset (liability)	2014 Deferred tax recovery (expense)	Balance Dec. 31, 2014 asset (liability)
Property, plant and equipment	$ (554,351)	$ 82,146	$ (472,205)
Income deferred to subsequent years	(186,982)	132,901	(54,081)
Exploration and evaluation assets	(68,973)	20,567	(48,406)
Other	(473)	(17,065)	(17,538)
Convertible debentures and senior unsecured notes [(1)]	1,542	(6,833)	(5,291)
Non-capital losses	177,151	(86,112)	91,039
Decommissioning liabilities	60,326	(9,388)	50,938
Assets held for sale	(2,198)	2,198	—
Share issuance and financing costs	6,043	(3,893)	2,150
Other long-term liabilities	2,539	(593)	1,946
Liabilities held for sale	730	(730)	—
Total	**$ (564,646)**	**$ 113,198**	**$ (451,448)**

(1) Unrealized foreign exchange gain/loss on convertible debentures and senior unsecured notes is taxed as a capital gain (50%) upon conversion or settlement.

	Balance Dec. 31, 2014 asset (liability)	2015 Deferred tax recovery (expense)	Balance Dec. 31, 2015 asset (liability)
Property, plant and equipment	$ (472,205)	$ 157,408	$ (314,797)
Income deferred to subsequent years	(54,081)	54,081	—
Exploration and evaluation assets	(48,406)	8,924	(39,482)
Other	(17,538)	14,416	(3,122)
Convertible debentures, senior unsecured notes and secured notes [(1)]	(5,291)	3,162	(2,129)
Non-capital losses	91,039	7,561	98,600
Decommissioning liabilities	50,938	8,534	59,472
Share issuance and financing costs	2,150	382	2,532
Other long-term liabilities	1,946	(397)	1,549
Total	**$ (451,448)**	**$ 254,071**	**$ (197,377)**

(1) Unrealized foreign exchange gain/loss on convertible debentures, senior unsecured notes and secured notes is taxed as a capital gain (50%) upon conversion or settlement.

Note 13 – Shareholders' Capital

Authorized

The authorized share capital of Lightstream consists of an unlimited number of common shares without nominal or par value.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Normal Course Issuer Bid

During the year ended December 31, 2014, the Company repurchased and cancelled 3,499,121 shares at an average price of $2.86 per share. Of the $10 million paid, $41.8 million reduced the book value of the common shares and $31.8 million was recorded as an increase to contributed surplus. The Company did not repurchase any shares for cancellation during the year ended December 31, 2015.

Shareholders' Capital

	December 31, 2015		December 31, 2014	
Share Continuity (thousands of shares)	Number	Amount	Number	Amount
Balance, beginning of year	197,304	$ 2,358,361	199,774	$ 2,386,052
Repurchase of common shares	—	—	(3,499)	(41,779)
Exercise of stock options, incentive shares and deferred common shares	1,018	51	1,029	133
Share-based settlement on exercises	—	9,860	—	13,955
Balance, end of year	198,322	$ 2,368,272	197,304	$ 2,358,361

Contributed Surplus

Changes in Contributed Surplus	**Amount**
Balance at January 1, 2014	$ 134,923
Share-based compensation	11,889
Share-based settlement	(13,955)
Normal course issuer bid	31,762
Balance at December 31, 2014	$ 164,619
Share-based compensation	6,146
Share-based settlement on exercises	(9,860)
Balance at December 31, 2015	$ 160,905

Dividends

On January 19, 2015, the Company suspended the monthly dividend. The Company paid no dividends for the year ended December 31, 2015 (2014 - $92.3 million).

Stock Options, Incentive Shares, Deferred Common Shares

Under the Company's Incentive Share Plan and Stock Option Plan, the Company can issue stock options and incentive shares up to a maximum of 8% of outstanding shares, less the number of outstanding stock options, incentive shares and deferred common shares. At December 31, 2015, the Company had 5.9 million shares available to grant. The Company does not expect to make any further grants under the Deferred Common Shares Plan.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The Company estimates the fair value of granted stock options, incentive shares and deferred common shares using a Black-Scholes pricing model. The following assumptions were used to arrive at the estimated fair value at the date of the grants:

Years ended December 31,	2015	2014
Risk free interest rate	0.42% - 1.07%	0.91% - 1.24%
Annual dividend per share (1)	$ —	$ 0.46
Expected volatility	42% - 60%	42%
Expected life - stock options (years)	—	2.5 - 3.2
Expected life - incentive shares (years)	2.2 - 3.5	1.4 - 3.6
Expected life - deferred common shares (years)	—	8.0

(1) Annual dividend per share was $0.48 up to December 15, 2014 and $0.18 for the remainder of 2014.

Stock Options

Options granted under the stock option plan have an exercise price that is no less than the five day weighted average trading price of the Company's common shares on the TSX prior to the date of the grant. Stock option terms are determined by the Company's Board of Directors, but typically options vest over a period of one to four years from the date of grant and expire between five and ten years from the date of the grant.

The following is a continuity of stock options outstanding:

	December 31, 2015		December 31, 2014	
(thousands of shares)	Stock Options	Weighted-Average Exercise Price	Stock Options	Weighted-Average Exercise Price
Balance, beginning of year	1,161	$ 10.27	9,489	$ 10.96
Granted	—	—	572	7.38
Exercised	—	—	(11)	7.57
Expired	(53)	11.48	(10)	14.33
Forfeited	(311)	10.06	(2,231)	10.81
Modified	—	—	(6,648)	10.82
Balance, end of year	797	$ 10.27	1,161	$ 10.27
Exercisable	494	$ 10.46	404	$ 10.78

The following table summarizes information about stock options outstanding at December 31, 2015:

Stock Options Outstanding

Range of exercise prices	Number (thousands of shares)	Weighted - Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price
$3.94 - $8.60	266	1.9	$ 7.64
$8.61 - $11.52	317	1.7	10.64
$11.53 - $16.45	214	1.1	12.98
	797	1.6	$ 10.27

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Incentive Shares

Incentive shares have an exercise price of $0.05 per share with terms that are determined by the Company's Board of Directors. Typically the shares vest over a period of one to four years from the date of grant and expire between five and ten years from the date of the grant.

The following is a continuity of incentive shares outstanding:

(thousands of shares)	December 31, 2015	December 31, 2014
Balance, beginning of year	4,225	4,142
Granted	6,156	1,622
Exercised	(913)	(909)
Forfeited	(784)	(630)
Expired	(34)	—
Balance, end of year	8,650	4,225
Exercisable [(1)]	1,366	1,128

(1) Incentive shares vested and exercisable into common shares at $0.05 per share.

Deferred Common Shares

Deferred common shares have an exercise price of $0.05 per share with terms that are determined by the Company's Board of Directors. Typically the shares vest over a period of one to four years from the date of grant and expire between five and ten years from the date of the grant.

The following is a continuity of deferred common shares outstanding:

(thousands of shares)	December 31, 2015	December 31, 2014
Balance, beginning of year	665	461
Granted	—	314
Exercised	(105)	(110)
Balance, end of year	560	665
Exercisable [(1)]	172	62

(1) Deferred Common Shares vested and exercisable into common shares at $0.05 per share.

Note 14 – Earnings per Share

The following table summarizes the basic and diluted weighted average number of common shares used in calculating earnings per share:

	Year ended December 31, 2015	2014
Weighted average common shares outstanding, basic and diluted [(1)]	197,691	199,766
Net loss and comprehensive loss	$ (946,015)	$ (446,072)
Basic earnings (loss) per share	$ (4.79)	$ (2.23)
Diluted earnings (loss) per share	$ (4.79)	$ (2.23)

(1) Thousands of shares.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

In determining the weighted average number of common shares outstanding on a diluted basis for the year ended December 31, 2015, 0.8 million stock options, 8.7 million incentive shares and 0.6 million deferred common shares were excluded because the effect would be anti-dilutive (2014 - 2.6 million incentive shares and 0.7 million deferred common shares).

The 169,907 common shares issuable on the conversion of the convertible debentures (2014 - 242,637) were considered anti-dilutive and were excluded from the weighted average number of shares on a diluted basis.

Note 15 – Capital Management

The Company's capital structure includes common shares, credit facility outstanding, secured notes, convertible debentures, senior unsecured notes and working capital. The Company's policy is to maintain a strong capital base in order to provide flexibility for the future development of the business. In order to maintain or adjust the capital structure, from time to time, the Company may issue/repurchase common shares, issue/repurchase debt or other securities, sell assets or adjust capital spending or dividend payments to manage current and projected debt levels. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As at,	December 31, 2015	December 31, 2014
Working capital deficit[1]	$ 26,619	$ 140,126
Secured termed credit facility – principal	344,188	572,495
Secured notes - principal amount (US$)	650,000	—
Convertible debentures – principal amount (US$)	4,500	6,500
Senior unsecured notes – principal amount (US$)	253,946	799,955
Shareholders' capital	2,368,272	2,358,361
Secured termed credit facility – lending limit	$ 550,000	$ 1,150,000
Available credit capacity [2]	$ 194,739	$ 572,005

(1) Working capital deficit is calculated as accounts payable and accrued liabilities less accounts receivable and prepaid expenses.
(2) Available credit capacity reduced by $11.1 million (December 31, 2014 - $5.5 million) to reflect issued letters of credit.

The Company uses a ratio of debt to trailing twelve month Adjusted EBITDA and the amount of available credit facility capacity to monitor leverage and the strength of the balance sheet. In order to facilitate the management of these measures, the Company prepares annual budgets, which are updated as necessary depending on varying factors, including current and forecast commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Lightstream Board of Directors and updates are prepared and reviewed as required.

On November 13, 2015, the borrowing base of the Credit Facility was reduced from $750 million to $550 million. As at December 31, 2015, the Company had $194.7 million (December 31, 2014 - $572 million) of Credit Facility capacity available. The next borrowing base re-determination is scheduled to occur before April 30, 2016. Assuming current economic conditions persist, management anticipates the borrowing base could be reduced at the next re-determination. If the borrowing base is reduced, the Company has the ability to potentially finance a decrease in the borrowing base through the issuance of alternative first lien debt. Under the terms of the debt indentures, the Company is permitted to issue a maximum of $750 million in first lien debt.

During the year ended December 31, 2015, the Company issued US$200 million of Secured Notes and used the proceeds to reduce the amount outstanding on the Credit Facility.

The Company is in compliance with the financial covenant on the Credit Facility. At December 31, 2015, the Credit Facility had one financial covenant that limited the ratio of first lien debt (defined as total drawn on the Credit Facility) to Adjusted EBITDA on a trailing twelve month basis to 3.75:1, and at December 31, 2015 that ratio was 1.1:1.

The Company has certain restrictive financial covenants on the Secured Notes, Unsecured Notes and convertible debentures which limit the Company's ability to incur additional debt, pay dividends, and repurchase stock, among other restrictions.

The convertible debenture indenture stipulates that the Company shall not incur any additional lien or encumbrance on its assets if, at the time of the issuance, the ratio of secured debt to total assets exceeds 35%. The Company was in compliance with this covenant at the time of each issuance of Secured Notes during the year.

Note 16 – Financial Instruments and Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these risks and the objectives, policies and processes for measuring and managing risk.

The Board of Directors of Lightstream have overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks it faces and may utilize financial instruments to mitigate these risks.

Credit Risk

A substantial portion of our accounts receivable is with customers and joint-venture participants in the oil and natural gas industry and is subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers and participants.

At December 31, 2015, accounts receivable consisted of $50.3 million (December 31, 2014 - $95.5 million) from oil and natural gas customers and $3.5 million (December 31, 2014 - $9.8 million) of other trade receivables. At December 31, 2015, oil, natural gas and NGL production was being sold to a number of oil and natural gas marketers. Accounts receivable from oil and natural gas marketers are normally collected 25 days after the month of production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers and, where practical, obtain support in the form of guarantees or letters of credit. Receivables from joint-venture partners related to capital and operating expenses are generally collected between 45 and 90 days after the month of billing. The Company historically has not experienced any material collection issues with its oil and natural gas marketers or joint interest partners. The Company had exposure to three counterparties that accounted for 61% (2014 - 64%) of total revenue for the year ended December 31, 2015. At December 31, 2015 and 2014, no one counterparty had an accounts receivable balance of more than 10% of the total revenue.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The carrying amount of accounts receivable and cash and cash equivalents represent the Company's maximum credit exposure. Lightstream had a $1.6 million allowance for doubtful accounts as at December 31, 2015 (December 31, 2014 - $1.6 million). The full amount of the allowance for doubtful accounts relates to items that are past due.

Lightstream's accounts receivable is aged as follows:

As at,	December 31, 2015	December 31, 2014
Not past due	$ 52,820	$ 103,551
Past due	2,652	3,419
Allowance for doubtful accounts	(1,614)	(1,637)
Total	**$ 53,858**	**$ 105,333**

Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Production is monitored regularly to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures.

To facilitate the capital expenditure program and other obligations, the Company has capacity available under its Credit Facility, as outlined in Note 7. The next Credit Facility borrowing base re-determination is scheduled to occur before April 30, 2016. Assuming current economic conditions persist, management anticipates the borrowing base could be reduced at the next re-determination. If the borrowing base is reduced, this creates liquidity risk for the Company. One possible option to mitigate this risk is to finance a potential decrease through the issuance of alternative first lien debt. Under the terms of the debt indentures, the Company is permitted to issue a maximum of $750 million in first lien debt.

The following are the contractual maturities of financial liabilities at December 31, 2015:

Financial Liability	**1 Year**	**2-3 Years**	**4-5 Years**	**Total**
Accounts payable and accrued liabilities	$ 86,040	$ —	$ —	$ 86,040
Secured termed credit facility - principal	—	344,188	—	344,188
Debt repayments (1)	6,228	—	1,251,074	1,257,302
Interest payments (1)	119,183	238,300	73,557	431,040
Total	**$ 211,451**	**$ 582,488**	**$ 1,324,631**	**$ 2,118,570**

(1) Convertible debentures,senior unsecured notes and secured notes are denominated in U.S. dollars. The principal portion and interest portion have been converted using a period end exchange rate of 0.72.

Market Risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net income, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The Company uses derivative instruments to manage market risk. The Board of Directors of Lightstream has approved a hedging policy and periodically reviews the results of all risk management activities and all outstanding positions.

Foreign Currency Risk

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Crude oil, and to a certain extent, natural gas prices are based upon reference prices denominated in U.S. dollars, while the majority of the Company's expenses are denominated in Canadian dollars. The Company also has Secured Notes, Convertible Debentures and Senior Unsecured Notes with semi-annual interest payments denominated in U.S. dollars. When appropriate, the Company may enter into agreements to fix the exchange rate of Canadian dollars to U.S. dollars in order to manage exchange rate risks.

The Company uses derivative instruments to reduce its exposure to fluctuations in commodity prices and foreign exchange rates.

Foreign Exchange Contracts

Lightstream, from time to time, enters into short-term foreign exchange contracts for its U.S. denominated interest payments and other routine transactions. The following are foreign exchange contracts in place at December 31, 2015:

Foreign exchange risk management contracts

Settlement	Type	Amount (US$)	Rate (US$/CDN$)[1]
Jan. 2016	Forward	$10,056	0.73

(1) Prices are the volume weighted average prices for the period.

Contracts were entered into subsequent to December 31, 2015. Below is the summary of contracts that were in effect as of the date of this report:

Foreign exchange risk management contracts

Settlement	Type	Amount (US$)	Rate (US$/CDN$)[1]
Jan. 2016	Forward	$14,424	0.72
Jun. 2016	Forward	$5,228	0.72

(1) Prices are the volume weighted average prices for the period.

Commodity Contracts

The Company uses derivative instruments to reduce its exposure to fluctuations in commodity prices. The following is a summary of crude oil derivative contracts in place as at December 31, 2015:

Crude Oil Price Risk Management Contracts – WTI

Remaining Term	Volume (bopd)	Average Price ($/bbl)[1]	Type
Jan. 2016 - Jun. 2016	2,500	US$50.55	Fixed Price Swap
Jul. 2016 - Dec. 2016	1,000	US$50.25	Fixed Price Swap

(1) Prices are the volume weighted average prices for the period.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The following is a summary of crude oil differential derivative contracts in place as at December 31, 2015:

Crude Oil Differential Derivative Contracts – Edmonton SW

Remaining Term	**Volume (bopd)**	**Average Differential ($/bbl)[1]**	**Type**
Jan. 2016 - Jun. 2016	1,500	US$3.62	Fixed Price Swap
Jul. 2016 - Dec. 2016	1,500	US$3.82	Fixed Price Swap

(1) Prices are the volume weighted average prices for the period.

Additional contracts were entered into subsequent to December 31, 2015. The following are oil differential derivative contracts in place as of the date of this report:

Crude Oil Differential Derivative Contracts – Edmonton SW

Remaining Term	**Volume (bopd)**	**Average Differential ($/bbl)[1]**	**Type**
Jan. 2016 - Jun. 2016	2,250	US$3.46	Fixed Price Swap
Jul. 2016 - Dec. 2016	3,000	US$3.80	Fixed Price Swap

(1) Prices are the volume weighted average prices for the period.

The following is a summary of natural gas derivative contracts in place as at December 31, 2015:

Remaining Term	**Volume (GJ/d)**	**Average Price ($/GJ)[1]**	**Type**
Jan. 2016 - Dec. 2016	5,000	$2.91	Fixed Price Swap

(1) Prices are the volume weighted average prices for the period.

The following is a summary of the fair value of risk management contracts in place at December 31, 2015 and December 31, 2014:

As at,	**December 31, 2015**			December 31, 2014		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Crude oil	**$ 8,666**	**$ —**	**$ 8,666**	$ 66,712	$ —	$ 66,712
Natural gas	**859**	**—**	**859**	—	—	—
Foreign exchange	**207**	**—**	**207**	—	—	—
Total	**$ 9,732**	**$ —**	**$ 9,732**	$ 66,712	$ —	$ 66,712

Fair Value of Financial Derivative Contracts

The unrealized gain/loss represents the fair value of the underlying risk management contracts to be settled in the future. The realized gain/loss represents the risk management contracts settled during the period.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The table below summarizes the components of gain (loss) on risk management contracts:

	Year ended December 31,	
	2015	2014
Realized gain (loss) on risk management contracts:		
Crude oil derivative contracts	$ 93,804	$ 11,245
Natural gas derivative contracts	70	(1,700)
Foreign exchange contracts	3,102	734
	96,976	10,279
Unrealized gain (loss) on risk management contracts:		
Crude oil derivative contracts	(58,046)	64,886
Natural gas derivative contracts	859	84
Foreign exchange contracts	207	(191)
	(56,980)	64,779
Gain (loss) on risk management contracts	$ 39,996	$ 75,058

Fair value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, long-term investments, accounts payable and accrued liabilities, risk management assets and liabilities, secured termed credit facility, secured notes, convertible debentures, and senior unsecured notes on the consolidated balance sheet.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

> Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
>
> Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Due to the short-term nature of accounts receivable, accounts payable and accrued liabilities, their carrying value approximates their fair value. The credit facility bears interest at a floating rate and accordingly the fair value approximates the carrying value excluding deferred financing costs.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Note 19 – Related Party Transactions

Significant subsidiaries

Subsidiary	Jurisdiction	Ownership Interest 2015	2014
1863359 Alberta Ltd.	Canada	100%	100%
1863360 Alberta Ltd.	Canada	100%	100%
LTS Resources Partnership	Canada	100%	100%
Bakken Resources Partnership	Canada	100%	100%

Key management compensation

Lightstream has determined that key management personnel of Lightstream consist of its officers and directors. The compensation included in general and administrative expenses related to key management personnel for the years ended December 31, 2015 and 2014 is as follows:

Year ended December 31,	2015	2014
Short-term benefits (1)	$ 5,441	$ 6,446
Share-based payments	3,834	3,996
Total (2)	$ 9,275	$ 10,442

(1) Includes salaries, benefits, bonuses, director's fees and severance payments.
(2) Total includes severance payments of $0.4 million (2014- $0.9 million) and $1.9 million of deferred common shares expensed relating to the 2014 bonus payment(2014 - $1.4 million deferred common shares relating to the 2013 bonus payment).

Related Parties

Petrobank Energy Resources Ltd. ("Petrobank") was considered a related party until April 30, 2014, as both companies had the same Chief Executive Officer.

In the year ended December 31, 2015, Lightstream had no related party transactions with Petrobank. In the year ended December 31, 2014, Petrobank purchased natural gas from Lightstream at market prices for $0.4 million.

Note 20 - Subsequent Events

On February 8, 2016, the Company repurchased and cancelled all outstanding convertible debentures. The US$4.5 million of convertible debentures were settled for a total of US$4.6 million, inclusive of interest.

CORPORATE INFORMATION

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Calgary, Alberta

John D. Wright [(2)]
Calgary, Alberta

(1) Member of the Audit Committee
(2) Member of the Reserves Committee
(3) Member of the Compensation Committee
(4) Member of the Governance and Nominating Committee
(5) Chairman of the Board of Directors

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EXCHANGE LISTING

The Toronto Stock Exchange
SYMBOL: LTS

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Peter Hawkes
Vice President, Geosciences

Rene LaPrade
Senior Vice President and
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Brad Malley
Vice President, Development Services

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