TAB A

Chronology of Events		
Date	**Lightstream v. Oppression Claimants and the Public**	**Lightstream v. Apollo/GSO**
January 30 2012	Lightstream issues $900 million of 8.625% Senior Notes due 2020 issued pursuant to an indenture by and among PetroBakken (now Lightstream) as Issuer, PetroBakken Capital Ltd and PBN Partnership as Guarantors, US Bank National Association as Trustee, and Computershare Trust Company of Canada as Canadian Trustee (the "**Indenture**"). The holders of those Unsecured Notes ranked equally in their positions as creditors of Lightstream.[1]	
January 27 2014	Stephen Loukas (FrontFour) attends a dinner with Badal Pandhi (FrontFour), Peter D. Scott (Lightstream CFO) and John D. Wright (Lightstream CEO). They discussed Lightstream's business strategy, the Canadian oil and gas market generally, and Lighstream's balance sheet at that time.[2]	
2014	Lightstream repurchases US$100M of the principal amount of the Unsecured Notes and retires them, leaving US$800M of the principal amount of the Unsecured Notes outstanding.[3]	
December 20, 2014	Zachary George of FrontFour emails analyst Pandhi and Loukas asking with respect to the purchase of the Unsecured Notes: "What is our risk of being primed?" Mr. Pandhi says that he believes the risk is minimal.[4]	
January, 2015		Credit Suisse prepares a PowerPoint Presentation titled "Debt Exchange Alternatives". The Presentation states that (1) the Company had meaningful 2nd lien debt capacity;[35] (2) the transaction would be a tender offer;[46] and (3) the "layering of existing Notes hurts recover on Notes not exchanged or tendered"[57]

[1] Kirsch 2016 Affidavit, Exhibit A: Unsecured Notes Indenture dated January 30, 2012, Record Tab 3A, pp. 34
[2] Affidavit of Stephen Loukas, sworn June 28 2016, ("Loukas Affidavit"), at para. 11, Record Tab 7, pp. 368
[3] FrontFour Statement of Claim at para. 7, Plaintiffs' Record Tab 2
[4] Email from B. Pandhi to Z. George and others dated December 21, 2014, Lightstream Record Tab 7
[35] Prod No. L000644 – Credit Suisse Presentation dated January 2015, Record Tab 10, Slide 1, pp. 442
[46] Prod No. L000644 – Credit Suisse Presentation dated January 2015, Record Tab 10, Slide 3, pp. 444; and Slide 4, p. 445
[57] Prod No. L000644 – Credit Suisse Presentation dated January 2015, Record Tab 10, Slide 5, p. 446

Chronology of Events		
January 15 2015	David Kirsch emails Lightstream's Investor Relations department to inquire about setting up a conference call.[68]	
January 21 2016	Mr. Kirsch, Mr. Wright, and Mr. Scott hold a conference call. Mr. Wright and Mr. Scott explain that Lightstream could obtain CDN$1.5 billion in total secured debt, and that they expected Lightstream to be cash flow positive. Mr. Wright and Mr. Scott further state that since liquidity was not an issue, Lightstream did not need to, nor did it intend to, restructure its debt.[79]	
January 22 2015	Mudrick makes its first purchase of Unsecured Notes at USD$14,500,000. Mudrick bases its decision to purchase the Unsecured Notes on 3 factors: i) Lightstream appears to have sufficient liquidity and continuing oil production to withstand any short to medium-term declines in capital or debt restructuring; ii) Lightstream has a limited amount of debt ahead of the Unsecured Notes; and iii) Mudrick views the value of Lightstream as being in excess of the market valuation of US$1.1 billion.[10] All purchases are made on the secondary market at a substantial discount to par value, and Lightstream receives no capital from these purchases. Mudrick purchases US$32,200,000 of the Unsecured Notes between January 22, 2015 and the date of the Secured Notes Transaction.[11]	
February 2 2015	FrontFour makes its first purchase of Unsecured Notes at USD$1,182,913. FrontFour purchases its Unsecured Notes between February 3 and March 21, 2015. Like Mudrick, FrontFour purchases all of its Unsecured Notes on the secondary market, at prices substantially below par value. Lightstream receives no capital from FrontFour's purchases. FrontFour currently holds a total of US$31,750,000 of the	

[68] Affidavit of David Kirsch, sworn July 29, 2015 ("Kirsch 2015 Affidavit"), at para. 11, Record Tab 6, Kirsch Affidavit, Exhibit A, Record Tab 6A, pp. 228

~~[7] Kirsch 2015 Affidavit, paras. 11-12, Record Tab 6, pp. 228~~

[9] Kirsch 2015 Affidavit, paras. 11-12, Record Tab 6, pp. 228

[10] Mudrick Statement of Claim at para. 10, Plaintiffs' Record Tab 1

[11] Kirsch Undertakings, Undertaking No. 6, Lightstream Record Tab 2

Chronology of Events		
	Unsecured Notes.[12]	
February 3 2015		Mr. Scott prepares notes titled "Debt Considerations 2015". In this document he discusses a number of transaction alternatives including an exchange transaction involving the Unsecured Notes. In respect of this latter possibility, on page 3, he comments "might require to be a tender for fairness to all note holders".[8][13]
February 11, 2015	Mr. Loukas, Mr. Pandhi (one of FrontFour's analysts), Mr. Scott, and Mr. Wright hold a conference call. They discuss Lightstream's forward- looking strategy, generally. Mr. Loukas raises concern with respect to Lightstream's working relationship with Apollo and concern that Apollo would try to convince Lightstream to exchange their Unsecured Notes into bonds that were structurally senior to the existing Unsecured Notes. Mr. Scott states that no transaction was contemplated at that time and that Lightstream had ample liquidity.[9] Mr. Pandhi also swears that Mr. Scott advises that Lightstream has the ability to issue additional debt securities.[14]	
February 18 2015	Mr. Kirsch and various members of the Mudrick team travel to Calgary to meet with Mr. Wright and Mr. Scott. They discuss Lightstream's financial situation. Mr. Kirsch asks whether Mr. Wright and Mr. Scott foresaw any possibility that Lightstream would be left without sufficient liquidity if oil prices remained the same and did not increase. Mr. Scott and Mr. Wright state that	

[12] Loukas Affidavit at para. 13, Plaintiffs' Record Tab 7

[8] Excerpt from the Examination of Peter Scott, p. 33, line 20 – p.34, l. 12, Record Tab 11, pp. 453-455; Prod No. L000680 – Peter Scott's Notes dated February 3, 2015 (MNPI), Record Tab 11, pp. 458

[13] Excerpt from the Examination of Peter Scott, p. 33, line 20 – p. 34, l. 12, Record Tab 11, pp. 453-455; Prod No. L000680 – Peter Scott's Notes dated February 3, 2015 (MNPI), Record Tab 11, pp. 458

[9] Loukas Affidavit, at para. 11, Record Tab 7, pp. 368; Affidavit of Badal Pandhi, sworn October 21 2016 ("Pandhi Affidavit") at para. 8, Record Tab 8, pp. 431; Affidavit of David Lorber, sworn October 21, 2016 ("Lorber Affidavit") paras. 7-10, Record Tab 9, pp. 437-438

[14] Loukas Affidavit, at para. 11, Record Tab 7, pp. 368; Affidavit of Badal Pandhi, sworn October 21 2016 ("Pandhi Affidavit") at para. 8, Record Tab 8, pp. 431; Affidavit of David Lorber, sworn October 21, 2016 ("Lorber Affidavit") paras. 7-9, Record Tab 9, pp. 437-438

Chronology of Events		
	Lightstream has sufficient liquidity.[10][15]	
February 22, 2015	Mr. Pandhi writes to Mr. George, Mr. Loukas and David Lorber of FrontFour, advising that he has spoken to Mr. Scott and that Mr. Scott has advised that nothing in the bond documents prevents Lightstream from issuing additional senior unsecured notes.[16]	
Early March 2015		Apollo/GSO approach Lightstream about a possible exchange transaction.
March 8, 2015	Mr. Pandhi distributes a memo to Mr. Loukas, Mr. George and Mr. Lorber stating that "per our conversations with company management and our review of its bond indenture, the company's ability to issue debt securities that are senior to our 8.265% [*sic*] senior unsecured notes is limited" and that the current trading price of the notes presents an opportunity to "realize equity-like returns".[17]	
March 13 2015	FrontFour invites Mr. Wright and Mr. Scott to their offices for a meeting with Mr. Pandhi and David Lorber (FrontFour). Mr. Loukas and Mr. George attend by teleconference. They discuss Lightstream generally and also discuss Lighstream's liquidity. Mr. Loukas again asks about Lightstream's relationship with Apollo and reiterate that if Lightstream was going to pursue some type of debt exchange, they should do so by making an offer to all of the Unsecured Noteholders. In response, Mr. Wright advised (among other things) that Lightstream has ample liquidity, that there is no contemplated debt exchange, and that if Lightstream were to enter into an exchange they would offer it to all of the Unsecured Noteholders.[11][18]	

[10] Kirsch 2015 Affidavit, at para. 49, Record Tab 6, pp. 229
[15] Kirsch 2015 Affidavit, at para. 49, Record Tab 6, pp. 229
[16] Email from B. Pandhi to Z. George, S. Loukas and D. Lorber dated February 22, 2015, Lightstream Record Tab 8
[17] Email from B. Pandhi dated March 8, 2015, Lightstream Record Tab 10, pp. 38-39
[11][18] Loukas Affidavit, at para. 11, Record Tab 7, pp. 369; Pandhi Affidavit paras. 9-10, Record Tab 8, pp. 431-432; Lorber Affidavit paras. 7-8, Record Tab 9, pp. 437-439

Chronology of Events		
	After the meeting, Mr. Wright states to Mr. Lorber and Mr. Pandhi that Lightstream was not contemplating a debt restructuring and that if they did enter into a deal, it would be offered to all bondholders.[12][19]	
Early May 2015		Lightstream decides to retain a financial advisor for the Exchange Transaction.
May 9 2015		Apollo emails Lightstream a term sheet proposal containing the proposed terms for the Secured Note Transaction.[13][20] Apollo and GSO also both advise Lightstream during discussions with respect to the proposed Transaction that they are not prepared to have other noteholders participate beyond certain follow-on exchanges of unsecured notes for secured notes. Since Apollo and GSO together hold US$465 million in Unsecured Notes, any transaction without their participation would not likely have a material upside for Lightstream.[21]
May 12 2015	Unsecured Notes trade for 79.000.[14] [22]	
May 14 2015	Lightstream holds its 2015 Annual General Meeting (the "**AGM**") and posts a webcast of the meeting on its website. Mr. Wright, Mr. Scott, Ms. LaPrade, and Ms. Belecki are in attendance along with Kenneth McKinnon as Chairman. Lightstream's representatives are asked whether it has capacity to layer secured debt on top of the Unsecured Notes. Mr. Scott responds by stating that it would be possible to include second lien capacity. However, although this would add additional	

[12] Pandhi Affidavit at para. 11, Record Tab 8, pp. 432; Lorber Affidavit at para. 9, Record Tab 9, pp. 438
[19] Pandhi Affidavit at para. 11, Record Tab 8, pp. 432; Lorber Affidavit at para. 9, Record Tab 9, pp. 438
[13] Excerpt from the Examination of Peter Scott, Record Tab 12, pp. 460-463; Term Sheet dated May 2015 (produced in response to Undertaking No. 3 from the Examination for Discovery of Peter Scott), Record Tab 12, pp. 460-463.
[20] Excerpt from the Examination of Peter Scott, Record Tab 12, pp. 460-463; Term Sheet dated May 2015 (produced in response to Undertaking No. 3 from the Examination for Discovery of Peter Scott), Record Tab 12, pp. 460-463.
[21] Scott Transcript at p. 70 line 21-p. 71 line 22, Plaintiffs' Record Tab 21
[14] LTS Trading Price, Record Tab 26, pp. 995-996
[22] LTS Trading Price, Record Tab 26, pp. 995-996

Chronology of Events		
	liquidity: "...it would be at a much higher cost than what we would see within our banking facility, and so at this point, I'm not enamoured about adding on a bunch of high cost debt just to add liquidity that we don't see using, but there is the potential to do, you know, a material amount of deals, I won't get into specific numbers, but the market is open on that standpoint."[1523] [emphasis added].	
May 14 2015 • Slide 9: Lightstream had USD$110 million of available liquidity "for 2015 and beyond". • Slide 10: Lightstream had decreased its "overall debt position since 2012, with continuous access to an appropriate level of liquidity". • Slide 10: Lightstream had drawn down C$640 million on a C$750 million credit facility and had US$800 million in Unsecured Notes outstanding.	Lightstream publishes its AGM PowerPoint Presentation indicating that:[1624]	
May 14 2015	Lightstream publishes its First Quarter Results – the following comments are made:[1725] "We continue to be proactive in managing our debt and, as of the date of this MD&A, are in advanced stages of negotiating the debt terms within our credit facility to avoid potential covenant issues through the downside of this commodity cycle and provide a borrowing base that offers sufficient liquidity for 2015 and beyond" "In addition to the liquidity noted above, other possible sources of funds available to Lightstream include the following: funds flow from operations; sale of producing or non-producing assets (including joint venture structures); cash generated from a sale may be reduced by any required debt repayments; further adjustments to capital program; monetization of any risk	

[1523] Kirsch 2015 Affidavit, at para. 49, Record Tab 6, pp. 239
[1624] Kirsch 2015 Affidavit, at para. 49 Record Tab 6, pp. 239; Kirsch 2015 Affidavit, Exhibit M, Record Tab 6M, pp. 308-309
[1725] Kirsch 2015 Affidavit, at para. 49, Record Tab 6, pp. 240; Kirsch 2015 Affidavit, Exhibit N, Record Tab 6N, pp. 320 and 337

Chronology of Events		
	management assets; issuance of additional subordinated or convertible debt; issuance of equity. We expect to satisfy ongoing working capital requirements with funds flow from operations and available credit." [emphasis added]	
Mid-May 2015	Lightstream cancels its first quarter call,[26] due to the fact that Lightstream's bank redetermination was not concluded at this point, and this would have been the primary piece of news that investors would have wanted to be able to discuss with Lightstream.[18][27]	
May 19, 2015	FrontFour was aware that Lightstream was in talks with its creditors. Mr. Lorber writes to Mr. Pandhi, Mr. Loukas and Mr. George asking if there is anything new in information circulated by Bloomburg, and Mr. Pandhi responds: "nothing new yet – guidance same and pres still says they are in 'advanced' talks with creditors." Mr. Lorber response: "Steve, Zach, shouldn't we work to insert ourselves into creditor talks?"[28]	
May 21 2015	Lightstream issues a press release. The following comment are made:[19][29] "The revised borrowing base and amendments to our covenants are expected to provide an appropriate level of liquidity to current low-price commodity environment and support an acceleration of our drilling program should oil prices increase and/or costs come down."	
May 22 2015	Mr. George emails Mr. Loukas advising that: "LTS – getting tighter" in reference to Lightstream's liquidity situation.[30]	
May 26 2015		RBC emails Mr. Scott attaching an RBC PowerPoint Presentation, which states: "Apollo & GSO's goal will be to

[26] Kirsch 2015 Affidavit, at para. 51, Record Tab 6, pp. 241
[18] Kirsch 2015 Affidavit, at para. 51, Record Tab 6, pp. 241
[27] Scott transcript at p. 120, lines 1-12, attached at Tab D hereto
[28] Email from D. Lorber to B. Pandhi, S. Loukas and Z. George dated May 19, 2015, Lightstream Record Tab 11
[19][29] Kirsch 2015 Affidavit, at para. 49, Record Tab 6, pp. 240; Kirsch 2015 Affidavit, Exhibit O, Record Tab 6O, pp. 362
[30] Transcript of Examination for Discovery of Stephen Loukas at p. 82 line 23 – p. 83 line 5, Lightstream Record Tab 12

Chronology of Events		
		secure an attractive price and protective terms for their new notes, while maximizing influence across the capital structure…Primary objective is to secure their currently unsecured debt and curtail secured leverage in priority to or pari with their position"[20][31]
May 26, 2015	RBC advises Lightstream that it will need to seek incremental liquidity in 2016 and that Lightstream should weigh the importance of a proposed transaction with Apollo and GSO against the importance of maintaining senior secured financing flexibility.[32]	
May 27 2015	Mr. Kirsch calls Mr. Scott. Mr. Scott states that he feels "very comfortable" with Lightstream's liquidity. Mr. Kirsch asks whether Lightstream is contemplating a transaction involving the issuance of secured or "second lien" notes in exchange for the existing Unsecured Notes. Mr. Scott explains that this type of deal is unlikely.[21][33] Mr. Kirsch then sends an internal email to Jason Mudrick and others with respect to the conversation stating: "I asked about the potential for a 2nd lien deal, and though he certainly didn't say he thought it was likely, he did seem slightly more inclined to it than before, so maybe they are kicking that around as an idea, and that it is what is weighing on the bonds."[34]	
May 29, 2015	Mr. Lorber sends Mr. Pandhi a list of secured note issuances carried out in the energy section in recent months and asks: "How much debt can be put ahead of us in LTS?"[35]	
End of May,	Mudrick considers selling off its position in the Unsecured Notes	

[20] Prod No. L001713 – May 26, 2015 email exchange between RBC and Lightstream Record Tab 13, pp. 465-466; Prod No. L001715R (unredacted) – RBC PowerPoint Presentation dated May 26, 2015, Record Tab 13, pp. 470

[31] Prod No. L001713 – May 26, 2015 email exchange between RBC and Lightstream Record Tab 13, pp. 465-466; Prod No. L001715R (unredacted) – RBC PowerPoint Presentation dated May 26, 2015, Record Tab 13, pp. 470

[32] "Liquidity and Apollo Response Review" dated May 26, 2015, Plaintiffs' Record Tab 13, p. 470

[21] Kirsch 2015 Affidavit, at para. 20, Record Tab 6, pp. 231

[33] Kirsch 2015 Affidavit, at para. 20, Record Tab 6, pp. 231

[34] Email from D. Kirsch to K. Sahl and J. Mudrick dated May 27, 2015, Plaintiffs' Record Tab 6(c) (p. 254)

[35] Email from D. Lorber to B. Pandhi dated May 29, 2015, Lightstream record Tab 13

Chronology of Events		
2015	so as not to be left holding Unsecured Notes in the event of an exchange or other transaction which might negatively impact them.[36]	
	FrontFour likewise states that it did not consider selling its position in Lightstream "because of the repeated assurances by Lightstream that it would not participate in the transaction that ultimately occurred."[37]	
June 2 2015		Mr. Scott and Mr. Wright exchange emails discussing a call with Apollo and GSO regarding the structure of the Transaction and preparation of updated term sheets.[22][38]
June 2 2015	Mr. Loukas, Mr. Pandhi, and Mr. Wright attend a meeting in New York. They discuss Lightstream generally. Mr. Loukas again reiterates that if they are going to pursue some type of debt exchange, they should do so by making an offer to all of the Unsecured Noteholders. Mr. Wright advises that the financing offers the company had been receiving were becoming more reasonable but that there was no contemplated debt exchange, and that if Lightstream was to enter into an exchange they would offer it to all of the Unsecured Noteholders. Mr. Loukas takes notes of this meeting and writes down Mr. Wright's comments.[23][39]	
June 3 2015	Mr. Wright attends the Bank of America Merrill Lynch 2015 Energy and Power Leveraged Finance Conference in New York. A webcast of Mr. Wright's presentation is posted on	

[36] Mudrick Statement of Claim, paras. 12 and 18, Plaintiffs' Record Tab 1; Affidavit of David Kirsch sworn July 29, 2015 at para. 23, Plaintiffs' Record Tab 6; Transcript of Examination for Discovery of David Kirsch, p. 77 line 21 – p. 78 line 23, Plaintiffs' Record Tab 23

[37] Answers to Undertakings given at the Examination for Discovery of Stephen Loukas, Undertaking No. 29, Plaintiffs' Record Tab 25

[22] Excerpt from the Examination of Peter Scott, Record Tab 14, pp. 475; Prod No. L001726 –email exchange between John Wright and Peter Scott, Record Tab 14, pp. 480

[38] Excerpt from the Examination of Peter Scott, Record Tab 14, pp. 475; Prod No. L001726 –email exchange between John Wright and Peter Scott, Record Tab 14, pp. 480

[23] Loukas Affidavit at para. 11, Record Tab. 7, pp. 369; Loukas Affidavit, Exhibit B, Record Tab 7B, pp. 383-406

[39] Loukas Affidavit at para. 11, Record Tab. 7, pp. 369; Loukas Affidavit, Exhibit B, Record Tab 7B, pp. 383-406

Chronology of Events		
	Lightstream's website. During the presentation, he is asked whether Lightstream plans to reduce its debt by exchanging bonds. Mr. Wright responds by stating:[2440] "Underneath our bond we have a significant amount of room for other secured assets and our focus is not on generating liquidity or generating the ability to fund a big development program right now, so we will look at rational actions with our balance sheet that either reduce headline debt or reduce or maintain the cost of capital with a better security structure. We have the advantage I guess, of some time and some patience to look at a bunch of different options. We are evaluating a full range of options and I'd like to thank a number of people in the room today, I get a lot of incoming suggestions on how best to do that and manage that and we are looking at all potential variants on that, but we don't have to act in any way, there is no burning fire, no big issue or hidden cost that we have on our books that we need to address right away, so we're going to be very careful. I think you all appreciate that once you lock in, in any kind of a structure, that's the structure that you're in for the next years to come and it's important to both assess the perceived and maybe falsely perceived implications of any lock-in for the long term, so we're looking at that." [emphasis added]	
June 3 2015	Mr. Kirsch attends the Bank of America Merrill Lynch 2015 and also attends a meeting with Mr. Wright and several analysts from other funds. After the meeting he has a private conversation with Mr. Wright and asks him about the veracity of the rumours that Lightstream was going to restructure its debt. Mr. Wright explains that although Lightstream was receiving many proposals to restructure its debt, Lightstream is not interested in such proposals because their terms are not favourable for Lightstream and its stakeholders. Mr. Wright further states that if Lightstream decides to restructure its debt, an offer would be made to all of the holders of Unsecured	

[2440] Kirsch June 2016 Affidavit at para. 40, Record Tab 6, pp. 238

Chronology of Events		
	Notes. Specifically, he states that an offer to some but not all holders of Unsecured Notes would not be attractive to Lightstream and that it would be an "un-Canadian" way of doing business.[25][41]	
June 4 2015		RBC emails Lightstream attaching RBC PowerPoint Presentation titled "Liquidity and Apollo Response Review". The Presentation states: "Apollo/GSO motivated to lock up the capital structure on an exclusive basis."[26][42] The Presentation also states that Lightstream's remaining liquidity can be expected to erode entirely by 2017. RBC further advises that, given Lightstream's liquidity position, Lightstream will need to execute a liquidity trade sometime in late 2016 or early 2017, which would have the effect of providing sufficient liquidity to take Lightstream into 2017, would provide an additional $300 million in capacity and could potentially replace Lightstream's credit facility.[43]
June 5 2015		Lightstream emails a marked-up term sheet to Apollo and GSO.
June 10 2015		Lightstream emails GSO and Apollo discussing the terms for the Exchange Transaction. They discuss the fact that terms for any follow-on deals could be more favourable to Lightstream, but could not be offered on terms more favourable than those accepted by Apollo/GSO.[27][44]
June 10	Mr. Kirsch emails Mr. Wright and Mr. Scott and thanks them for	

[25] Kirsch 2015 Affidavit paras. 21-22, Record Tab 6, pp. 231
[41] Kirsch 2015 Affidavit paras. 21-22, Record Tab 6, pp. 231
[26] Excerpt from the Examination of Peter Scott, Record Tab 15, pp. 485; Prod No. L000103 – email exchange between RBC and Lightstream, Record Tab 15, pp. 487; Prod No. L00104 – RBC Presentation, Record Tab 15, Slide 3, p. 490
[42] Excerpt from the Examination of Peter Scott, Record Tab 15, pp. 485; Prod No. L000103 – email exchange between RBC and Lightstream, Record Tab 15, pp. 487; Prod No. L00104 – RBC Presentation, Record Tab 15, Slide 3, p. 490
[43] "Liquidity and Apollo Response Review", June 4, 2015, Plaintiffs' Record Tab 15, pp. 489-500
[27] Excerpt from the Examination of Peter Scott, Record Tab 16, pp. 505; Prod No. L001741R (unredacted) – Email between GSO, Lightstream, and Apollo, Record Tab 16, pp. 506-507
[44] Excerpt from the Examination of Peter Scott, Record Tab 16, pp. 505; Prod No. L001741R (unredacted) – Email between GSO, Lightstream, and Apollo, Record Tab 16, pp. 506-507

Chronology of Events		
2015	meeting him earlier that month. He further explains that since Mudrick owned a significant stake in the Unsecured Notes, they wanted to be kept apprised of any proposals that were made to Lightstream so that they could participate in any discussions Lightstream was having about an exchange or other transaction. Mr. Kirsch does not receive a response.[28][45]	
June 10 2015	Mr. Kirsch sends an internal email advising that: "after meeting with CEO last week, feel more confident than ever that value is there, only concern is if they did some 2nd lien deal which disadvantaged us."[46]	
June 11 2015		RBC emails Lightstream attaching a PowerPoint Presentation titled: "Review of Proposed Debt Exchange Transaction". The Presentation states that "based on the modeling completed, Lightstream would have liquidity on the credit facility through 2016, but would be constrained by year end 2017, absent any asset sale or an improvement in commodity pricing". The Presentation also states "Anticipate neutral to negative reaction for the remaining unsecured bond pricing. Market observed downward bias to remaining unsecured bond trading values post transactions of a similar nature."[29][47] Mr. Scott also testifies on discovery that Lightstream felt that market reaction to the proposed Transaction could be positive or negative, depending on how it viewed the increased liquidity that the Transaction would provide.[48]
June 11 2015		Lightstream sends a signed Letter Agreement to

[28] Kirsch 2015 Affidavit at para. 24, Record Tab 6, pp. 232; Kirsch 2015 Affidavit Exhibit D, Record Tab 6D, pp. 259
[45] Kirsch 2015 Affidavit at para. 24, Record Tab 6, pp. 232; Kirsch 2015 Affidavit Exhibit D, Record Tab 6D, pp. 259
[46] Email from D. Kirsch to K. Sohl and J. Mudrick dated June 10, 2015, Mudrick Production MCM01812, attached at Tab E hereto
[29] Prod No. L001749 – June 11, 2015 email from RBC to Lightstream, Record Tab 15, pp. 483-486; Prod No. L001751 – RBC PowerPoint Presentation dated June 11, 2015, Record Tab 15, Slide 4, pp. 500 and Slide 6, pp. 502
[47] Prod No. L001749 – June 11, 2015 email from RBC to Lightstream, Record Tab 15, pp. 483-486; Prod No. L001751 – RBC PowerPoint Presentation dated June 11, 2015, Record Tab 15, Slide 4, pp. 500 and Slide 6, pp. 502
[48] Scott Transcript, p. 77 line 13 – line 17, Lightstream Record Tab 5

Chronology of Events		
		Apollo/GSO attaching the final term sheet.[3049]
June 29 2015	Mr. Kirsch emails Mr. Wright, following up with respect to Mr. Kirsch's June 10 email. Mr. Wright responds explaining that he and his team are not available to discuss Mudrick's inquiry until the following week. A call is scheduled for July 8, 2015. [3150]	
June 30 2015	Unsecured Notes trade at 64.25. [3251]	
July 2 2015	Lightstream enters into Note Purchase and Exchange Agreement with Apollo/GSO, and at the same time enters into an Indenture respecting the issuance of the Secured Notes.[3352] Lightstream issues a press release announcing a transaction whereby it agreed to exchange $465 million of the Unsecured Notes for $395 million of secured second lien notes (defined previously as "**Secured Notes**"), and issued a further $200 million of Secured Notes (previously defined as "the Exchange Transaction").[3453] The press release further states that the transaction will provide Lightstream with the ability to reduce its outstanding borrowing under its credit facility, with financial flexibility in the face of a low-price commodity environment and with the ability potentially to accelerate its drilling program in the event that commodity prices improve.	
July 3 2015	Mr. Loukas, Mr. Pandhi, Mr. Wright, and Mr. Scott hold a call. Mr. Loukas expresses frustration with the fact that Lightstream had decided to pursue a selective exchange. Mr. Loukas is told	

[30] Excerpt from the Examination of Peter Scott, Record Tab 17, p. 515; Letter Agreement and Term Sheet dated June 11, 2015 (produced in response to Undertaking Nos. 9 and 20 from the Examination for Discovery of Peter Scott), Record Tab 17, pp. 516-524

[49] Excerpt from the Examination of Peter Scott, Record Tab 17, p. 515; Letter Agreement and Term Sheet dated June 11, 2015 (produced in response to Undertaking Nos. 9 and 20 from the Examination for Discovery of Peter Scott), Record Tab 17, pp. 516-524

[3150] Kirsch 2015 Affidavit, at para. 26, Record Tab 6, pp. 232; Kirsch 2015 Affidavit Exhibit E, Record Tab 6E, pp. 262-263

[3251] LTS Trading Price, Record Tab 26, pp. 995-996

[3352] Prod No. L002082R – Note Purchase and Exchange Agreement dated July 2, 2015, Record Tab 18, pp. 526-580; Prod No. L001853 – Secured Noted Indenture dated July 2, 2015, Record Tab 19, pp. 591-740

[34] Kirsch 2015 Affidavit, at para. 27, Record Tab 6, pp. 232; Kirsch 2015 Affidavit Exhibit F, Record Tab 6F, pp. 266-267

[53] Kirsch 2015 Affidavit, at para. 27, Record Tab 6, pp. 232; Kirsch 2015 Affidavit Exhibit F, Record Tab 6F, pp. 266-267

Chronology of Events		
	that FrontFour could not participate on the same terms as the Secured Transaction Parties. Mr. Pandhi alleges that Mr. Wright acknowledges the assurances he had made during his previous meetings with FrontFour (i.e. March 13, 2015 and June 2, 2015).[35] [54] Mr. Loukas alleges that Mr. Wright merely advised that the transaction was in the best interests of the company and was pursued due to the Company's need for a quick close.[55]	
July 3, 2015	In the July 3, 2015 telephone conference between FrontFour and Lightstream, Mr. Loukas advises Lightstream that the secured notes transaction was a "great deal". FrontFour also subsequently acknowledges that the transaction "enhanced Lightstream's liquidity".[56]	
July 6 2015	Kevin Sahl of Mudrick emails Mr. Kirsch and Mr. Mudrick, advising that Lightstream: "just did the exchange we thought might be coming" and "My guess is that the deal is locked up, but I will call the CFO today (we had a call with him this Wednesday) and see if we can join if we wanted. Depending on who is doing the exchange we might try to make enough noise to see if we could get in."[57]	
July 6, 2015	Mr. Kirsch emails Mr. Mudrick and states: "clearly transaction a negative given the extra debt ahead of you so we should participate if we can, and/or try to stop the transaction if we can."[58]	
July 6 2015	Unsecured Notes trade for the first time after the announcement	

[35] ~~Loukas Affidavit, Record Tab 7, pp. 24; Pandhi Affidavit, at para. 13, Record Tab 8, pp. 433; Record Tab 9, Lorber affidavit, at paras. 7-9, pp. 437-439~~

[54] Loukas Affidavit, Record Tab 7, pp. 24; Pandhi Affidavit, at para. 13, Record Tab 8, pp. 433; Record Tab 9, Lorber affidavit, at paras. 7-9, pp. 437-439

[55] Loukas Affidavit at para. 11(g), Plaintiffs' Record Tab 7

[56] Email from P. Scott to K. Cockrell (RBC) and others dated July 3, 2015, Lightstream Record Tab 19; Loukas Transcript at p. 92 lines 7-8, Lightstream Record Tab 20

[57] Email from K. Sahl to D. Kirsch, J. Mudrick and others dated July 6, 2015, Lightstream Record Tab 16

[58] Email from D. Kirsch to J. Mudrick dated July 6, 2015, Lightstream Record Tab 17

Chronology of Events		
	of the Exchange Transaction. The Unsecured Notes trade at 53.000. [3659]	
July 6 2015	Mr. Kirsch phones Salim Mawani, a representative of RBC. Mr. Mawani explains that the Secured Notes Transaction is complete and that a similar offer will not be extended to the remaining holders of Unsecured Notes even though Mudrick was willing to participate on the same terms (including providing new capital). [3760]	
July 6 2015	Mr. Scott, Mr. Wright and Mr. Kirsch hold a call. Mr. Wright and Mr. Scott refuse Mudrick's offer to participate in the Exchange Transaction. [3861]	
July 8 2015	Mr. Mudrick, Mr. Kirsch, and Mr. Scott hold a call. Mr. Mudrick and Mr. Kirsch emphasize that the Secured Notes Transaction is oppressive and unfair and unsupported by the Indenture. They reiterate that the Secured Notes Transaction should be made available to all holders of Unsecured Notes and that Mudrick would participate if such an offer was made. Mr. Scott explains that in his view, the Secured Notes Transaction is not problematic and it would not be extended to other holders of Unsecured Notes. [3962]	
July 9 2015	Mudrick's United States counsel, Kasowitz, Benson, Torres & Friedman LLP notify the Company that Mudrick is prepared to challenge the Exchange Transaction on a variety of legal grounds. [4063] The notice letter does not allege any misrepresentations by Lightstream or claim misrepresentation as	

[3659] LTS Trading Price, Record Tab 26, pp. 995-996
[37] ~~Kirsch 2015 Affidavit, at para. 31, Record Tab 6, pp. 233~~
[60] Kirsch 2015 Affidavit, at para. 31, Record Tab 6, pp. 233
[38] ~~Kirsch 2015 Affidavit, paras. 33-36, Record Tab 6, pp. 234~~
[61] Kirsch 2015 Affidavit, paras. 33-36, Record Tab 6, pp. 234
[39] ~~Kirsch 2015 Affidavit, paras. 42-43, Record Tab 6, pp. 236~~
[62] Kirsch 2015 Affidavit, paras. 42-43, Record Tab 6, pp. 236
[40] ~~Kirsch 2015 Affidavit, at para. 44, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit K Record Tab 6K, pp. 292-293~~
[63] Kirsch 2015 Affidavit, at para. 44, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit K Record Tab 6K, pp. 292-293

Chronology of Events		
	one of these grounds.	
July 9, 2015	FrontFour files a Statement of Claim against Lightstream seeking the following relief: a declaration pursuant to ss. 239 and 242 of the Alberta *Business Corporations Act*, that Lightstream engaged in oppressive conduct, an injunction restraining the secured notes transaction (since abandoned), alternatively, an order directing Lightstream to provide FrontFour an opportunity to participate in the transaction on the same basis as Apollo and GSO and varying the transaction to affect same; and damages in the amount of $4,524,375 to compensate FrontFour for the loss in value of its security interest in Lightstream.[64]	
July 14 2015	Lightstream issues a press release announcing that it had closed a portion of the Secured Notes Transaction with the Apollo/GSO involving the issuance of an additional USD$200 million in Secured Notes for cash proceeds.[41][65]	
July 22 2015	Mr. Loukas holds a further call with Mr. Wright and advises that FrontFour wants to participate in the Exchange Transaction.[42][66]	
July 23 2015	Mr. Wright emails Mr. Loukas advising that the "point man" at RBC is Salim Mawani and that FrontFour could discuss their participation in the Transaction with Mr. Mawani. Mr. Loukas calls with Mr. Mawani and discusses pricing generally.[43][67]	
July 30, 2016	Mudrick files an Originating Application (since converted to a Statement of Claim) against Lightstream seeking a declaration that the secured note transaction was oppressive and the following remedial orders: that the secured notes transaction be set aside, alternatively, that Lightstream be required to offer the	

[64] FrontFour Statement of Claim at paras. 44 and 50, Plaintiffs' Record Tab 2
[41] Kirsch 2015 Affidavit, at para. 45, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit K Record Tab 6K, pp. 292-293
[65] Kirsch 2015 Affidavit, at para. 45, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit K Record Tab 6K, pp. 292-293
[42] Kirsch 2015 Affidavit, at para. 46, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit L Record Tab 6L, pp. 296-297
[66] Kirsch 2015 Affidavit, at para. 46, Record Tab 6, pp. 237; Kirsch 2015 Affidavit, Exhibit L Record Tab 6L, pp. 296-297
[43] Loukas Affidavit, at para. 11, Record Tab 7, pp. 371
[67] Loukas Affidavit, at para. 11, Record Tab 7, pp. 371

Chronology of Events		
	transaction to Mudrick on the same terms and conditions as Apollo and GSO, alternatively, that Lightstream be required to redeem Mudrick's Unsecured Notes for the "make-whole" price specified in the Indenture and that Lightstream compensate Mudrick for its losses as a consequence of the secured note transaction.[68]	
August 4 2015		Lightstream enters into follow-on transactions with three Unsecured Noteholders, on terms substantially less favourable than those offered to Apollo/GSO.[44] The total face value amount of Unsecured Notes exchanged in the follow-on transactions is US$81,009,000[69]
August 5 2015	Lightstream releases Second Quarter Results. In it, it reiterates that it had USD$124 million of liquidity as of June 30 2015, immediately prior to the Exchange Transaction, which is greater than the USD$110 million in liquidity disclosed in May 2015.	
August 20 2015	The Unsecured Notes trade at 20.000. [45][70]	
October 23, 2015 – May 5, 2016	Mudrick continues to purchase the Unsecured Notes after the Secured Notes Transaction, including 7 purchases totaling approximately US$36 million. All purchases are made on the secondary market at a substantial discount to par value, and Lightstream receives no capital from these purchases. The total amount of Unsecured Notes purchased by Mudrick as of May 5, 2016 is US$68,623,000. The total amount of Unsecured Notes purchased by Mudrick and FrontFour together is US$100,373,000. [71]	
May 2, 2016	Lightstream announces that its borrowing base under its credit	

[68] Mudrick Statement of Claim at para. 23, Plaintiffs' Record Tab 1

[44] ~~Excerpt from the Examination of Peter Scott, Record Tab 20, pp. 742-745; Note Purchase and Exchange Agreements dated August 4, 2015 (produced in response to Undertaking No. 1 from the Examination for Discovery of Peter Scott), Record Tab 20, pp. 746-946~~

[69] Excerpt from the Examination of Peter Scott, Record Tab 20, pp. 742-745; Note Purchase and Exchange Agreements dated August 4, 2015 (produced in response to Undertaking No. 1 from the Examination for Discovery of Peter Scott), Record Tab 20, pp. 746-946

[45][70] LTS Trading Price, Record Tab 26, pp. 995-996

[71] Kirsch Undertakings, Undertaking No. 6, Lightstream Record Tab 2; Loukas Affidavit at para. 13, Plaintiffs' Record Tab 7

Chronology of Events		
	facility has fallen from US$550 million to US$250 million and that it is pursuing various strategies to increase its liquidity.[72]	

[72] Loukas Affidavit at para. 17, Plaintiffs' Record Tab 7

Document comparison by Workshare Compare on Thursday, November 10, 2016 4:05:20 PM

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Document 1 ID	PowerDocs://CALGARY/31273136/1
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Rendering set	Standard

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Moved cell	
Split/Merged cell	
Padding cell	

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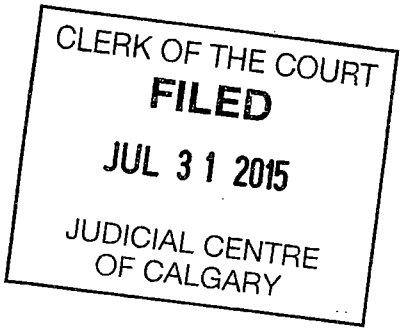
TAB B

Form 11
[Rule 3.31]

Clerk's stamp:



COURT FILE NUMBER	**1501-07813**
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	**CALGARY**
PLAINTIFFS	**FRONTFOUR CAPITAL CORP.**
	FRONTFOUR CAPITAL GROUP LLC.
DEFENDANT	**LIGHTSTREAM RESOURCES LTD.**
DOCUMENT	**STATEMENT OF DEFENCE**
PARTY FILING THIS DOCUMENT	**LIGHTSTREAM RESOURCES LTD.**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**BLAKE, CASSELS & GRAYDON LLP** **3500, 855 – 2nd Street S.W.** **Calgary, AB T2P 4J8** **Attn: Michael Barrack/Richard D. Bell/Emily Bala** **Telephone/Facsimile: 403-260-9656/403-260-9700** **Email: michael.barrack@blakes.com** **richard.bell@blakes.com** **emily.bala@blakes.com** **File Ref.: 89691/5**

Note: State below only facts and not evidence (Rule 13.6)

Statement of facts relied on:

1. The Defendant, Lightstream Resources Ltd ("**Lightstream**"), admits the facts set out in the following paragraphs in the Statement of Claim: 5, 6, 8, 18, 21 and 22.

2. Lightstream has no knowledge in respect of the facts contained in paragraphs 1, 2, 3, 4, 15, 16, 19, 20, 31, 32 and 33.

3. Except as expressly admitted herein, Lightstream denies all other allegations set out in the Statement of Claim and denies that the Plaintiffs are entitled to any relief.

The Unsecured Notes

4. On January 30, 2012, Lightstream closed a private placement offering of senior unsecured notes (the "**Unsecured Notes**") that bear interest at a rate of 8.625% per

annum and mature February 1, 2020. Offering the Unsecured Notes was in Lightstream's best interests, as it diversified Lightstream's capital and provided ongoing liquidity and the subsequent opportunity to repurchase and cancel certain of its then-outstanding unsecured convertible debentures.

5. The Unsecured Notes are governed by an indenture dated January 30, 2012, as amended by a supplemental indenture (collectively, the "**2012 Indenture**").

6. Section 4.06(a) of the 2012 Indenture specifies that Lightstream may properly incur further indebtedness if a fixed charge coverage ratio test is satisfied.

7. Section 4.06(b) of the 2012 Indenture provides that, notwithstanding s. 4.06(a), there are also several other options through which Lightstream may properly incur further indebtedness (the "**Permitted Debt Baskets**"). These Permitted Debt Baskets are enumerated in the subsections of s. 4.06(b).

8. One of the Permitted Debt Baskets under s. 4.06(b) is set out in s. 4.06(b)(i) (the "**Credit Facility Basket**"). The Credit Facility Basket expressly permits Lightstream to incur further indebtedness in the form of, *inter alia*, notes, debentures, bonds or similar securities or instruments, up to a specified amount.

9. A separate Permitted Debt Basket is set out in s. 4.06(b)(v) (the "**Permitted Refinancing Basket**"). While indebtedness incurred under the Permitted Refinancing Basket may not mature earlier than the Unsecured Notes, there is no such restriction on indebtedness incurred under the Credit Facility Basket.

10. Section 4.06(d) of the 2012 Indenture confirms that where indebtedness falls within more than one of the Permitted Debt Baskets, it can be incurred in whole or in part under any one or more Permitted Debt Baskets and subsequently re-allocated in whole or in part at any time between or among any one or more Permitted Debt Baskets.

11. Section 4.06(c) of the 2012 Indenture deals further with indebtedness. While Section 4.06(c) provides that Lightstream may not incur any further indebtedness that is contractually subordinated in right of payment to other debt unless it is also subordinate to the Unsecured Notes, the provision also provides that indebtedness will <u>not</u> be

deemed contractually subordinated in right of payment to further debt incurred by Lightstream, *inter alia*, solely by virtue of being unsecured.

12. Section 4.08 of the 2012 Indenture specifies the circumstances under which indebtedness may be secured by a lien (the "**Permitted Liens**"). Indebtedness incurred under the Credit Facility Basket is specifically permitted to be secured by a lien under the first clause of the definition of "Permitted Liens".

13. Section 6.06 of the 2012 Indenture prevents holders of Unsecured Notes from commencing proceedings with respect to the 2012 Indenture, or regarding the Unsecured Notes, unless specific preconditions are met. These preconditions include that the Trustee or Canadian Trustee must first be requested to take action itself by holders of at least 25% in aggregate principal amount of the outstanding Unsecured Notes, and that the Trustee or Canadian Trustee must have failed to comply with that request after 60 days.

14. Section 9.02 of the 2012 Indenture states that there are only certain enumerated types of changes to the 2012 Indenture or the Unsecured Notes that require Lightstream to obtain the consent of each affected holder before making the change in question. The Transaction (as defined below) did not involve any such changes to the 2012 Indenture or the Unsecured Notes.

15. The offering memorandum for the Unsecured Notes (the "**Offering Memorandum**") identifies risk factors relevant to the Unsecured Notes. These risk factors arise out of the terms of the 2012 Indenture.

16. As confirmed in the Offering Memorandum's discussion of risk factors, the 2012 Indenture permits Lightstream to incur substantial additional debt, including secured debt, and provides that the Unsecured Notes will be effectively junior in right of payment to existing and future secured debt.

17. Other risk factors of the Unsecured Notes, which are described in the Offering Memorandum, include that there is no assurance of an active trading market for the Unsecured Notes, that holders may be required to bear the risk of their investment

indefinitely, and that if an active trading market does develop, the market price for the Unsecured Notes may be volatile.

18. As permitted under the 2012 Indenture and confirmed in the Offering Memorandum, Lightstream may at any time and from time to time repurchase the Unsecured Notes, in the open market or otherwise.

The Transaction

19. On July 2, 2015, Lightstream announced that it had entered into a privately negotiated agreement (a) to repurchase certain Unsecured Notes from certain holders in exchange for the issuance by Lightstream of new secured notes (the "**Secured Notes**"), and (b) to issue additional Secured Notes to the same holders for $200 million (US) paid to Lightstream (the "**Transaction**"). The Secured Notes bear interest at a rate of 9.875% per annum and mature June 15, 2019.

20. Lightstream issued the Secured Notes under the Credit Facility Basket and granted liens for the benefit of the Secured Notes pursuant to the first clause under the definition of "Permitted Liens", as expressly permitted and contemplated under the terms of the 2012 Indenture.

21. Lightstream did not rely upon the Permitted Refinancing Basket of the 2012 Indenture in order to complete the Transaction, nor upon Section 4.06(a).

22. The Transaction was in Lightstream's best interest. It benefitted Lightstream, *inter alia*, by reducing its debt by approximately $90 million and increasing its credit availability by approximately $250 million.

23. The Transaction closed in two tranches on July 2 and July 14, 2015.

The Plaintiffs' Demand to Join the Transaction

24. In early 2015, the Plaintiffs advised Lightstream that they held Unsecured Notes.

25. On July 3, 2015, following the announcement of the Transaction, representatives of the Plaintiffs spoke with representatives of Lightstream. The Plaintiffs acknowledged that the Transaction was a good transaction and positive for Lightstream, and requested to be included in the Transaction on its terms. Pursuant to its rights under the 2012 Indenture

and having regard to the best interests of the corporation, Lightstream declined this request.

26. On July 6, 2015, the Plaintiffs wrote to Lightstream, confirming that they considered the Transaction attractive and demanding to be included in the Transaction on its terms. In this letter, the Plaintiffs threatened legal proceedings against Lightstream unless Lightstream included the Plaintiffs in the Transaction.

27. On July 8, 2015, as requested, Lightstream replied to the Plaintiffs' demand letter. Lightstream correctly asserted that the Transaction was permissible under the 2012 Indenture and that the Plaintiffs had no legal claim.

28. The Plaintiffs filed the Statement of Claim in the within action on July 9, 2015 with the express objective of pressuring Lightstream into inviting them into the Transaction.

29. Prior to commencing this action, the Plaintiffs failed to follow the procedure required under Section 6.06 of the 2012 Indenture for raising their purported concern to the Trustee or Canadian Trustee.

Any matters that defeat the claim of the Plaintiffs:

No Oppression and No Breach of the 2012 Indenture

30. Lightstream denies that its actions, with respect to the Transaction or at all, were oppressive within the meaning of the *Business Corporations Act.*

31. Lightstream has not contravened any reasonable expectation or right of the Plaintiffs, either through the Transaction – which, as the Plaintiffs acknowledged, was in Lightstream's best interests – or at all.

32. The Plaintiffs had no reasonable expectation that they would be included in, given advance notice of, or consulted on the Transaction. At no time did Lightstream represent to the Plaintiffs that they would be invited to participate in or be given advance notice of the Transaction.

33. The Plaintiffs are sophisticated market participants with experience in negotiating the terms of high-yield indentures and in assessing and valuing securities. The primary

sources of the Plaintiffs' reasonable expectations in this case are the terms of the 2012 Indenture.

34. In reply to paragraph 29 and to the whole of the Statement of Claim, the Transaction is consistent with the terms of the 2012 Indenture.

35. The 2012 Indenture expressly permits the Transaction, pursuant to the Credit Facility Basket provision and its associated Permitted Lien. Under the Credit Facility Basket provision, Lightstream is permitted to secure new indebtedness with a lien, and the Secured Notes may mature earlier than the Unsecured Notes.

36. In reply to paragraphs 10-14 of the Statement of Claim, the allegations with respect to Permitted Refinancing Indebtedness are irrelevant to the Transaction, which did not rely on the Permitted Refinancing Basket. These assertions are also inaccurate. For example, paragraph 12 of the Statement of Claim is incorrect regarding the meaning of "contractually subordinated in right of payment" under s. 4.06(c) of the 2012 Indenture, as set out further below.

37. In reply to paragraphs 12 and 29(b) of the Statement of Claim, s. 4.06(c) of the 2012 Indenture provides that "contractually subordinated in right of payment" does not include subordination by virtue of a lien, as occurred in the Transaction.

38. Subordination in right of payment is distinct from subordination by virtue of security. Under the 2012 Indenture, as expressly noted in the Offering Memorandum, one of the risks of holding the Unsecured Notes is that the right to receive payment is effectively subordinate to not only existing but future permitted secured creditors, to the extent of the value of the security.

39. In reply to paragraph 24 of the Statement of Claim, there was no obligation on Lightstream under the 2012 Indenture to invite all holders of Unsecured Notes to participate in the Transaction, or to notify all holders that the Transaction was being considered.

40. In reply to paragraph 14 of the Statement of Claim, the Transaction did not impair or otherwise affect the rights of any of the holders of Unsecured Notes, including the Plaintiffs. The Transaction did not result in any changes to the Unsecured Notes or to

the 2012 Indenture. The negotiated private repurchase of Unsecured Notes from certain holders is not an impairment of rights under the 2012 Indenture.

41. As the Plaintiffs are aware and as confirmed in the Offering Memorandum, Lightstream may, at any time and from time to time, repurchase notes in the open market or otherwise. Lightstream has the ability under the 2012 Indenture to incur additional secured debt, and the Unsecured Notes can be subordinated accordingly.

42. Provisions similar to the Credit Facility Basket provision are common in a high-yield indenture such as the 2012 Indenture. Other publicly-traded companies with similar high-yield indentures have recently engaged in transactions similar to the Transaction.

43. The Plaintiffs chose to purchase the Unsecured Notes, knowing that the 2012 Indenture did not preclude a transaction such as the Transaction. Both in private discussions with the Plaintiffs and in public statements, Lightstream has confirmed its ability to conduct a second lien transaction such as the Transaction. In seeking to participate in the Transaction on its terms, the Plaintiffs acknowledged the propriety of the Transaction.

44. In reply to paragraph 28 of the Statement of Claim, Lightstream did not attempt to prevent scrutiny of the Transaction by Unsecured Noteholders through the timing of its press release or otherwise. The Transaction is in Lightstream's best interest, and Lightstream had no interest in concealing it. The Transaction was initially scheduled to close June 30, 2015 but was delayed. Consistent with its regulatory obligations, Lightstream promptly announced the Transaction in a press release. Following the press release, Lightstream also discussed the Transaction with the Plaintiffs as well as with other holders of the Unsecured Notes. The Plaintiffs' conversation with Lightstream on July 3, 2015 confirms that neither the Calgary Stampede nor the American Fourth of July holiday prevented the Plaintiffs from learning about the Transaction or discussing it with Lightstream.

45. In reply to paragraph 30 of the Statement of Claim, in purchasing the Unsecured Notes, the Plaintiffs had no reasonable expectation that Lightstream had an obligation to maintain the price of the Unsecured Notes in a secondary market. As evidenced by the Offering Memorandum, there was no assurance under the 2012 Indenture that any

market would develop for trading in the Unsecured Notes, and any trading price that did develop for the Unsecured Notes could be volatile.

46. The Transaction was not oppressive or unfairly prejudicial, nor did it unfairly disregard the Plaintiffs' relevant interests. On the contrary, the Plaintiffs as holders of the Unsecured Notes have benefitted from the Transaction, as it benefits Lightstream.

No Breach of the Duty of Honest Contractual Performance or Good Faith

47. In reply to paragraph 48 of the Statement of Claim, Lightstream did not breach any relevant duty of good faith or honest contractual performance. Lightstream fully performed and continues to perform its obligations under the 2012 Indenture, and with regard to the Transaction, honestly and in good faith.

No Damages

48. In reply to paragraphs 39, 44 and 50(d) and to the whole of the Statement of Claim, the Plaintiffs have not suffered any damages caused by Lightstream. Lightstream has made, and continues to make, all payments of interest to the Plaintiffs pursuant to the terms of the 2012 Indenture and as accepted by the Plaintiffs when they purchased the Unsecured Notes.

No Basis for Injunctive Relief

49. In reply to paragraphs 42, 43 and 50(b) and (c) of the Statement of Claim, Lightstream denies that the Plaintiffs are entitled to any injunctive relief. The Transaction has already closed. The Transaction does not violate any of the Plaintiffs' rights or interests. The Plaintiffs have not suffered and will not suffer any irreparable harm arising from the Transaction and have purported to quantify their damages, which are denied, to the precise dollar amount of $4,524,375.00 (US). Injunctive relief would be a significant hardship for Lightstream, impractical, and would deprive Lightstream of the significant benefits it has achieved through the Transaction.

Remedy sought:

50. Lightstream asks that this action be dismissed with costs on a solicitor-and-own-client basis, or such other elevated basis as this Honourable Court deems just.

CONFIDENTIAL OFFERING MEMORANDUM

PETROBAKKEN

US$900,000,000 8⅝% Senior Notes due 2020

PetroBakken Energy Ltd.

The US$900,000,000 aggregate principal amount of 8.625% Senior Notes due 2020 offered hereby will bear interest at a rate of 8.625% per year from January 30, 2012 and will mature on February 1, 2020. Interest on the notes will be payable in arrears on February 1 and August 1 of each year, commencing August 1, 2012. The notes will be issued only in registered form in minimum denominations of US$2,000 and integral multiples of US$1,000 in excess thereof.

We may redeem the notes, at any time prior to February 1, 2016, at a price equal to 100% of their principal amount plus a make-whole premium as described in this offering memorandum. At any time on or after February 1, 2016, we may redeem the notes at the redemption prices specified in this offering memorandum. In addition, we may redeem up to 35% of the notes with the net cash proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. The notes may also be redeemed in whole but not in part, in the event of certain changes in taxation as described in this offering memorandum. We will be required to offer to purchase the notes if we experience specific kinds of changes of control or sell assets under certain circumstances.

The notes will be jointly and severally and unconditionally guaranteed by each of our restricted subsidiaries who are guarantors under our senior credit facility and certain future subsidiaries, as described in this offering memorandum. The notes and the related guarantees will be our and each guarantor's senior unsecured obligations and will rank senior in right of payment to any of our or such guarantor's future subordinated indebtedness, equal in right of payment with any of our or such guarantor's existing and future senior indebtedness, effectively junior in right of payment to our or such guarantor's existing and future secured indebtedness (including indebtedness under our senior credit facility), to the extent of the value of our or such guarantor's assets constituting collateral securing that indebtedness and effectively junior in right of payment to any indebtedness or liabilities (including trade payables) of any of our subsidiaries that do not guarantee the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 18.

Price per note: 99.500% plus accrued interest, if any, from January 30, 2012.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("*DTC*") for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about January 30, 2012.

The notes have not been and will not be registered under the Securities Act of 1933, as amended (the "*Securities Act*"). We are not required and do not intend to register, or to offer to exchange the notes for securities registered, under the Securities Act or the securities laws of any other jurisdiction. The notes may not be offered or sold except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The notes are not transferable except in accordance with the restrictions described under "Transfer Restrictions."

Neither the U.S. Securities and Exchange Commission (the "*SEC*") nor any state securities regulator has approved or disapproved of the notes, or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Global Coordinators and Lead Book-Running Managers

BofA Merrill Lynch — **Credit Suisse**

Joint Book-Runner

Co-Lead Managers

RBC Capital Markets — **TD Securities** — **CIBC** — **Scotia Capital**

Co-Managers

HSBC — **BMO Capital Markets** — **Desjardins Capital Markets**

Mitsubishi UFJ Securities — **SMBC Nikko** — **SOCIETE GENERALE**

The date of this offering memorandum is January 25, 2012.

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THE OFFERING

Set forth below is a brief summary of some of the principal terms of the notes. You should also read the information under the caption "Description of the Notes" later in this offering memorandum for a more detailed description and understanding of the terms of the notes.

Issuer	PetroBakken Energy Ltd.
Securities Offered	US$900,000,000 million aggregate principal amount of 8.625% Senior Notes due February 1, 2020.
Maturity Date	The notes will mature on February 1, 2020.
Interest	Interest on the notes will accrue at a rate of 8.625% per year, payable on February 1 and August 1 of each year, commencing on August 1, 2012.
Guarantee	The notes will be jointly and severally and unconditionally guaranteed by each of our restricted subsidiaries who are guarantors under our senior credit facility and certain future subsidiaries, as described in "Description of the Notes."
Ranking	The notes and the related guarantees will be our and each guarantor's senior unsecured obligations and will rank (i) senior in right of payment to any of our or such guarantor's future subordinated indebtedness, (ii) equal in right of payment with any of our or such guarantor's existing and future senior indebtedness, (iii) effectively junior in right of payment to our or such guarantor's existing and future secured indebtedness (including indebtedness under our senior credit facility), to the extent of the value of our or such guarantor's assets constituting collateral securing that indebtedness, and (iv) effectively junior in right of payment to any indebtedness or liabilities (including trade payables) of any of our subsidiaries that do not guarantee the notes. As of September 30, 2011, on an as adjusted basis after giving effect to the Transactions, we and the subsidiary guarantors would have had approximately $1.9 billion of indebtedness, of which approximately $689.5 million would have been secured, and our non-guarantor subsidiaries would have had no liabilities (including trade payables) and total assets of $5.0 million, and would have generated none of our consolidated revenue.
Mandatory Redemption	We will not be required to make mandatory redemption or sinking fund payments with respect to the notes.
Optional Redemption	We may, at our option, redeem all or part of the notes, at any time on or after February 1, 2016 at fixed redemption prices, as described under "Description of the Notes—Optional Redemption."

Risks Relating to the Notes and Our Indebtedness

Our level of indebtedness may reduce our financial flexibility and prevent us from meeting our obligations under the notes.

As of September 30, 2011, on an as adjusted basis after giving effect to the Transactions, we and our subsidiaries would have had approximately $1.9 billion of indebtedness outstanding. See "Capitalization" and "Description of Other Indebtedness."

Our level of indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be used to service our indebtedness;
- a high level of debt would increase our vulnerability to general adverse economic and industry conditions;
- the covenants contained in the agreements governing our outstanding indebtedness will limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- a high level of debt would make it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing other such indebtedness;
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; and
- we may be vulnerable to interest rate increases, as our borrowings under our senior credit facility are at variable rates.

Our level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the obligations under our debt and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

In addition to our current leverage, we may still be able to incur substantially more debt. This could exacerbate the risks that we face.

We may be able to incur substantial additional indebtedness in the future. The terms of our senior credit facility restrict and the indenture governing the notes will restrict, but will not completely prohibit, us from doing

so. Our available borrowing capacity under our senior credit facility at September 30, 2011 after giving effect to the Transactions would have been approximately $810.5 million. In addition, the indenture governing the notes will allow us to issue additional notes under certain circumstances which will also be guaranteed by the guarantors. The indenture governing the notes will allow us to incur certain other additional secured debt and will allow our subsidiaries that do not guarantee the notes to incur additional debt, which would be effectively senior to the notes. In addition, the indenture under which the notes will be issued will not prevent us from incurring other liabilities that do not constitute indebtedness. See "Description of the Notes" and "Description of Other Indebtedness." If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

Our senior credit facility contains, and the indenture governing the notes will contain, operating and financial restrictions that may restrict our business and financing activities.

Our senior credit facility contains, the indenture governing the notes will contain, and any future indebtedness we incur may contain, a number of restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to, among other things:

- make investments;
- incur additional indebtedness or issue preferred stock;
- create liens;
- sell assets;
- enter into agreements that restrict dividends or other payments by restricted subsidiaries;
- merge, consolidate or amalgamate or transfer all or substantially all of our assets;
- engage in transactions with our affiliates;
- pay dividends or make other distributions on capital stock or prepay subordinated indebtedness; and
- create unrestricted subsidiaries.

As a result of these covenants, we may be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

A failure to comply with the financial covenants in our senior credit facility or any future indebtedness could result in an event of default under our senior credit facility or our future indebtedness, which, if not cured or waived, could have a material adverse affect on our business, financial condition and results of operations. Our ability to comply with these financial covenants may be affected by events beyond our control. If an event of default under our senior credit facility occurs and remains uncured, the lenders thereunder:

- would not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- may have the ability to require us to apply all of our available cash to repay these borrowings; and

- may prevent us from making debt service payments under our other agreements.

A payment default or an acceleration under our senior credit facility could result in an event of default and an acceleration under the indenture for the notes. If the notes were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. In addition, our obligations under the senior credit facility are collateralized by liens and security interests on all of the assets and property of us and the guarantors under the senior credit facility, and if we are unable to repay our indebtedness under the senior credit facility, the lenders could seek to foreclose on our assets. See "Description of the Notes" and "Description of Other Indebtedness."

When our senior credit facility matures, we may not be able to extend, refinance or replace it.

Our senior credit facility has an earlier maturity date than that of the notes offered hereby. When the senior credit facility matures, we may need to extend or refinance it and may not be able to do so on favorable terms or at all. If we are able to extend or refinance maturing indebtedness, the terms of any refinancing or alternate credit arrangements may contain terms and covenants that restrict our financial and operating flexibility.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to service our debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, will depend upon our future operating performance, which is subject to general economic and competitive conditions and to financial, business and other factors, many of which we cannot control. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including our senior credit facility and the indenture governing the notes, may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our failure to generate sufficient funds to pay our debts or to undertake any of these actions successfully could result in a default on our debt obligations, which would materially adversely affect our business, results of operations and financial condition.

Because a significant portion of our operations are conducted through our subsidiaries, our ability to service our debt is partly dependent on our receipt of distributions or other payments from our subsidiaries.

A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to service our debt is partly dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are legally distinct from us and have no obligation to pay amounts due on our debt or to make funds available to us for such payment. The ability of our subsidiaries to pay dividends, repay intercompany notes or make other advances to us are subject to restrictions imposed by applicable laws, tax considerations and the agreements governing our subsidiaries. In addition, such payments may be restricted by claims against our subsidiaries by their creditors, including suppliers, vendors, lessors and employees.

Your right to receive payments on the notes is effectively subordinated to the rights of our and the guarantors' existing and future secured creditors.

Holders of our secured indebtedness and the secured indebtedness of the guarantors will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. Notably, we and the guarantors are, and certain future guarantors will be, parties to our senior credit facility, which is secured by liens on all of our and the guarantors' assets and property. The notes and the guarantees will be effectively junior in right of payment to our or any guarantor's existing and future secured indebtedness (including indebtedness outstanding under our senior credit facility), to the extent of the value of the assets constituting collateral securing such indebtedness. In the event of any distribution or payment of our or any guarantor's assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to assets constituting collateral securing such indebtedness. Holders of notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our or any guarantor's other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

As of September 30, 2011, on an as adjusted basis after giving effect to the Transactions, we would have had approximately $689.5 million of secured indebtedness outstanding (including letters of credit) under our senior credit facility and approximately $810.5 million of available borrowing capacity. In addition, we will be permitted to borrow secured indebtedness in the future under the terms of the indenture. See "Description of the Notes—Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" and "Description of the Notes—Covenants—Limitation on Liens."

Fraudulent transfer laws may permit a court to void the notes and the guarantees, subordinate claims in respect of the notes and the guarantees, and require noteholders to return payments received and, if that occurs, you may not receive any payments on the notes.

U.S. federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of any guarantees of the notes entered into upon issuance of the notes and subsidiary guarantees that may be entered into thereafter under the terms of the indenture governing the notes. Under U.S. federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or guarantees could be voided as a fraudulent transfer or conveyance if (1) we or any of the guarantors, as applicable, issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;
- the issuance of the notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;
- we or any of the guarantors intended to, or believed that we or a guarantor would, incur debts beyond our or such guarantor's ability to pay such debts as they mature; or
- we or any of the guarantors issued the notes or its guarantee, as applicable, to or for the benefit of an insider, or incurred such obligation to or for the benefit of an insider, under an employment contract and not in the ordinary course of business.

A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the notes or such guarantee if we or a guarantor did not substantially benefit directly or indirectly from the issuance of the notes or the applicable guarantee. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the guarantees would not be further subordinated to our or the guarantors' other debt.

Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

If a court were to find that the issuance of the notes or the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of ours or of the related guarantor, or require the holders of the notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.

Although each guarantee entered into by one of our subsidiaries will contain a provision intended to limit such guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes its guarantee worthless.

In Canada, the law with respect to fraudulent transfers, conveyances, preferences or transfers undervalue is similar to that described above regarding U.S. bankruptcy laws, although there are differences. Notably, in Canada, the principle of equitable subordination has been considered but has rarely been applied by the courts. Remedies are available under the Bankruptcy and Insolvency Act (Canada) (the "*BIA*"), the Companies' Creditors Arrangement Act (Canada) (the "*CCAA*") and provincial legislation to trustees, creditors of the debtor, a monitor appointed under the CCAA and other interested parties to void certain payments and transfers of property by the debtor as conveyances, preferences or transfers at undervalue. The applicable review periods generally depend on, among other things, whether the transfers and payments were made to a party dealing at arm's length with the debtor.

The notes will be structurally subordinated to claims of creditors of our non-guarantor subsidiaries.

The notes will be structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not guarantors under the notes. The indenture governing the notes will allow the non-guarantor subsidiaries to incur certain additional indebtedness in the future. Any right that we or the guarantors have to receive any assets

of any non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of the notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of those non-guarantor subsidiaries' creditors, including trade creditors and holders of preferred equity interests of those subsidiaries. Accordingly, in the event of a bankruptcy, insolvency, liquidation, reorganization or similar proceeding involving any non-guarantor subsidiary, such non-guarantor subsidiary will pay the holders of its debts, holders of its preferred equity interests and its trade creditors before it will be able to distribute any of its assets to us or the guarantors.

Canadian bankruptcy and insolvency laws may impair the enforcement of remedies under the notes.

The rights of the trustees to enforce remedies are likely to be significantly impaired by applicable Canadian federal bankruptcy, insolvency and other restructuring legislation in the event that we become bankrupt, or receivership or other restructuring proceedings are commenced with respect to us. For example, both the BIA and the CCAA contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and others. Under Canadian insolvency laws, a debtor is able to prepare and file a proposal or plan of compromise or arrangement to be voted on by the various classes of its affected creditors. A proposal, compromise or arrangement, if accepted by the requisite majorities of each affected class of creditors, and if sanctioned by the relevant Canadian court, would be binding on all creditors within each affected class regardless of whether they voted to accept the proposal or plan. The proposal or plan can result in any claims against the debtor company being compromised or extinguished. Moreover, these laws permit the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument during the period the stay against proceedings remains in place.

The powers of the court under the BIA and particularly under the CCAA have been exercised broadly to protect an entity attempting to restructure its affairs from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under the notes would be made during any Canadian proceedings in bankruptcy, insolvency (including receivership) or other restructuring, whether or when the trustees could exercise its rights under the indenture governing the notes or whether and to what extent holders of the notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursement of the trustees or whether, and to what extent, the obligations under the notes could be compromised in such proceedings.

We and the guarantors are formed under the laws of Canada and our principal place of business and the majority of our and the guarantors' assets are currently located in Canada. Therefore, Canada would be the more likely jurisdiction than the U.S. for the commencement of any bankruptcy or insolvency proceedings. Chapter 15 of the U.S. Bankruptcy Code and Part IV of the CCAA provide for the recognition of foreign insolvency proceedings. Courts in either jurisdiction have the authority to recognize a foreign insolvency proceeding as either a foreign main proceeding or a foreign non-main proceeding, on the proof of certain threshold requirements. In order for a Canadian court to recognize a U.S. insolvency proceeding as a foreign main proceeding, it would have to be satisfied, among other things, that the United States is the jurisdiction of the debtor's centre of main interest. In Canada, in the absence of proof to the contrary, a debtor company's registered office is deemed to be the centre of its main interest. Because our registered office is located in Canada, it is uncertain whether we would be an eligible debtor under the U.S. Bankruptcy Code and, if we were to seek protection under U.S. bankruptcy laws, it is uncertain whether such proceedings would be recognized by Canadian courts, particularly as a foreign main proceeding. Likewise, if we were to seek protection in the Canadian courts under Canadian bankruptcy and insolvency laws, it is uncertain whether an appropriate foreign representative would seek to commence an ancillary proceeding under Chapter 15 of the U.S. Bankruptcy Code and, if so, whether such foreign proceedings would be recognized by U.S. Bankruptcy courts as a foreign main or a foreign non-main proceeding.

There are significant restrictions on your ability to transfer or resell the notes.

The notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws. Therefore, you may transfer or resell the notes in the United States only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time.

In addition, the notes have not been and will not be registered under the Securities Act or any state securities laws, nor qualified under any Canadian provincial or territorial securities laws, nor have they been or will they be listed on any securities exchange or quoted in any automated dealer quotation systems, and as a result the notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. Further, a holder of the notes must not trade the security to a resident of Canada before the date that is four months and a day after the date of this offering memorandum. In addition, we will not be required to, nor do we intend to, register the notes under the Securities Act or Canadian provincial or territorial securities laws or offer to exchange the notes in an exchange offer registered under the Securities Act or Canadian provincial or territorial securities laws. As a result, for so long as the notes remain outstanding, they may be transferred or resold only in accordance with the transfer restrictions described under "Notice to Investors" and a holder of the notes may not be able to sell such holder's notes at the time the holder wishes or at a price that is acceptable to the holder. Accordingly, you may be required to bear the risk of your investment for an indefinite period of time.

You should read the discussion under the headings "Notice to Investors" and "Transfer Restrictions" for further information about these transfer restrictions. It is your obligation to ensure that your offers and sales of notes comply with applicable securities laws. Furthermore, holders of the notes will only be entitled to receive the information about us specified under the section entitled "Description of the Notes—Covenants—Reports."

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

The definition of change of control in the indenture that will govern the notes includes a phrase relating to the sale of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

Upon a change of control, we may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes, which would violate the terms of the notes.

Upon the occurrence of a change of control, holders of the notes will have the right to require us to purchase all or any part of such holders' notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase. There can be no assurance that either we or our subsidiary guarantors would have sufficient financial resources available to satisfy all of our or their obligations under these notes in the event of a change in control. Our failure to purchase the notes as required under the indenture would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See "Description of the Notes—Repurchase of the Option of Holders—Change of Control."

Your ability to enforce civil liabilities in Canada under U.S. securities laws may be limited.

We and all of the guarantors are incorporated or otherwise formed under the laws of Alberta. We have our head office in Calgary, Alberta, Canada. All of our officers and directors, and all of the experts named herein, are residents of Canada and a substantial majority of our assets and all such persons may be located outside the United States.

Furthermore, it may be difficult or impossible for you to effect service of process within the United States upon us or the guarantors or our or their directors, officers and experts who are not residents of the United States, or to realize within the United States upon judgments obtained in United States courts predicated upon civil liability provisions of federal securities laws or other laws of the United States against us or them because a substantial majority of our assets and the assets of the guarantors and a substantial portion of the assets of these persons are located in Canada. In addition, there is doubt as to the recognition and enforceability in Canada against us or the guarantors or against our or their directors, officers or experts who are not residents of the United States in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities based solely upon the federal securities laws of the United States.

A lowering or withdrawal of the ratings assigned to the notes by rating agencies may increase our future borrowing costs and reduce our access to capital.

The notes currently have a non-investment grade rating, and there can be no assurance that any rating assigned by the rating agencies will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of the ratings assigned to the notes by rating agencies may increase our future borrowing costs and reduce our access to capital, which could have a material adverse impact on our financial condition and results of operations.

We cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or to arrange for quotation of the notes on any automated dealer quotation system. We have been informed by the initial purchasers that they intend to make a market in the notes after the offering is completed. However, the initial purchasers are not obligated to make a market in the notes and, if commenced, may cease their market-making at any time without notice.

In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case, you may not be able to sell your notes at a particular time, or you may not be able to sell your notes at a favorable price.

We will only distribute the notes in Canada under exemptions from the registration and prospectus requirements of the securities laws of the provinces where they are sold. The notes may only be traded in Canada in accordance with exemptions from the registration and prospectus requirements of applicable securities laws, which vary depending on the province. In particular, holder of the notes must not trade the security to a resident of Canada before the date that is four months and a day after date of this offering memorandum.

The market price for the notes may be volatile.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions, and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

TAB C

NORTON ROSE FULBRIGHT

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2

F: +1 403.264.5973
nortonrosefulbright.com

Howard A. Gorman QC
+1 403.267.8144
howard.gorman@nortonrosefulbright.com

July 6, 2015

Sent By E-mail

Lightstream Resources Ltd.
Eighth Avenue Place
Calgary, Alberta
T2P 1GT1

Attention: John D. Wright, President and CEO

Dear Mr. Wright:

Re: Lightstream Resources Ltd. (Lightstream or the Company)

We write on behalf of our client FrontFour Capital Group LLC, in its capacity as investment advisor to funds that it manages (collectively, **FrontFour**) and which, collectively, beneficially owns a substantial principal amount of the Company's outstanding 8.625% unsecured senior notes due 2020 (the **Unsecured Notes**). FrontFour has reviewed the Company's recent press release dated July 2, 2015 (the **July 2 Press Release**) in which the Company made the surprising announcement that it had entered into a privately negotiated agreement (the **Refinancing Transaction**) with certain but not all of the holders of Unsecured Notes. Specifically, the Refinancing Transaction contemplates, among other things:

(a) the exchange of a total of US$465 million Unsecured Notes with an aggregate amount of US$395 million newly issued 9.875% second-lien secured notes due June 15, 2019 (the **Secured Notes**) representing an exchange ratio of Unsecured Notes to Secured Notes of 1.00:0.85; and

(b) the issue to the same parties of an additional US$200 million in Secured Notes for cash.

The apparently calculated timing of the Company's announcement regarding the Refinancing Transaction, coming shortly before the national Fourth of July holiday in the United States and the Calgary Stampede in Alberta, together with the fact that the Refinancing Transaction was announced as a "fully baked" deal with only certain holders of Unsecured Notes participating, are troubling to our client. Our client is greatly concerned that the Company and its advisors have arranged this transaction with a preferred group of holders of Unsecured Notes to the exclusion of other potentially interested noteholders. Based on the July 2 Press Release, the terms and conditions of the Refinancing Transaction appear to be unconscionably favourable to participating holders of Unsecured Notes who will receive the Secured Notes, to the financial detriment and in an oppressive manner toward the reasonable expectations of the excluded non-participating noteholders, including FrontFour. This is clearly evidenced by the fact that the Unsecured Notes have traded significantly down today, with prices falling by approximately twenty percent.

To be clear, our client considers that the disclosed terms of the Refinancing Transaction are attractive and our client would be willing to participate in the Refinancing Transaction on the same basis as the undisclosed parties who are to be issued Secured Notes in the Refinancing Transaction.

If the Company's intention is to consummate the Refinancing Transaction with only certain holders of Unsecured Notes and to exclude other interested holders of Unsecured Notes of the same class (such as FrontFour), our

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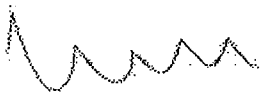
client will consider the Company's actions to exclude our client following its willingness to participate in the Refinancing Transaction on the same basis as other noteholders of the same class to be oppressive or unfairly prejudicial to or which unfairly disregards the interests of FrontFour, as an excluded holder of Unsecured Notes. We would fully expect that the proposed Refinancing Transaction would offend the oppression provisions of the *Business Corporations Act* (Alberta) and would be subject to Court review, intervention and sanction.

We would be pleased to discuss these concerns further with you and your advisors and finalize on an expedited basis appropriate documentation which would permit FrontFour to participate in the Refinancing Transaction. We look forward to hearing your response to this letter by no later than close of business (Calgary time) on **Wednesday July 8, 2015** failing which our client has instructed us to take appropriate next steps so as to preserve and protect its rights and entitlements, including without limitation the initiation of legal proceedings against the Company.

Yours truly,

NORTON ROSE FULBRIGHT CANADA LLP



Per: Howard A. Gorman QC
Senior Partner

Copies to: Client
Peter D. Scott, *Senior Vice President and Chief Financial Officer, Lightstream Resources Inc.*
Richard Grudzinski, *RBC Capital Markets, LLC*
Walied Soliman, *Norton Rose Fulbright Canada LLP*

TAB D

00120

Q. Okay. Now, I understand that you generally have a call for investors after the conclusion of each quarter?

A. Correct.

Q. Okay. And am I correct in understanding that Lightstream cancelled its first quarter call in 2015?

A. Correct.

Q. Can you help me with why that first quarter call was cancelled?

A. Because our bank redetermination wasn't concluded at that point, and that would have been the primary piece of news that people would have wanted to be able to discuss with us.

TAB E

From:	Kirsch, David <dkirsch@mudrickcapital.com>
Sent:	Wednesday, June 10, 2015 11:37 AM
To:	Sahl, Kevin <ksahl@mudrickcapital.com>; Mudrick, Jason <jmudrick@mudrickcapital.com>
Cc:	Mactaggart, Josh <jmactaggart@mudrickcapital.com>
Subject:	RE: LTSCN

I emailed the CEO/CFO again this morning. Hopefully we can get on the phone with them shortly. After meeting with CEO last week, feel more confident than before that the value is there, only concern is if they did some 2nd lien deal which disadvantaged us.

From: Sahl, Kevin
Sent: Wednesday, June 10, 2015 11:25 AM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

LTSCN: bonds are trading at 70 and are offered there. That's down about 50 bps on the week.

From: Sahl, Kevin
Sent: Tuesday, May 26, 2015 10:02 AM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

Lightstream is down on the reduced borrowing base news (came out last week but people are focused on it today). Bonds are ~74-75, down from a 77.5 type context on Friday.

From: Sahl, Kevin
Sent: Wednesday, April 15, 2015 11:22 AM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

LTSCN: 76.625-77.625, up 2 points

From: Sahl, Kevin
Sent: Wednesday, April 08, 2015 2:50 PM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

GMP has $5mm bonds at 75.75, same price as yesterday.

From: Sahl, Kevin
Sent: Tuesday, April 07, 2015 2:21 PM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

Credit Suisse got lifted on the $10mm LTSCN at 75.75; Cantor believes it is their buyer. So around $30+mm has traded today.

From: Sahl, Kevin
Sent: Tuesday, April 07, 2015 1:47 PM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

CS just showed me $10mm LTSCN at 75.75. Not sure if this is the same seller who just sold a block at Cantor.

From: Sahl, Kevin
Sent: Tuesday, April 07, 2015 1:21 PM
To: Mudrick, Jason
Cc: Mactaggart, Josh; Kirsch, David
Subject: RE: LTSCN

We got $1mm as part of a 20mm+ trade, paying 75.5.

From: Mudrick, Jason
Sent: Tuesday, April 07, 2015 1:14 PM
To: Sahl, Kevin
Cc: Mactaggart, Josh; Kirsch, David
Subject: Re: LTSCN

Yes, let's get what we need to be filled as part of that trade.

Jason Mudrick
Mudrick Capital Management, LP
646-747-9501 (w)
917-774-6005 (c)
Jmudrick@mudrickcapital.com

On Apr 7, 2015, at 12:56 PM, Sahl, Kevin <ksahl@mudrickcapital.com> wrote:

> Cantor is going to trade $20mm 75.25-75.5 out of one seller and into one buyer. I told them we want $1mm of that trade. It sounds like if we don't want it, the other buyer will take it. I'll let you know how it works out.
>
> **Kevin Sahl**
> Mudrick Capital
> 477 Madison Avenue, 12th Floor
> New York, New York 10022
> P: 646-747-9506
> M: 646-279-7863
> E: ksahl@mudrickcapital.com
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